

2019

UNIVERSAL REGISTRATION
DOCUMENT

ANNUAL FINANCIAL REPORT



LE GROUPE LA POSTE

€26 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** engaged in a transformation process: its ambition is to enrich its traditional mail offer, to be an important player in the surge in e-commerce and urban logistics, to develop a European banking and insurance group, to create new proximity services and to position itself as a trusted third party for digital services for everyone.

MORE THAN 249,000
employees



UNIVERSAL REGISTRATION DOCUMENT 2019

ANNUAL FINANCIAL REPORT

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

The universal registration
document can be viewed
and downloaded on the website
www.groupelaposte.com


LE GROUPE LA POSTE

AUTORITÉ
DES MARCHÉS FINANCIERS
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This universal registration document was filed with the French Financial Markets Authority (*Autorité des marchés financiers* - AMF) on 16 March 2020 in its capacity as the competent authority under Regulation (EU) No. 2017/1129, without prior approval, in accordance with Article 9 of said regulation.

The Universal registration document may be used for the purpose of a public offering of securities or the admission of securities to trading on a regulated market provided it is completed by a securities note and, where appropriate, a summary and all amendments made to the Universal registration document. These documents are subject to approval by the AMF in accordance with Regulation (EU) No. 2017/1129.



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**“ We are writing
a new page in
our history by
taking part in the
creation of a large
public financial pole.
And we remain faithful
to our mission: to serve
the general interest. ”**

MESSAGE DU PRÉSIDENT **PHILIPPE WAHL**



Président-Directeur Général du Groupe La Poste

2019, a founding year for the future of Le Groupe La Poste

In 2019, Le Groupe La Poste demonstrated the robustness of its multi-business model. Its transformation progressed with the ambition of becoming the No. 1 proximity services company.

2019 was a good year in terms of results.

The Group's revenue was up 5.2%, with all Group business activities increasing. These results are all the more satisfactory, occurring as they do in a challenging economic environment, marked by an acceleration in the decline in mail volumes, persistently low interest rates, the decrease in post office traffic and pressure on parcel margins throughout Europe. Despite these headwinds, 2019 affirmed itself as a year of positive growth. This performance demonstrates the power of our multi-business model and allows us to continue with our investments. These reached €2.4 billion in 2019 and have made it possible to accelerate the modernisation of our industrial facilities, the diversification of business activities, international deployment and the training of our employees.

2019 was also a founding year for the future of the Group because we have taken decisive steps in the realisation of historic projects. The strategic equity alliance between La Poste and Caisse des Dépôts and that of La Banque Postale with CNP Assurances, which took place on 4 March 2020, will allow us to continue to diversify our strategic model, and La Banque Postale to complete its own by adopting an integrated banking and insurance model. We are thus writing a new page in our history by taking part in the creation of a large public financial pole. And we remain faithful to our mission: to serve the general interest.

Another structuring project, the acquisition of BRT, the leading parcel operator in Italy, is a major step forward. International now accounts for more than 30% of the Group's consolidated revenue. In 2019, GeoPost celebrated its twentieth anniversary and achieved revenue of €7,768 million. The expansion of our services goes beyond the borders of Europe and is intensifying today in Asia with the acquisition of a majority stake in Lenton in Hong Kong, the deployment of the DPD franchise in China and the development of Ninja Van in Southeast Asia.

To meet the needs of our customers and the societal challenge of an ageing population, our local services are developing and in 2019 represented €495 million in full-year revenue. La Poste has also become the first supplier of digital identity to be certified by the French National Cybersecurity Agency, at substantial level, thus consolidating our positioning as a trusted third party. Finally, with the acquisition of Softeam, La Poste is now able to offer a full range of support for digital transformation to its customers, businesses and the public sector. These developments are markers of our policy of diversification and desensitisation to traditional mail. The latter still represented more than half of our revenue ten years ago. It should drop below 20% in 2020.

Across all of its activities, our Group acts as a responsible player, with a sustainable approach to its products and services. Since 2012, La Poste has been carbon neutral and is working today with 19 cities to decarbonise the delivery service of tomorrow in city centres. The acquisition of the company Économie d'Énergie also strengthens our action to support the energy renovation of private homes. Finally, in terms of finance, La Banque Postale is committed to managing 100% SRI assets by the end of 2020.

All of this would not have been possible without the professionalism and daily commitment of La Poste's employees. If human proximity is our primary asset, it is the women and men of La Poste who embody it every day throughout the country, in contact with our customers and our partners and at the service of society as a whole.

In 2020, the economic environment will remain challenging but we will continue our transformation. It will be both the last year of our "La Poste 2020: Conquering the future" strategic plan and that of the development of our new plan for 2030. This will be built with all of our stakeholders, a large-scale system that will involve La Poste employees, our customers, elected officials, our suppliers, etc.

Because La Poste is at the heart of French life, it is essential for us to know what everyone expects of us in order for us to be able to build the future of our Group.



KEY FIGURES FOR 2019

MORE THAN 80%
of employees trained
during the year

€1.7 billion
in investments for
development

€889 M
in operating profit

+23%
in outstanding loans
to legal entities

17,033
La Poste retail outlets



€26 billion
in revenue

30%
of revenue
generated abroad

**MORE THAN
16,500**
electric vehicles

MORE THAN 1.7 billion
parcels delivered by Colissimo and GeoPost

€379 billion
in revenue generated by
new services and the *Silver* economy



OVERVIEW OF LE GROUPE LA POSTE

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1.1 Profile of Le Groupe La Poste

OVERVIEW: A MAJOR MULTI-BUSINESS SERVICES GROUP

Le Groupe La Poste is a major French services group, with revenue of €26.0 billion in 2019, of which 30.3% was generated abroad, and an operating profit of €889 million. 66%-owned by Caisse des Dépôts and 34%-owned by the French State following the completion of the transactions relating to the creation of a large public financial pole on 4 March 2020, Le Groupe La Poste has 249,304⁽¹⁾ employees, of whom almost 15% are employed outside France.

Comprising 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 (46.5% of the Group's consolidated operating revenue) brings together the traditional postal delivery activities, *i.e.* delivering business mail and advertising, press and parcel post (see Section 1.6). It also provides cross-border mail and small parcel delivery solutions. It is actively developing its local services business (including the postman's new services) as well as new services for the elderly (Silver economy);
- the GeoPost business unit (29.6% of the Group's consolidated operating revenue), a 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 Section 1.7). 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 (21.6% of the Group's consolidated operating revenue), a wholly owned subsidiary of Le Groupe La Poste, trades in three fields: retail banking in France, insurance and asset management. With a customer base of 10.5 million active individual customers and almost 354,000 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 Section 1.8);
- La Poste Network comprises the 17,033 La Poste retail outlets which market postal, financial and telephone products and services to retail customers in France (see Section 1.9). It is wholly owned (post offices) or owned in partnership with local authorities and shopkeepers;
- The Digital Services business unit (2.1% of the Group's consolidated operating revenue) 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 Section 1.10).

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 28.5%⁽²⁾ million French households six days a week, thus helping maintain or create social interaction and consolidating the Group's position as a player in 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 Section 1.11).

Furthermore, the French State has entrusted four public service missions to the Group. These missions are central to the Group's identity and illustrate its key role as a 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 Section 1.14.2) – 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; the current 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. In fact, for 500 years, the Group 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 as strong as ever before 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 people 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 headcount in full-time equivalents.

(2) Source: Insee - 2017.

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

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 much earlier, 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 in 1881, the first financial activities were extended to managing passbook savings accounts. In 1918, postal cheques were introduced.

The key organisational principles 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 covering the entire country and the establishment of a rural service in 1830 providing postal services in the countryside, with daily delivery beginning in 1832.

1923

In 1923, the Ministry of Post and Telecommunications was granted a separate budget within the overall French State budget, a situation that would continue under the Organic Finance Act of 1959.

1991

In 1991, La Poste and France Telecom were granted legal entity status and financial autonomy under Act No. 90-568 of 2 July 1990 on the restructuring of the postal and telecommunications public service. As a result, La Poste became a public sector operator. In 1998, the French Council of State confirmed La Poste's status as a public industrial and commercial establishment (Établissement public à caractère industriel et commercial – EPIC). Since 1990, it has been governed by a tripartite Board of Directors operating under the provisions of the act on democratisation of the public sector. The act 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. La Poste's major strategic priorities were laid down in plans agreed with the French State. These plans defined both La Poste's strategy and the objectives for achieving the public service missions entrusted to the Company.

2003 – 2007

Under the "Performance and Convergence" agreement, 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, rolling out a European network for its express operations, and continued to eliminate the competitive obstacles that the Group had inherited from its past as a government service. This final step was achieved in particular by creating La Banque Postale in 2005 and by reforming the funding of the pensions of La Poste's civil servants in 2006.

Between 2003 and 2008, the Group's business portfolio proved 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.

2008 – 2013

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 passing of the NER Act⁽²⁾, 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 containing 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 the same year, the French Government instructed 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 that €2.7 billion were needed and proposed transforming La Poste into a public limited company (*société anonyme* – SA).

On 9 February 2010, these proposals resulted in the adoption of the act which transformed La Poste into a public limited company as of 1 March 2010. This change in legal form allowed La Poste to hold 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. The act sets out the principles underpinning the change in legal form: the continuity between La Poste and La Poste SA in terms of legal and financial matters and with regards to property is assured, and the employees retain their rights, particularly those with civil servant status. In addition, all of La Poste SA's share capital must be held by the French State, by legal entities belonging to the public sector, or by La Poste employees, where applicable.

Lastly, the Act 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 Act of 2 July 1990 as amended, had already been guaranteed by the Act of 20 May 2005 on regulation of the postal business, which had also instituted 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.

In 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 modernised and pooled the resources used by its distribution network. It deployed one of the first European express networks. Lastly, it developed a comprehensive retail banking offering. 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. The financial and economic crises starting in 2008 have also changed the marketplace.

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.

Following the €2.7 billion capital increase adopted by the Board of Directors in February 2011, the Group welcomed a new shareholder alongside the French State: Caisse des Dépôts (CDC). The capital increase was paid in three instalments over the period.

2014

In January, after completing its vast participatory undertaking, 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 around 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.

2018

In August, the Minister of the Economy and Finance announced the strategic equity alliance project between La Poste and CDC, with the goal of providing Le Groupe La Poste with the means to step up its development in the service of its customers, and strengthening its capacity to perform the public service missions entrusted to it by the French State within the framework of its Public Service Agreement. The project also provides for a strategic equity alliance between La Banque Postale and CNP Assurances, with the aim of developing a comprehensive bancassurance model allowing it to pursue its long-term development.

2019

In May, the adoption by the French Parliament of the French Act for Business Growth and Transformation makes it possible to create a large public financial pole.

2020

On 4 March 2020, CDC becomes the majority shareholder of La Poste with 66% of the capital, the French State retaining a 34% stake. At the same time, La Banque Postale becomes the majority shareholder of CNP Assurances, with a 62.1% stake in its capital.

1.3 Selected financial information

The 2019 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 information, included in Chapter 5 of the Universal registration document:

- the consolidated financial statements;
- the review of the Group's financial position and result;
- the cash flow analysis.

1.3.1 CONSOLIDATED INCOME STATEMENT (SELECTED DATA)

(in millions of euros)	2019		2018	
Operating revenue	25,983	100%	24,699	100%
Operating profit/(loss) after share in results of joint ventures	889	3.4%	892	3.6%
Financial profit/(loss)	(225)	-0.9%	(186)	-0.8%
Profit before tax of consolidated companies	664	2.6%	706	2.9%
Income tax	(134)	-	(161)	-
Share in profits of associates	305	1.2%	291	1.2%
Attributable to non-controlling interests	13	-	39	-
NET PROFIT/(LOSS), GROUP SHARE	822	3.2%	798	3.2%

1.3.2 CONSOLIDATED BALANCE SHEET (SELECTED DATA)

(in millions of euros)	2019	2018
Intangible assets (including goodwill)	4,122	3,838
Property, plant and equipment	6,039	5,989
Rights of use assets	2,582	-
Investments in joint ventures and associates	4,384	3,982
Current banking assets	265,168	239,203
Other assets	8,705	8,498
TOTAL ASSETS	291,000	261,509
Equity, group share	12,624	12,014
Provisions for contingencies and losses	3,239	3,347
Current banking liabilities	255,527	230,798
Other liabilities	19,610	15,351
TOTAL LIABILITIES	291,000	261,509
Net debt	6,462	3,442
Net debt/Equity ratio	51.2%	28.7%

Net debt is defined in Section 5.2 and its calculation is detailed in Note 29 to the consolidated financial statements (See Section 5.2). Comments on changes to Group net debt are provided in Section 5.2.

1.3.3 CHANGES TO GROUP NET DEBT (SELECTED DATA)

<i>(in millions of euros)</i>	2019	2018
EBITDA	1,204	605
Cash flows from operating activities	1,988	962
<i>Of which dividends received from La Banque Postale^(a)</i>	356	408
Cash flows from investing activities (excluding financial assets held for cash investment purposes)	(1,493)	(904)
Issue of perpetual hybrid subordinated notes ^(b)	-	744
Dividends paid to shareholders	(221)	(171)
Non-cash changes in lease liabilities (IFRS 16)	(664)	-
Net financial interest expense ^(c)	(213)	(157)
Other	53	(96)
CHANGE IN NET DEBT⁽¹⁾	(551)	378

(a) Including interest received on La Banque Postale's undated subordinated notes (€29 million).

(b) See Note 1.4 to the consolidated financial statements.

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

1.3.4 KEY BANK FIGURES

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

<i>(in %)</i>	2019	2018
Balance sheet total <i>(in billions of euros)</i>	272	245
Common Equity Tier 1 ratio ^(a)	12.2%	11.7%
Loan to deposit ratio ^(b)	90%	86%

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

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

- (1) Although the Group's net debt helps finance the entire Group, and especially the 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 regard to the banking activities.
- (2) The impact of the first-time adoption of IFRS 16 on net debt amounts to 2,524 million euros.

1.4 Strategy



Societal changes drive several movements today: urbanisation, digitalisation, demographic ageing, environmental and climatic transition.

Faced with these societal challenges, Le Groupe La Poste provides its expertise as a provider of local and trusted services that are

accessible to all, ethical, neutral and sustainable, thanks to the strength of its local relations and its ability to articulate innovation and social utility.

La Poste has identified four major transitions, which are both challenges and opportunities:

FOUR MAJOR TRANSITIONS IN WHICH LA POSTE IS CURRENTLY ACTIVE



REGIONAL TRANSITION

Working to bring regions closer together and to improve the quality of relations between users, the French State and local communities.



ENVIRONMENTAL AND ENERGY TRANSITION

Supporting environmental transitions by transforming mobility, rethinking energy practices and preserving resources.



DEMOGRAPHIC AND SOCIAL TRANSITION

Supporting the demographic transition by becoming a leader in the Silver economy, based on trust and proximity.



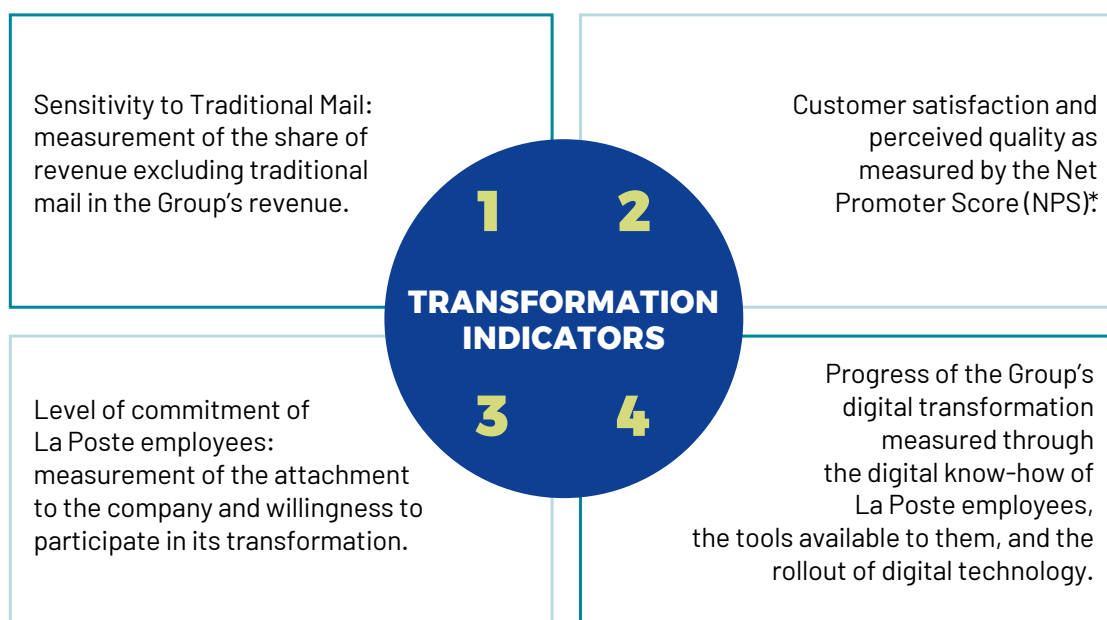
DIGITAL TRANSITION

Ensuring trust in the digital world as a player respectful of the privacy and security of individuals.

In this context, 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.

To track its progress in transforming its business model, La Poste has set the following four transformation indicators:

FOUR TRANSFORMATION INDICATORS



* The NPS is a demanding and recognised indicator, scored and calculated after each interaction between La Poste and a customer, to assess the customer's satisfaction level.

The main guidelines of the "La Poste 2020: Conquering the future" strategic plan are expressed in five strategic priorities, which are then translated into the strategy of each of the Group's business units:

Development

Le Groupe La Poste's model is organised around five business units in a range of markets (mail, parcels/express, home-based services, banking and insurance, and Digital Services). This 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 business lines.

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.

For the Group's different business units, this entails:

- accelerating the development of existing activities with the aim of speeding the growth of each of the Group's business units, by expanding their business lines to foreign countries or by adding new ones;
- conquering new markets, particularly in the area of local services. This strategic direction is reflected in the services offered in French homes and in the digital services that are based

on La Poste's role as a trusted third party (the digital safe, for example);

- implementing a selective external growth policy aimed at accelerating Le Groupe La Poste's diversification, particularly in the areas of the Silver economy and e-health.

Over the 2014-2019 period, the Group has accelerated the development of its existing activities with an increase in revenue of more than 17%.

This development was marked by the steady growth in the parcel business and local services, the transformation of the Network, the acceleration of retail banking activities, and the digitalisation strategy.

However, the Group's model remains sensitive to a decline in Mail volumes (decrease in addressed mail volumes of 7.8% in 2019 and 7.3% in 2018 at equivalent working days), which is stronger than expected.

The medium-term goal remains to generate more than 80% of its revenue outside the traditional mail business.

In this context, Le Groupe La Poste has conquered new territories, reducing the share of traditional mail in its revenue to 25.6% in 2019 compared with 36% in 2014. The Group has enhanced its digital expertise and developed its activities in the Silver economy and in home healthcare services.

At the same time, the Group has also strengthened its international positions, with 30.3% of its 2019 revenue generated outside France, mainly in the express parcel segment, thanks to a selective policy of external growth and partnerships.

The creation of a large public financial pole providing services in every region and the creation of a large bank-insurance group complete this transformation.

Performance through cost control

Each year, the Group adapts its operating costs to take into account the evolution of its activities and efficiently restructures its support functions, both at the local and the national level.

A major effort is being made to reduce structural costs, in particular by consolidating headquarters and pooling support functions.

The constant efforts to control costs have enabled the Group to improve its competitiveness: the Group's operating profit increased by 23.6% over the 2014-2019 period.

The active development of synergies and cooperation between the business units in the service of development: for example through the implementation of a single commercial management system between the employees of the Network, La Banque Postale and the Mail-Parcels activities; or the development of the delivery of Chronopost products by postmen.



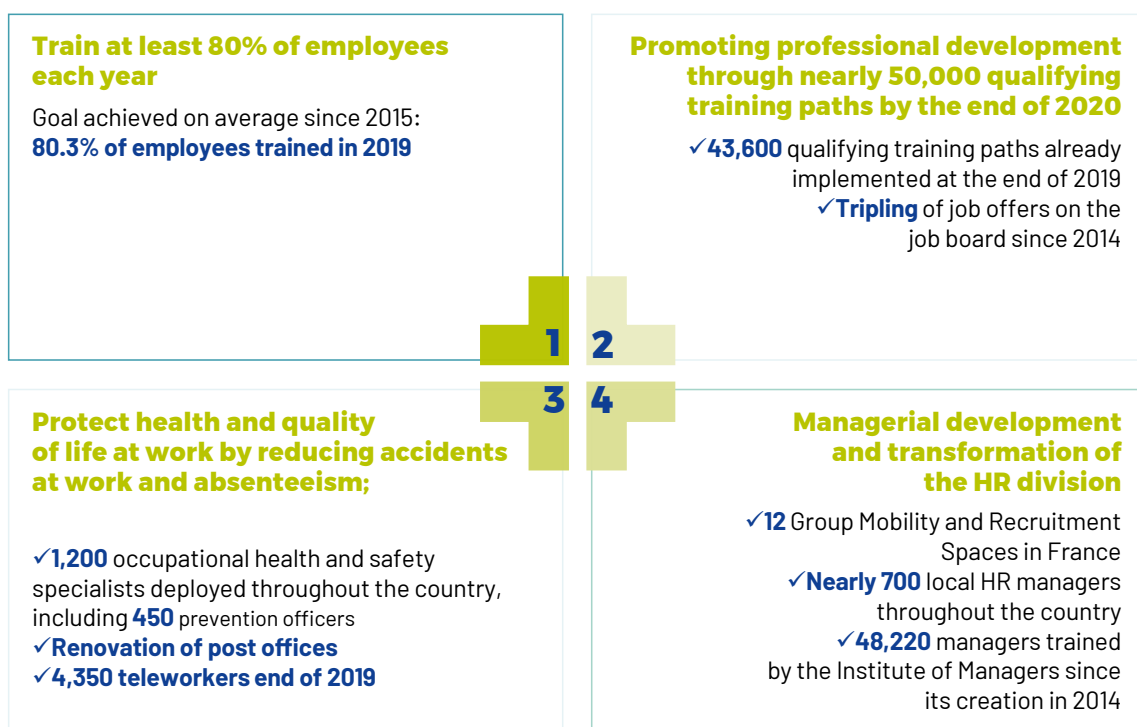
Labour-management agreement

The labour-management agreement ("Le pacte social") aims to make each La Poste employee a stakeholder and beneficiary of this transformation.

La Poste has opted for a strong social model based on quality jobs, equal opportunities, diversity and support for career paths.

The labour-management agreement is built around four main objectives:

IMPLEMENTATION OF THE FOUR OBJECTIVES OF THE LABOUR-MANAGEMENT AGREEMENT



The labour-management agreement is nurtured by labour-management dialogue at all levels of the Company: 54 national agreements have been signed since 2015 and nearly 700 local agreements in 2019.

Public service missions, at the heart of Le Groupe La Poste's identity

Le Groupe La Poste has decided to invest in new fields of general interest based on the values of trust and accessibility. 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 was signed in January 2018.

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: universal postal service, press transport and delivery, contributing to regional planning and development, and banking accessibility.

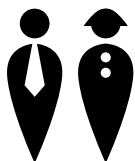
These missions are essential components of the Group's identity and express its contribution to the development of policies in the interest of the public and society at large.

During the implementation of the "Conquering the future" strategic plan, Le Groupe La Poste carried out these public service missions and modernised them at the same time. In addition, in the 2018-2022 Public Service Agreement, citizen commitments were defined in order to:

- support the development of the digital society;
- develop local services;
- act in favour of sustainable and responsible development (social, societal and environmental).

To carry out its strategic plan successfully, Le Groupe La Poste relies on powerful assets:

FIVE STRENGTHS ON WHICH LA POSTE RELIES



The commitment of its employees

The 249,304 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.



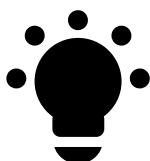
The usefulness of its activities

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.



The coverage of its network

La Poste has many assets. Its 17,033 La Poste retail outlets, its customer services representatives present throughout France, its 70,000 connected postmen and its property assets spanning almost 7,6 million square metres are all illustrations of this.



Its culture of change

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 50% in the last ten years, and visits to post offices are declining by 5% every year).



Its customer knowledge

La Poste's customer knowledge enriches its understanding of the expectations of its customers, allowing it to offer them the most adapted solutions to their needs.

Le Groupe La Poste has identified six growth waves that represent opportunities for its transformation:

SIX GROWTH WAVES AND OPPORTUNITIES EMBRACED BY THE GROUP

DIGITISATION OF EXCHANGES RISE OF E-COMMERCE	>	E-commerce creates new service requirements for which La Poste has developed innovative, high value-added solutions for businesses (BtoB) and private individuals (BtoC), both at home and away from home.
URBAN LOGISTICS	>	La Poste sees the city of the future as one that is at once smart and sustainable, and that wants to limit pollution, traffic congestion and noise pollution. The Group is implementing innovative and clean delivery solutions over the last mile in major cities, relying on structures such as urban logistics hotels.
SILVER ECONOMY	>	Longer life expectancy and the desire of elderly to stay in their homes is prompting new demand for local services. La Poste is meeting this demand for proximity services by providing home healthcare services (with Asten Santé), and is developing its "Watch Over My Parents" offer.
DIGITAL COMMUNICATIONS	>	The prevalence of digital technologies raises ethical concerns about the security of exchanges and the processing of personal data. La Poste is a trusted digital third party that develops technologies that are secure, respectful of data and user friendly, notably through its Digiposte+ digital safe and its digital identity offer.
MODERNISATION OF PUBLIC SERVICE ACTIVITIES	>	In order to improve relations between local authorities and citizens and to simplify administrative tasks, La Poste has developed solutions such as digital platforms for managing relationships with citizens and users and has successfully introduced written driving licence tests at postal sites, paving the way for further initiatives.
ENERGY TRANSITION	>	La Poste is a player in the energy transition through its property assets and vehicle fleet. In particular, it owns one of the world's largest fleets of electric vehicles, has a neutral carbon footprint and offers a range of products and services focused on renovation work geared towards reducing energy consumption, notably through its majority stake in the Economie d'Energie group (EDE).

Le Groupe La Poste is addressing these growth waves as part of the preparation of its new Strategic Plan for 2030, which will be developed over the course of 2020 with the involvement of all stakeholders.



The strategic equity alliance between La Poste and Caisse des Dépôts: new opportunities for joint actions in the public service

A new stage in the Group's transformation has just been completed: on 4 March 2020, the strategic equity alliance between La Poste and Caisse des Dépôts (CDC) was finalised.

La Poste is now majority owned by Caisse des Dépôts (66%) and the French State (34%).

CNP Assurances, whose multi-partner model has been reaffirmed, is now 62.1%-owned by La Banque Postale.

The strategic equity alliance between La Poste and Caisse des Dépôts around a shared industrial project to serve the French people and the regions resulted in the creation of a major banking and insurance group, a specific commitment to a new stage in the Group's transformation and the launch of shared initiatives to serve everyone, which in France has six focus areas:

SIX AXES OF CONNECTION LA POSTE - CAISSE DES DÉPÔTS

REGIONAL DIVIDE

Expanding the network of Maisons de Services au Public (public service areas)

PUBLIC FINANCIAL GROUP

Representing the general interest and meeting the needs of local authorities and companies

ENVIRONMENTAL AND ENERGY TRANSITION

Being an exemplary player and a provider of offers at the service of environmental and energy transition

URBAN LOGISTICS

Accelerating the implementation of last-mile delivery solutions using green modes of transport

DIGITAL TRANSFORMATION OF REGIONS

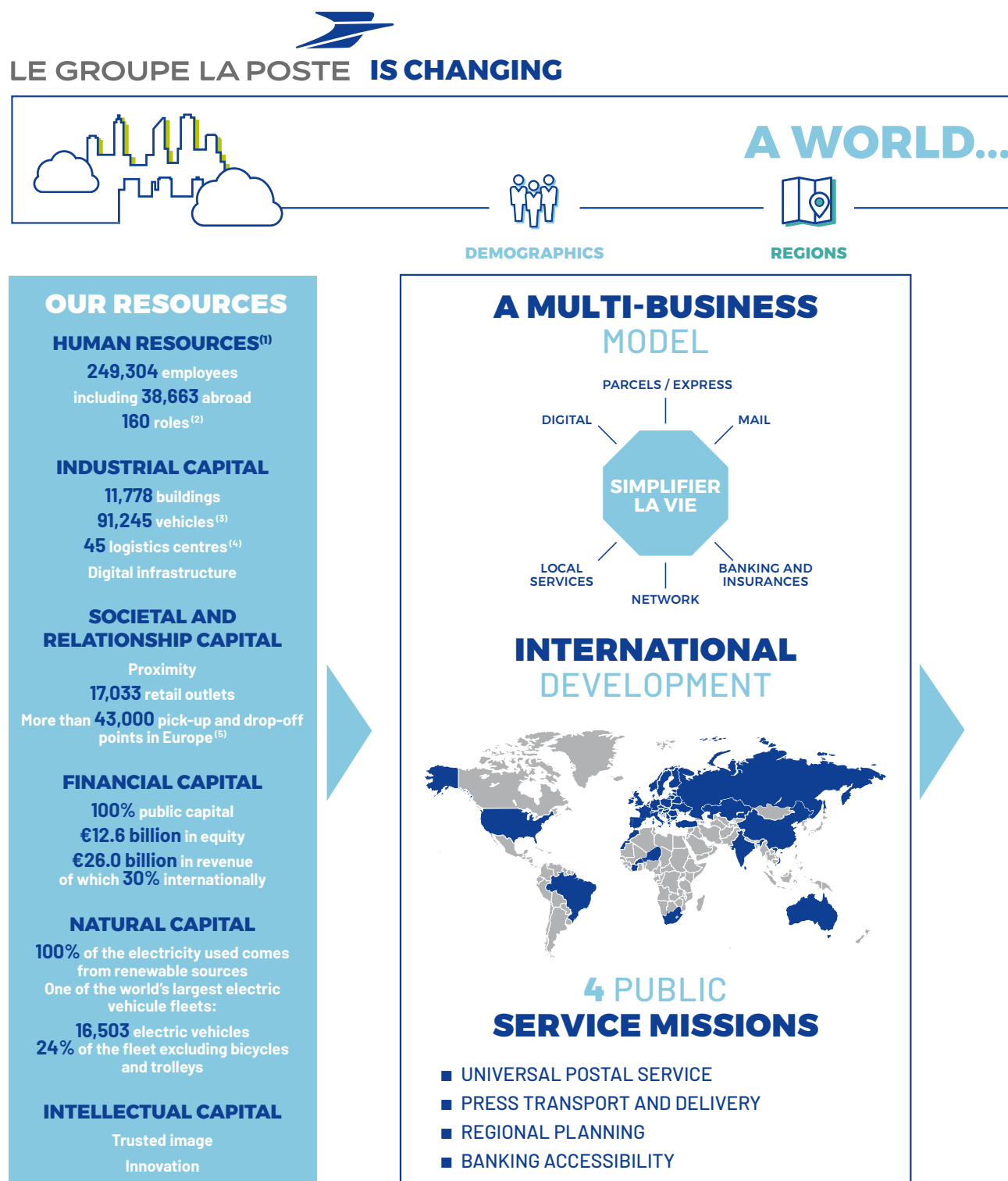
Improving the efficiency of public services and fighting against digital exclusion

SILVER ECONOMY

Meeting the challenges of demographic change and ageing

1.5 Business model

Le Groupe La Poste has developed its business model taking into account the guidelines of the International Integrated Reporting Council (IIRC) and the regulatory requirements pertaining to the Statement on non-financial Performance.



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 fourwheeled vehicles [cars, vans and trucks]).

(4) Industrial mail platforms and Colissimo platforms.

(5) Relais Pickup in Europe (over 46,000 in the world).

As a major national player and owing to its social, societal and environmental commitments, Le Groupe La Poste pays close attention to its impact on and contribution to all of its stakeholders.

The Group's commitments in terms of protecting the environment, people, customers, employees and economic, social and regional partners are key to its value creation. In 2020, these commitments will provide the foundation for Le Groupe La Poste's new strategic plan, thus becoming even more central to the Group's business activities and value creation.

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

"LA POSTE 2020 CONQUERING THE FUTUR"

Successfully diversify the portfolio of activities in a context of mail attrition and low rates

- Accelerating business development and conquering new markets
- Improving competitiveness
- Preserving the labour management agreement
- 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

21.8%⁽⁶⁾ reduction in GHG emissions
100% of the emissions are offset
116,182 metric tonnes of waste recycled or reused⁽⁷⁾

FOR THE TERRITORIES

Over 12.3 million visits per day
95.6% of the population within 5 km or 20 minutes of a retail outlet

FOR OUR CUSTOMERS

Loyal and satisfied (NPS)
1.7 billion parcels delivered
Outstanding amount less than 150€ for 51% of the Booklets A

FOR OUR EMPLOYEES

92% on permanent contracts
51% of executives are women
80% of employees trained in 2019
11 national agreements in 2019

FOR OUR SUPPLIERS⁽⁸⁾

81% of suppliers are SMEs
Over 100,000 indirect jobs supported by the Group's purchases⁽⁹⁾

FOR OUR SHAREHOLDERS AND INVESTORS

A/A⁻¹ positive outlook (S&P)
A+/F1+ stable outlook (Fitch Ratings)

(6) Ahead of the 20% GHG reduction target set for La Poste's activities relative to 2013.

(7) Data from the "Solutions for the circular economy" business unit - (Recygo + Nouvelle attitude).

(8) La Poste parent company scope [permanent contracts; proportion of employees on permanent contracts; % of women in management; proportion of employees who have taken at least one training course during the year].

(9) Study carried out by La Poste in 2018 to objectively and independently quantify, using the Local Footprint® tool, the annual impact in terms of employment of La Poste's purchases in the French economy.

1.6 Services-Mail-Parcels

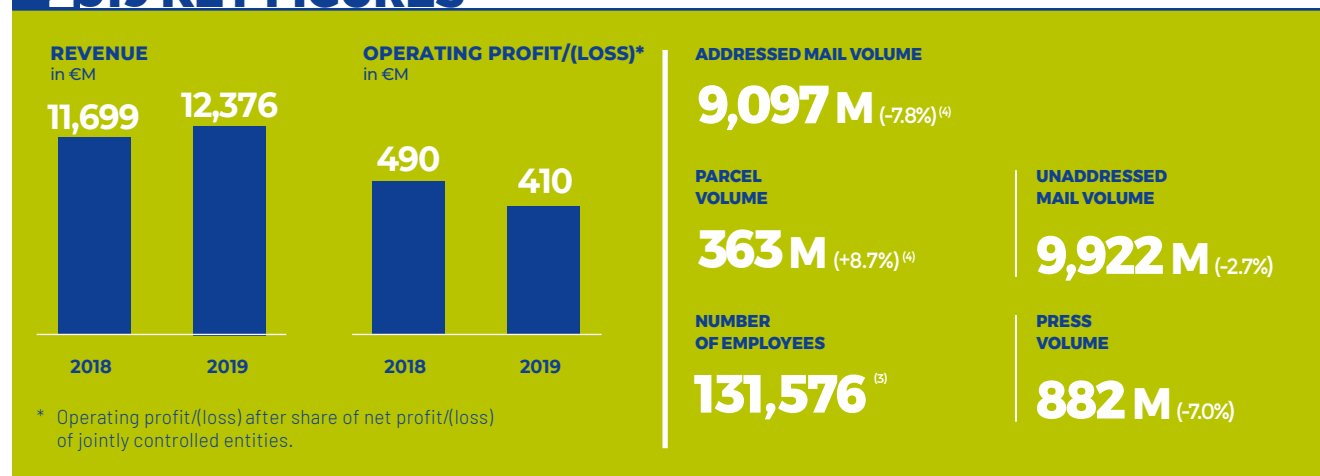
Le Groupe La Poste is one of the largest postal operators in Europe. Its Services-Mail-Parcels business unit provides local services nationwide: the delivery of mail, parcels and press, and the provision of an increasing number of proximity services. Over time, La Poste has built up a genuine social link and a trusting relationship with the French people thanks to its 70,727 postmen and parcel delivery people⁽¹⁾, who criss-cross the country and serve 40 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 (see Section 1.14.2):

- The universal postal service was entrusted by the French State to La Poste for a 15-year period starting from 1 January 2011. In 2019, the universal postal service accounted for 66% of the business unit's revenue⁽²⁾ (vs 68% in 2018);
- The press transport and delivery mission, which accounted for 3.69% (or €457 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 digitisation of exchanges, remain an important communication channel for businesses; and second because La Poste plays a key role in the distribution of electoral documents containing the various candidates' manifestos, distributed to the homes of all voters during election campaigns.

2019 KEY FIGURES



2019 KEY HIGHLIGHTS

- Continuation of the development strategy in home services and the Silver economy: acquisition of Diadom.
- Purchase of a controlling interest in EDE (Economie d'Énergie) in November.
- Certification of Electronic Registered Mail by the French National Cybersecurity Agency⁽⁵⁾.
- Increase in postal rates by 4.7% on average⁽⁶⁾ as of 1 January 2019.

(1) Individuals.

(2) Estimate Basis: Mail-Parcels revenue (universal postal service and non-universal postal service) of the business unit.

(3) In equivalent working days, except subsidiaries.

(4) Full-time equivalents on average.

(5) Agence Nationale de la Sécurité des Systèmes d'Information.

(6) 4.9% on average based on traffic-generating revenue.

1.6.1 MARKETS AND ACTIVITIES OF THE SERVICES-MAIL-PARCELS BUSINESS UNIT

La Poste's Services-Mail-Parcels business unit structures itself into divisions, which operate in eight markets. Each division is in charge of ongoing business development and the design of new value propositions, for enhancing the parent company and its subsidiaries' business.

Markets	% of 2019 revenue
Business mail ^(a)	49.0% of revenue
Parcels	15.1% of revenue
Business media	12.6% of revenue
International/Asendia	15.7% of revenue
Press ^(b)	3.7% of revenue
Silver economy and healthcare	1.4% of revenue
E-commerce logistics	0.7% of revenue
Local services	1.7% of revenue

(a) 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.

(b) These include public service press, the universal postal service, commercial press services and State subsidies paid to La Poste.

Business mail

The "Business mail" activity, with revenue of €6.2 billion in 2019, is the Services-Mail-Parcels business unit's leading activity.

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

- sending solutions (€4.6 billion), including commercial correspondence and personal and professional mail;
- value-added services (€187 million), including tracked delivery;
- secure solutions (€1 billion), including in particular registered mail;
- mail-related services (€413 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 posting), and economic mail (delivered four days after posting). In 2018, "Lettre Verte" (green mail) accounted for 2/3 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.

The main products and services offered by La Poste to businesses include "Lettre Verte" (green mail) for 2 day mail, priority mail for urgent next-day delivery, "Ecopli" for low cost, 4-day delivery. Special products and services such as the "large account letter" and its Tempost G2 variant which entails a contractual commitment to deliver within 2 days, and the "Ecopli large account letter" and its Tempost G4 variant which entails a contractual commitment to deliver within 4 days, are also available to large-scale mail senders.

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 363 million Colissimo parcels in 2019, generating revenue of €1,875 million.

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 94% in the case of 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, parcels can be picked up in one of the 17,000⁽¹⁾ La Poste retail outlets;
- delivery to pick-up points, an essential complement to home delivery, with the largest network in France now consisting of almost 20,000 pick-up points (7,740 post offices, 10,500 Pickup points (a subsidiary of Le Groupe La Poste in France) and 418 automated lockers;
- a return service from the 7,740 post offices, the 10,500 Pickup points, or directly from the standardised letterboxes of private individuals in mainland France (over 75% of French households have them);
- an industrial network of 18 sorting centres strengthened in 2019 with the opening of two new sorting platforms, Hauts-de-France and Alpes, and a new hub in Brive, which make it possible to deliver everywhere in France within 48 hours (eventually within 24 hours in the large metropolitan areas). This parcels network, the most powerful in France, can handle significant activity surges, such as Black Friday and Christmas (La Poste can deliver up to 3.1 million Colissimo per day compared to on average 1.3 million the rest of the year);
- full tracking of each Colissimo dropped off and indication of a provisional delivery time when the item enters the system.

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 €34 billion in France in 2019⁽²⁾. It covers the expenses of advertisers across all media (TV, press, mail, billboards, Internet, etc.). Companies spend an estimated €7.2 billion on direct marketing. Le Groupe La Poste has a market share of 20% in this area, with revenue of €1.5 billion in 2019.

The "Business media" market notably covers addressed advertising mail (€855 million), operated by La Poste, and unaddressed admail (€365 million), operated by Mediapost, the leading distributor of printed advertising in France and also operating internationally (Spain, Portugal, Romania, Bulgaria).

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

- It is a "sustainable" medium as, since 2012, La Poste has been offsetting the carbon emissions produced by transporting and delivering mail. Last, the paper consumed in Europe is a renewable resource, produced from wood sourced from sustainably-managed forests. Paper manufacturers pay an eco-tax which contributes to funding collection by local authorities and recycling of paper. As such, paper is emblematic of the circular economy;
- It is a non-intrusive medium. In accordance with the General Data Protection Regulation, it is subject to the so-called "opt-out" rule, unlike electronic advertising for which prior consent from the addressee must be sought in accordance with the "opt-in" rule.

The Business Media division also operates in the promotional marketing segments (sending and managing coupons, gaming) through its Sogec subsidiary and in data segments. And, since 1 January 2019, the Media division has been responsible for some of the digital activities developed by the Isoskele subsidiary. 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 customer relationship management (CRM) data and media.

International/Asendia

La Poste is the incumbent operator in the markets for French international mail and small goods weighing less than 2 kg (small parcels) as well as for cross-border mail, exports from France and imports for delivery in France. In 2019, the business unit responsible for this business activity, Asendia France, recorded revenue of €755 million.

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

(2) Estimate made by France Pub in November 2019.



In 2012, La Poste established a strategic partnership with Swiss Post, aimed at developing activities related to cross-border e-commerce in the main international markets and strengthening the market position of its export/import activities in France.

This strategic partnership resulted in the creation of a joint venture called Asendia. Since 2018, La Poste has 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 the Group's aim to build on the strong growth of the cross-border e-commerce market to pursue its international development.

Outside France, Le Groupe La Poste also operates in the cross-border e-commerce (BtoC goods) and mail markets (business mail, business media and press) *via* Asendia, which operates in 17 countries in three major geographic areas (Europe, America, Asia and Oceania).

In this international market, Asendia offers shippers, logistical hubs and digital hubs (marketplaces, e-commerce platforms) solutions for collection and international shipping and injection into the local distribution networks of the destination countries.

Moreover, Asendia also offers technological solutions to facilitate e-commerce transactions through eShopWorld, in which it has held a majority stake since 2017. Thanks to eShopWorld, 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, eShopWorld offers global transaction management solutions: payment management, fraud risk, relations with customs authorities as well as choices of logistics service providers (collection, shipping, delivery and return of their international parcels).

In 2019, Asendia achieved €1.12 billion in revenue.

Press

Press delivery at affordable prices is one of La Poste's public service missions. As such, La Poste contributes to the pluralism of ideas and to the democratic and cultural life of the country.

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).

Postal delivery is the second-largest means of press distribution after newsstand sales. In 2019, more than 7,000 titles used the services of La Poste, which transported and delivered almost 900 million copies or 30% of the national circulation, generating revenue of €353 million (excluding the subsidy from the French State of €104 million).

Local services

Growing environmental concerns are prompting consumers to opt for local and ecological consumption (short loops and circuits, low carbon footprint). This shift could be facilitated and accelerated by the roll-out of digital technologies which support the development of new local services and the modernisation of public service activities.

Moreover, some businesses are undergoing streamlining intended to reduce their regional coverage whilst maintaining a close relationship with their customers.

This situation is conducive to developing local services for private individuals or for companies and public sector stakeholders. 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 individual and corporate customers.

The Local Services division is developing services in five strategic business activities, drawing on its internal assets (postmen, company collection rounds, vehicles, premises, specific expertise, etc.):

- local transport and logistics, to optimise restocking of diverse distribution networks and first and last mile delivery for businesses;
- regional performance with address-based services enhanced with regional data in order for local authorities to optimise the accessibility of their region and businesses to improve their commercial performance;
- the circular economy prioritising the development of BtoB office waste recycling services;
- energy efficiency with services to help authorities develop energy renovation in homes and the use of electric bicycles with simple solutions for households. As such, La Poste joined forces with a consortium established in September 2019 by Transdev, Vélogik and Cyclez to implement Île-de-France-Mobilité's new long-term electric bicycle rental service for residents of the Greater Paris region (Île-de-France). Ten thousand bicycles are available at 250 rental hubs across the region, of which 170 postal hubs (post offices and mail centres);
- exam logistics with simple solutions enabling private individuals to quickly take the written driving licence test on their doorstep and ultimately other exams run by the transport department (motorcycle, boats, etc.).

In 2019, La Poste generated revenue of around €209.1 million from local services, in particular from:

- written driving licence tests, a service that has met with considerable success, with La Poste hosting half of the candidates in France;
- preparing and providing tablets for secondary school pupils in the Greater Paris region (Île-de-France). Between September and November 2019 some 37,000 computers and 160,000 tablets were distributed. This service includes after-sales service and recycling of digital tablets;
- home delivery of meals (Proxi Course Repas) to the elderly in partnership with catering businesses to offer local authorities or other clients and catering market operators a solution for home delivery of meals to the elderly;
- assistance in naming and numbering streets for improving the quality of addresses, which is a key factor in optimising the roll-out of local services and delivery by web retailers;
- energy diagnostics service in the context of renovation (Diagnostic énergétique pour accompagner la rénovation – DEPAR) to raise awareness among vulnerable households and to assess their needs;
- the Recy'Go recycling range (collection and recycling of office waste by postmen).

The "Watch Over My Parents" service for the elderly ("Veiller sur mes parents" – VSMP), which offers regular home visits by the postman to the elderly at a chosen frequency of one, two, four or six times a week. This social care service for private individuals, which may also be funded by municipal social action centres (Centres communaux d'action sociale – CCAS), comes with 24-hour remote assistance and the option of a referral service for minor repairs. VSMP has a good reputation among its target market with over 8,000 beneficiaries since its launch and a 45% increase in contracts compared to 2018.

In 2019, La Poste increased its presence in the energy renovation market with the acquisition of Économie d'Énergie (EDE), a leader in the market of brokers between credit providers (public and private) and households. In total, in 2019, over 20 million tasks were performed by La Poste 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. From 2030, one of the consequences of demographic change will be an increase in the number of dependent and chronically ill people.

Added to this is the need to take into account the aspirations of the elderly, the vast majority of whom want to stay at home (85%)⁽¹⁾.

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. The business unit has made this area a pillar of its development and its shift into the world of people-centred services.

Accordingly, La Poste has made the strategic choice of rapidly becoming a major player in home care services, in the "Silver Eco" sector, and in healthcare, by expanding through external growth and in synergy with its services, logistics network and human resources.

In 2016, La Poste acquired the start-up Tikeasy to market the Ardoiz tablet in order to promote digital inclusion which is a major societal issue in France. This simplified digital tablet, installed by the postman in the homes of the elderly has been designed to reflect their interests. It enables them to maintain digital social interaction with their social circle. Ardoiz has been very well received by the press and over 50,000 tablets had been sold by June 2019.

In 2016, La Poste took a majority stake in Axéo services, a leading operator in the services to individuals sector in France, with over 220 offices across the country. The business is aimed at private individuals, businesses and local authorities. It offers a diversified and comprehensive range of services including indoor and outdoor maintenance, babysitting and support for dependent people, and cleaning and gardening for businesses. Help Confort, a subsidiary of Axéo Services, specialising in urgent maintenance and home call-outs has also grown substantially.

Healthcare at home is another significant strand of its development. In 2017, this ambition led Le Groupe La Poste to take a majority stake in Asten Santé. This company supports almost 90,000 patients suffering from chronic illness. 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 2019, Asten Santé continued its growth and the consolidation of the segment by bringing together other regional structures and developing new business activities such as non-invasive ventilation (NIV). This was also the case for Diadom which treats, monitors and delivers equipment to patients 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 a wide service offering, in the health and non-health segments alike, to make life easier for seniors at home;

(1) Source: IFOP study for the French Federation of Services for Private Individuals (Fédération du service aux particuliers – FESP) – February 2019.

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

Staying healthy and ageing well at home depends on the articulation and coordination of a range of services. The semi-public company XL Autonomie, created in November 2019 with the Landes department, is the perfect example of this coordination effort. Its creation illustrates La Poste's desire to be able to address, on its own or together with its partners, a range of services enabling the elderly to age well at home. The company offers a package of services: remote assistance, digital tablets, night lighting installation, passage of the postman to maintain social interaction, delivery of medication."

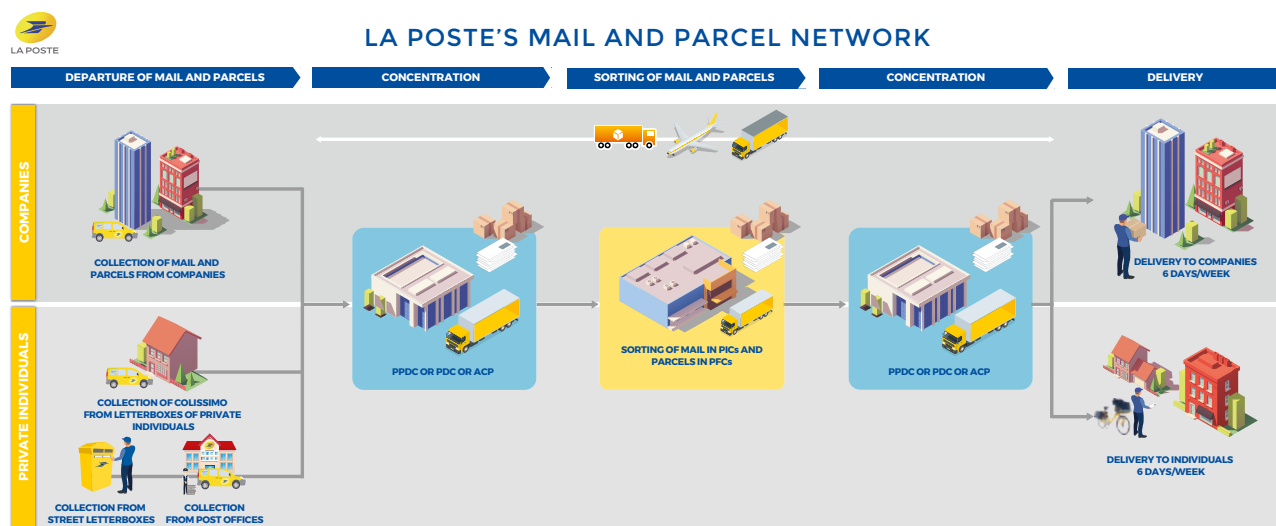
In 2019, the Silver economy & Healthcare division generated revenue of around €169.5 million.

E-commerce logistics

The Viapost division generated revenue of €574 million in 2019 on offers spanning the overall support of its customers' omnichannel logistics: storage, preparation of orders, transport, etc.

1.6.2 LOGISTICS NETWORK IN 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 subcontracted.

Collection	Transport	Processing	Delivery
■ 131,276 street letterboxes ■ 105,623 pick-up and delivery customers ■ Over 2,500 pick-up postmen	■ 271 heavy goods vehicles ■ 7,300 road links ■ 7 planes and 2 extensions in Corsica serving 4 stops and Roissy hub ■ 31,375 internal combustion delivery vehicles ■ 603 internal combustion motorcycles ■ 7,079 electric cars ■ 1,302 electric quads ■ 21,236 electric bikes ■ 6,810 Staby electric vehicles	■ 2,131 Mail Delivery Platforms (PDC) ■ 226 Mail Preparation and Delivery Centres (PPDC) ■ 27 industrial mail platforms (PIC) ■ 16 parcel platforms (PFC) and hubs ■ The international hub in Roissy ■ 2 local storage and logistics hubs	■ 69,183 postmen* ■ 1,544 parcel delivery people* ■ 59,500 rounds ■ 41 million letterboxes served six days per week ■ 10,500 pick-up points in France ■ More than 697 million kilometres covered per year by postmen ■ 48 parcels offices (ACP) ■ an average of 1.3 million parcels delivered per day (and up to 3.1 million per day during the year-end period)

* Individuals.

The business is not very capital-intensive, with net non-current assets accounting for 5.2% of the business unit's revenue in 2019 (vs 5.4% in 2018), excluding subsidiaries.

Despite a high rate of automation (over 94.7% automated for mail sorting and handling operations, 96.5% for parcels), the business is still highly labour intensive, chiefly in pick-up and delivery⁽¹⁾.

The network's structure is partially determined by the two public service missions supported by the business unit, which set a number of requirements:

- quality of service targets⁽²⁾ (for next-day priority mail, in particular), which make it necessary to have sorting platforms in the vicinity of the 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 is gradually adapting its structure to the changes in its activities, characterised by a structural decline mail volumes⁽⁴⁾ (due to digitisation and major senders' policies to cut costs) and by growth in parcels. It has equipped itself with industrial facilities that can support the growth of e-commerce and improve the quality of service:

- transition from 45 Industrial Mail Platforms (PIC) at the end of 2010 to 27 at the end of 2019. Additional parcel platforms (PFC) with 2 opened in 2019 bringing the total to 18;

- creation of 42 Mail Preparation and Delivery Centres (PPDC) for multi-stream mail and parcels, small imported parcels, press, printed advertising, and Chronopost, by the end of 2019, and 2 automated parcel offices (parcels sorted by round);
- 46,132 mail delivery rounds completed with no additional sorting 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 2017 in Bordeaux;
- use of sites to create city hubs for local micro-storage and for preparing orders for suppliers of various distribution networks with two early adopter sites in Paris;
- 431 micro mail drop-off points, of which 174 created in 2019. These spaces are located closer to postmen's rounds, which reduces the journey between their collection platform and the start of their round.

La Poste is investing in information systems (tracking postal items, smart devices). It uses artificial intelligence to improve the automatic reading of addresses and the performance of automatic character recognition systems with a view to reducing the rate of undeliverable items. Postmen now have a smartphone (110,000 devices in 2019) which helps them to navigate and complete their round, track items and view customer information. This device promotes the development of new services with its extended functionalities (taking photos, collecting data, etc.). La Poste now has the largest pool of mobile devices in Europe.

1.6.3 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 (deadlines, services);
- structural attrition of mail and press volumes, but potential for heightened value in the services on offer;

- reduction in addressed advertising mail, associated in particular with the decline of the traditional remote sales model. In addition, reduction in unaddressed advertising mail associated with a shift in the model of centralised distribution by large retailers;

Development of services for businesses and private individuals driven by the surge in digital platforms.

(1) Individuals (excluding subsidiaries).

(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.



Strong growth in parcels and small goods

E-commerce continues to experience sustained growth. E-commerce revenue (services and goods) exceeded €100 billion in 2019 (+11.6% vs 2018). Online sales of goods increased by only 5.5%⁽¹⁾. 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.

The last mile is also experiencing a deep 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:

- same-day delivery;
- next-day delivery;
- 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, with revenue up by more than €40 million.

E-commerce logistics will also be transformed by the need for immediacy and for next-day or same-day 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. As in the US market, consolidation is already taking place, initiated by European players seeking to integrate upstream of the e-commerce value chain.

Attrition of mail and press volumes offset by the heightened value of 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 retail customers. 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;
- 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 offers used by households on a daily basis (telecommunications, cable).

For the press, news stand sales have continued to decline, 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. New services for publishers introduced in 2018 are continuing to be developed including new methods involving streamlining of the processing of press in 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: 35% of 15-34-year-olds read at least one newsletter each week in 2019⁽²⁾.

(1) Source: Quarterly barometer of Internet sales. Federation of e-commerce and distance selling (FEVAD).

(2) Source: Balmétrie study, 2018.

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.

2019 saw a continuation of the trend observed in previous years, with a decline of roughly 6% in value terms of addressed advertising mail. This change is essentially driven by incumbent players whose business model is changing (traditional distance sales). The medium is also suffering from the effects of media reconfiguration by large companies in a context of budget reductions.

However, there are some positive signs: a new and promising growth segment is opening up with large retailers (few users to date) wanting to take back control of their communication to customers. The Business Media division is also benefiting from very strong growth in the data market (postal addresses, updating records, etc.), a crucial factor in traditional mail.

Lastly, synergies have been developed between the various companies in the Business Media division in order to provide customers with a holistic, omnichannel solution: hybrid services (print/digital), streamlining of the customer experience, services offered across the entire value chain (creation/data/printing/distribution, etc.).

Strong demand for local services among businesses and private individuals

An increasingly diverse array of home delivery and returns (reverse logistics) and services to individuals is now available. They are enhanced by technological innovations (smart objects, artificial intelligence). The appetite for local services comes from private individuals and businesses (stores and business sites); this is one of the major consumer trends of post-industrial societies in the early 21st century.

The competitive advantage, when providing such services, is only partly a result of the performance of the digital platforms. It is also necessary to be able to offer a regular physical presence near businesses and households. It is necessary to win their trust in order to enter into 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 meet these needs: Recy'Go in the case of recycling; Proxi Course in the case of home groceries delivery; Proxi Data for collecting local information, Geoptis for collecting and processing information on highways, air quality and telecommunications networks. Since 2017, La Poste has also offered local authorities technical support with their social action policies and home delivery of meals to the elderly. There is a growing interest in this daily delivery service with over 120,000 meals distributed last year to some 684 diners. Local authorities also see this services as a means of combating isolation among the elderly. In another area, this year La Poste was also awarded the contract to supply tablets to all secondary school pupils in the Greater Paris region (Île-de-France).

As part of the New Generation Prefecture Plan (*Plan préfectures nouvelle génération* – PPNG) announced in December 2015, the French State has deployed a number of new free online tools for completing administrative procedures. The aim of this policy of promoting e-administration is to simplify the procedures for issuing administrative documents such as car registration documents or driving licences. La Poste is contributing to the success of the scheme. For example, La Poste 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 (€25 million in revenue in 2019). This success could be extended to other types of training in the future. For instance, in 2020 a new written driving licence test for motorcyclists will be introduced.

The "Watch Over My Parents" service (over 6,000 contracts at the end of 2019) is undoubtedly seen by retail customers as the flagship service of this diversification strategy launched by La Poste in 2015 as part of its strategic plan "Towards a service-oriented world". The extensive media coverage of this service is evidence of the interest in La Poste's transformation and the favourable reception of its new trusted local services.



1.6.4 STRATEGY AND OUTLOOK

In the course of its long history, La Poste has gained unrivalled expertise in supplying local services (financial services, mail, parcels). This expertise draws on considerable logistical resources, designed for nationwide coverage and calculated to include last mile delivery. Historically operating in the general interest, La Poste has based its brand image on a number of public service values: neutrality, simplicity, accessibility, respect for confidentiality, trust and transparency. This image and these values are a key asset in delivering these local services which are based on reliability and trust.

The attrition of physical mail represents both a limitation and an opportunity for change. Since 2008, La Poste has been “reinventing” its business model with a growth mindset. It is redirecting its resources into new local service missions, new public policies, and new services more attune with the needs of the time. But on this journey it remains respectful of its identity and values.

The strategy to expand and transform the Services-Mail-Parcels business unit is laid out in a medium-term plan entitled “Ambition 2020 – Towards a service-oriented world”. This plan sets out the business unit’s ambitions in three main strands:

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

These growth objectives are accompanied by a commitment to all La Poste employees to implement methods to simplify their day-to-day job.

The widespread provision of professional smartphones for postmen (Facteo digital personal assistant) designed to assist them in completing their mail delivery rounds and administering new services is an example of this commitment. 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 postmen carry out their daily tasks. In 2018 and 2019, the logistics network was also completely overhauled to industrialise and mechanise the low added-value tasks performed by postmen, to enable them to devote themselves to the customer relationship and to delivering new services.

Le Groupe La Poste, which was one of the first businesses in the world to include a large number of electric vehicles in its fleet, is continuing its commitment to environmentally-friendly transport. It is increasing its efforts and now has different categories of electric vehicles (electric motorcycles/mopeds, three- and four-wheel electric vehicles) enabling it to adapt its methods to new distribution and collection restrictions and also to meet the obligations imposed by municipalities who are seeking to limit emissions of pollutants and CO₂ in urban areas. It is through this pioneering sustainable policy that La Poste can access town centres, precisely where traffic conditions are the most regulated.

Customer acquisition “Towards a service-oriented world”

La Poste’s Services-Mail-Parcels business unit is transforming and reinventing itself on the basis of this trend of creating and developing local services. An expansion strategy developed jointly with the other Group business units, in particular La Poste Network, Digital Services and GeoPost. This transformation is underpinned by historic assets: a daily local presence, trust and the desire to simplify people’s lives.

The customer acquisition targets are ambitious, the idea being to shift the business unit’s centre of gravity from the world of mail to that of services, and to shift from a volume economy to a value economy, while also 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 with private individuals.

The customer acquisition approach is structured around three main lines of action:

- stimulate growth drivers in France and abroad by:
 - making Colissimo the connected e-commerce 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,
 - developing the best press delivery solutions and associated services for publishers;
- expand into the local services market by supporting businesses, national and local government and households through three major transitions in society:
 - support the demographic and health transition by becoming a major operator in the Silver economy,
 - promote the environmental transition by reducing La Poste’s environmental footprint and offering its customers solutions

so that they too can take part in this movement. Particularly by developing solutions:

- for the circular economy,
- for energy renovation,
- for the development of soft mobility;
- contribute to the regional transition by offering logistics and transport solutions likely to strengthen the economy and appeal of regions, local shopping, for regional efficiency (collection, processing and recovering of data/geographical information and delivery of geotargeted messages) such as the driving test, other exams administered by the transport department, but also language and digital proficiency.

Excellence

The customer acquisition campaign is supported by a number of drivers which, every day, enable the Group to offer increased customer satisfaction through a policy of operational excellence which places the customer at the centre of the organisation. This policy of operational excellence improves the Group's management of sustainable performance, through daily tracking of the indicators and strategic actions (i.e. Key Success Factors) required to obtain the desired result, and is part of its search for continuous improvement.

The operational system of excellence

The introduction and constant improvement of management practices based on operational excellence is key to success in the world of services. The system of operational excellence is a means of developing autonomy and accountability among teams based on clearly defined priorities and of introducing a dynamic of continuous improvement with the involvement of all employees with the aim of guaranteeing customer satisfaction every day.

Within the Services-Mail-Parcels business unit it relies on a system of management based on setting priority objectives, management standards enabling them to be tracked (daily briefing, visual management, problem-solving, etc.) and developing management attitudes and practices to develop employee involvement.

Operational excellence is based on two main programmes:

- improving the performance of the processes and the organisation in order to encourage a policy of continuous improvement on the ground;
- developing the skills and attitudes of management teams in order to guarantee sustainable performance.

In the world of services, the commitment towards customers can no longer be measured, as in the past, on the basis of the producer's desired quality target, e.g. an objective target for mail delivery

times. The commitment must take into account the customers' perception of the quality, i.e. their subjective degree of satisfaction. This involves other methods for measuring the quality of services with the introduction of the net promoter score (NPS)⁽¹⁾ which measures the quality of the main services provided by the business unit (mail and new services). This "service-oriented" approach is based on inspiring a new quality culture, supported since 2017 by a specific programme, "The Customer Experience Contract". It is also based on inspiring a management culture that promotes autonomy and accountability within the various entities.

The industrial and economic excellence system

Industrial and economic excellence is structured around three major programmes:

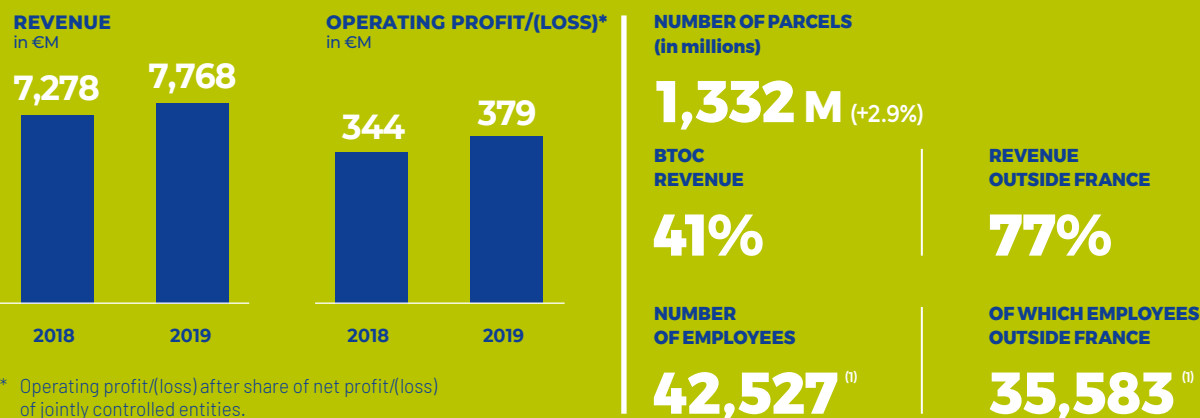
1. the scaling up of the industrial facilities to ensure the growth of the parcels business (modernisation and construction of new parcel platforms) and the increase in the flow of small international goods. Mail costs are controlled by:
 - gradually transforming the Mail Preparation and Delivery Centres (PPDC) into multi-stream distribution platforms: mail processing, small goods, press delivery, Chronopost (a product that is increasingly delivered by postmen) and parcels all handled on the same site, and
 - adapting the industrial mail network to the volumes of mail to be processed;
2. the adaptation of the network of the sites preparing the rounds of postmen (PPDC) to the new activities and new services (modernisation of the first and the last mile) in order to:
 - automate the preparatory sorting work for the distribution of the round of each postman upstream in the Industrial Mail Platforms (PIC),
 - provide the postmen with "ready to deliver" bags not requiring any additional sorting work,
 - bring the postmen as close as possible to the starting point of their delivery rounds, which is why they are assigned to new local drop-off points, and
 - steer the mail in the Industrial Mail Platforms (PIC) so that each item is delivered on the promised date (one-day, two-day, four-day or seven-day delivery);
3. the digitisation of the logistics chain and all customer experiences (infrastructure and IT bases). This involves, for example, marking all items, the use of artificial intelligence for reading addresses and sorting, scanning, the information system for new services, the evolution of Facteo (postmen's digital 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.

1.7 GeoPost/DPDgroup

2019 KEY FIGURES



2019 KEY HIGHLIGHTS

- Investments: inauguration of the DPD NL hub in Eindhoven, national deployment of electric vehicles in the United Kingdom, delivery by Chronopost throughout Paris using low emission vehicles, DPD Ireland's investment in electric vehicles and inauguration of the Dublin urban depot.
- Launch of the second regular commercial drone delivery line in France: DPD France delivers by drone in middle mountain regions in Isère from a mobile terminal installed directly in the delivery vehicle.
- Chronopost Portugal and Seur Portugal merge to become DPD Portugal.
- Acquisitions: entry into the capital of TIPSA in Spain, acquisition of Geis Parcel in the Czech Republic and Slovakia, acquisition of a majority stake in Lenton in Hong Kong (enabling the deployment of the DPD brand in China) and finalisation of negotiations to acquire a majority stake in BRT in Italy (in January 2020).

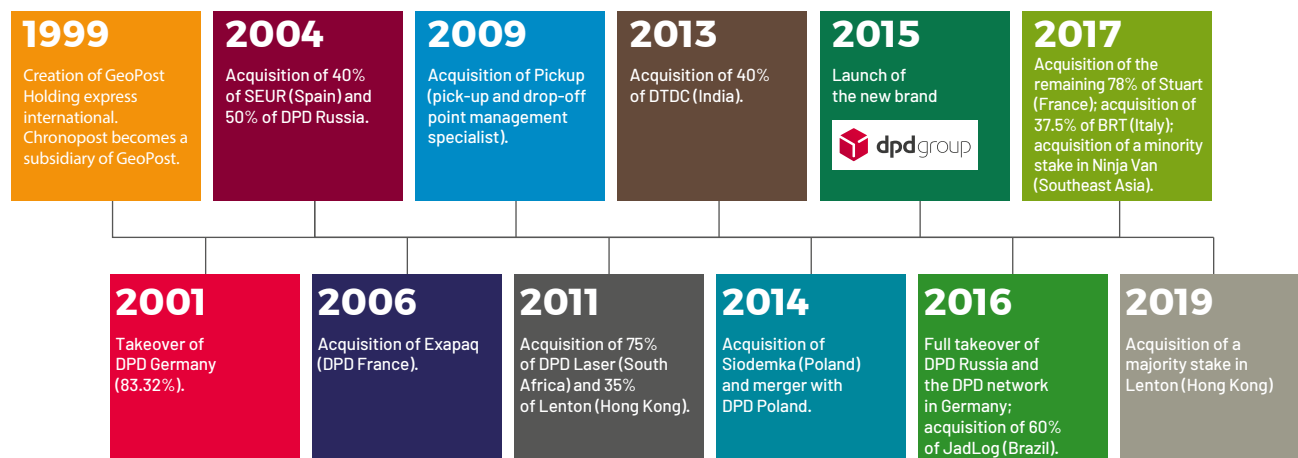
Background

A long-standing postal parcel operator, 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 21% of Seur SA, the franchisor, the number one private operator in Spain. In 2004, GeoPost acquired 100% of transport companies in Poland (Masterlink Express) and the Baltic countries and 50% of a company in Russia (Armadillo). 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.

After GeoPost's stake in the SEUR network was increased to 94% in 2018, it reached more than 94% at the end of 2019.

After entering the capital of Lenton (based in Hong Kong) in 2011, DPDgroup announces in September 2019 an agreement with Lenton allowing DPDgroup to take a majority stake in the company.

After the creation of GeoPost in 1999, over a period of 20 years this holding was able to acquire 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⁾:

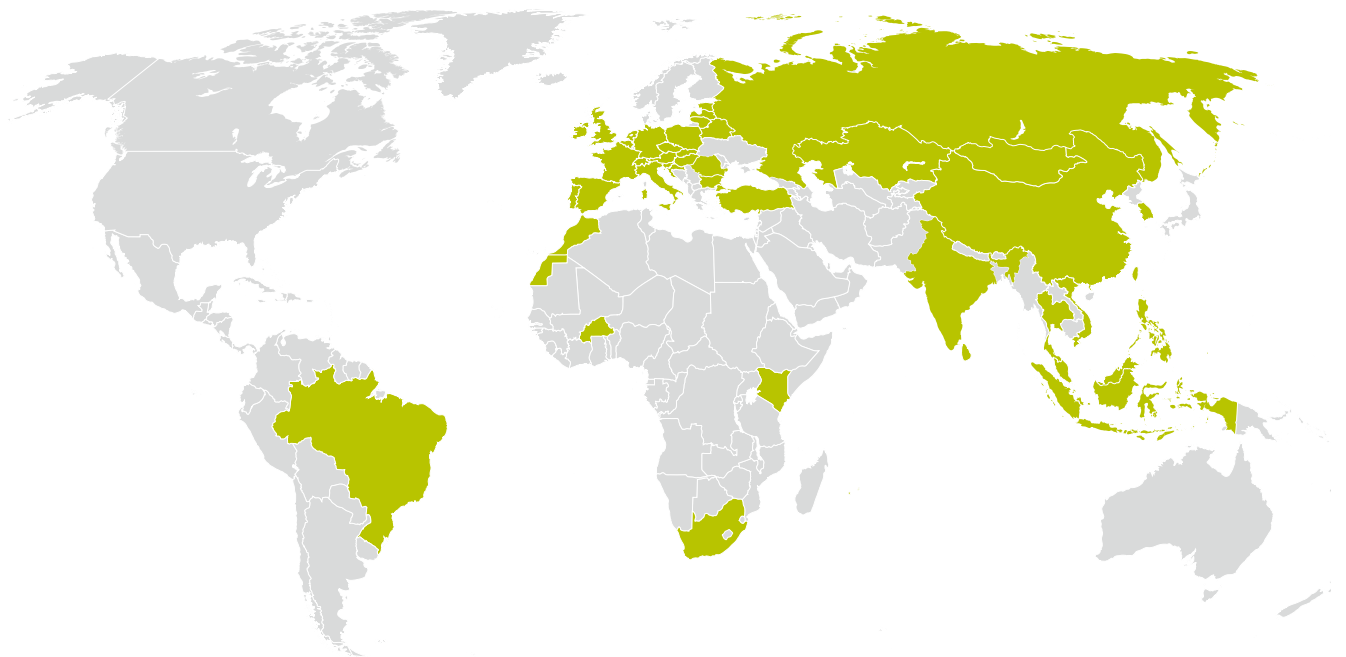
- no. 1 in Spain, Poland and Lithuania;
- no. 2 in France⁽²⁾, Italy, Germany, Austria, Estonia, Ireland, Italy, Latvia, Portugal, the United Kingdom and Russia;
- no. 3 in Slovenia and Switzerland.

This consolidation phase is coming to an end with the acquisition of a majority stake in BRT in January 2020. At the same time, and for several years now, the Group has continued its expansion on other continents.

(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.

GeoPost/DPDgroup locations throughout the world



Presence per brand and country



- Austria
- Croatia
- Czech Republic
- Belarus
- Belgium
- Estonia
- France
- Germany
- Hungary
- Ireland
- Kazakhstan
- Latvia
- Lithuania
- Luxembourg
- Netherlands
- Poland
- Portugal
- Romania
- Slovakia
- Slovenia
- Switzerland
- United Kingdom



- United Kingdom



- Burkina Faso
- France
- Mauritius
- Morocco



- Spain



- Italy

■ Majority stake

■ Minority stake



- South Africa



- Bulgaria



- Brazil



- India



- Indonesia
- Malaysia
- Philippines
- Singapore
- Thailand
- Vietnam



- Russia



- Turkey



- Egypt

Other international activities



Based in Hong Kong (China), international operations (e.g. Australia, USA)



Based in Hong Kong (China), subsidiaries in France and United Kingdom

- China
- Hong Kong
- India
- Indonesia
- Kenya
- Philippines
- Singapore
- South Africa
- South Korea
- Sri Lanka
- Taiwan
- Thailand
- United Arab Emirates

1.7.1 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 and 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 5.3 million parcels every day.

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.

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 and 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 a 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 12.5% market share by volume in 2018 (down 0.2 pt. vs 2017)⁽¹⁾. DPDgroup is also the leader in the intra-European road transport export market⁽¹⁾.

(1) Source: annual internal study.

1.7.2 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.

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 through 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, Lithuania and Portugal; under the Chronopost brand in France; under the Seur brand in Spain; and under the BRT brand in Italy (starting in January 2020);
- through capital and industrial partnerships: in the Austrian market with a 26% stake in DPD Austria; in the Bulgarian and Romanian markets thanks to a 25% stake in Speedy;
- through commercial partnerships with front-ranking operators: PostNord in the Nordic countries (Denmark, Sweden, Norway, Finland and Iceland); 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 77% of its revenue outside France.

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

- itself, through wholly-owned or controlled subsidiaries: in Russia with a 85% stake in DPD Russia/SPSR; in Belarus and Kazakhstan with 100% stakes; in South Africa with a 75% stake in DPD Laser; in Brazil with a 60% stake in Jadlog; in Asia with the increase in Lenton's capital to 65% in September 2019;
- through 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 non-controlling equity investments in Ninja Van (32.6%); and in French-speaking Africa: Morocco (34%),

Burkina Faso (40%) under the Chronopost brand ; and in Egypt with a 20% stake in Bosta;

- 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 through 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.

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 8.2% on average per year between 2013 and 2018, from 7.4 billion to 11 billion parcels⁽¹⁾. While BtoB volumes increased by 3.2% on average per year, BtoC volumes rose considerably, with 12.7% 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: from 2013 to 2018, 9.3% vs 8.2% for the CEP market⁽⁴⁾.

As a result, the BtoC share now represents 45% of its business volume in 2019.

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

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

(2) Such as SoDExl (65%-owned by Air France SA and 35%-owned by GeoPost/DPDgroup).

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

(4) Source: annual internal study.

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 volumes and in the management of the end-of-year activity peak, which is characteristic of the delivery market specific to private individuals (up to +100% in December and now during the “Black Week” in late November). DPDgroup broke its record for daily volume with 9.3 million parcels delivered on 3 December 2019 following orders made on the previous day (Cyber Monday).

1.7.3 SERVICE OFFERINGS

Through its main trademarks, 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. In 2018, DPDgroup offset 100% of its transport and energy consumption emissions and reduced its CO₂ emissions per parcel by 15.2% (compared to 2013). Its ambition is to reduce its CO₂ emissions per parcel by 30% by 2025.

Comprehensive and innovative delivery offering

Home delivery

Eighty-six percent of regular e-shoppers⁽¹⁾ in Europe prefer home delivery (door-to-door) which is DPDgroup’s core business. However, consumers are tending to favour alternative delivery places: pick-up points, at work, in a shop or in a package locker.

In this context, DPDgroup offers a “Return my parcel” service to facilitate returns. Customers can drop off their items at the pick-up points or book a home pick-up whenever they wish. This service also makes it possible to follow the parcel’s itinerary. The simplicity of returns brings peace of mind and facilitates the online shopper’s overall experience.

Delivery to pick-up and drop-off 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 18% of them⁽¹⁾. This is especially relevant in France (64%), the Czech Republic (40%), Slovakia (33%), Hungary (31%) and Belgium (29%).

With Pickup Services, a subsidiary specialised in developing out-of-home delivery solutions such as retail pick-up and drop-off 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 pick-up and drop-off points.

Delivery to automated lockers

For the purpose of creating new parcel pick-up solutions for individual customers (BtoC), DPDgroup has set up a network of 400 automated Pickup Station lockers 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, the Pickup Station lockers located in supermarkets and hypermarkets are becoming increasingly popular. Different types of sites are being experimented with.

(1) Source: 2019 edition of the DPDgroup e-shopper barometer conducted by GfK and DPDgroup in 21 countries with 23,255 respondents.



Today, DPDgroup has one of the most extensive networks of pick-up and drop-off points in the market. This network comprises more than 46,000 Pickup points (outlets and lockers) in 27 countries around the world, including 11,541 Pickup points in France⁽¹⁾, 6,941 in Germany, 4,235 in Russia, 2,478 in Poland, 2,399 in the United Kingdom, 1,618 in Spain, and 7,099 in the Nordic countries (Denmark, Finland, Norway and Sweden), via the strategic partnership with PostNord.

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

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 a 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 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 their smartphone or online.

Launched in 2010 by DPD UK, Predict has been rolled out to all subsidiaries. The service is now available in 20 countries⁽²⁾, 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 and Ireland, it was then deployed in Germany in 2017, followed by Belgium and Luxembourg in June 2019. myDPD will be gradually deployed in approximately 13 countries in 2020.

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.

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 15.2% 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 has now set a new objective: to reduce its emissions by 30% by 2025 compared to 2013. To achieve this, DPDgroup plans to operate a delivery fleet of 5,000 low-emission vehicles by 2025.

Since 2016, all remaining transport-related CO₂ emissions have been "offset" through two projects⁽³⁾ related to the production of cleaner, renewable energy:

- turning landfill gas into clean energy in Brazil;
- creating clean energy from wind turbines in India.

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⁽⁴⁾.

Environmental and carbon neutrality is an issue for both end-customers and shippers, because it concerns everyone. This is why DPDgroup is renewing its fleet of alternative vehicles, notably Chronopost, which has been delivering to the entire city of Paris using clean vehicles since October 2019.

(1) Including 86 pick-up and drop-off points in the French overseas departments.

(2) Predict is available in the following 20 countries: Germany, Austria, Belgium, Croatia, Estonia, France (Chronopost and DPD France), Hungary, Ireland, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Czech Republic, United Kingdom, Slovakia, Slovenia, Spain and Switzerland.

(3) 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>.

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

1.7.4 MARKET TRENDS

In 2018, the European CEP market⁽¹⁾ was valued at €57.7 billion⁽²⁾, representing 11 billion parcels. The market has enjoyed estimated growth of 7.0% by value and 8.1% by volume compared with 2017.

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 the European Courier Express Parcel (CEP) volumes in 2018)⁽³⁾, at both the domestic and the international level.

This trend is driven by the growth of European e-commerce, estimated at 12% in 2018⁽⁴⁾.

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

The cross-border *business* corresponds to parcel import and/or export operations.

In 2019, 62% of regular European e-buyers have already made purchases on a foreign site⁽⁵⁾.

As a result, it is estimated that 62%⁽³⁾ of French Internet users have already made foreign purchases on the Internet. The 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 51%. Among countries that have a smaller domestic offering, the percentage of e-shoppers who have already made purchases on foreign sites stands at 66% in Italy, 70% in Spain, 80% in Belgium, 82% in Portugal and 86% in Switzerland.

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, regular e-buyers make their purchases mainly on American (38%) and Chinese (60%) sites⁽³⁾.

A geographically concentrated market under consolidation

The CEP market is highly concentrated: Germany, the United Kingdom and France account for 62% of the European express parcel market. Together with Spain and Italy, these five countries account for 72% 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 (Latvia: +14.1%; Hungary: +13.5%; Romania: +13.5%; Slovakia: +13%; Croatia: +12.1%; Czech Republic: +10.8%; Estonia: +10.1%; Slovenia: +9.8%; Poland: +9.8%)⁽¹⁾.

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⁽¹⁾.

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 controlling equity investment in the Italian operator BRT in January 2020.

The economic context and competitive environment weigh on market prices

In the parcel market, there is an inflationary pressure, the costs of which are difficult to pass on to 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;

(1) 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).

(2) Internal sources produced in 2019 for 2018. Small variations in measuring market size may occur due to changes in exchange rates, in particular.

(3) Source: annual internal study.

(4) Source: 2019 European E-commerce report, E-commerce Foundation, June 2019.

(5) Source: 2019 edition of the DPDgroup E-shopper barometer conducted by Kantar TNS and DPDgroup in 21 countries with 23,255 respondents.



- 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, compounded by increasing difficulty in recruiting drivers.

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's objective is to combine growth in volumes with maintaining profitability through an adapted pricing policy, taking into account the rise in costs.

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).

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.

1.7.5 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.

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. In December 2016, DPDgroup officially announced the opening of the very first regular commercial drone delivery line in the Var department, a world first. In November 2019, DPD France inaugurated a second drone delivery line in Isère with the deployment of its "Delivery Assistant" solution: the drone is used during the usual delivery round from a vehicle specially equipped with a mobile terminal.

Developing positions in La Poste's 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 almost 2,900 Pickup parcel shops is gradually being set up, making it the first network of pick-up and drop-off points in Latin America at the end of 2019. The same is true in Africa, where Pickup is starting to build its network with more than 200 Pickup parcel shops in Morocco.

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 (a sales event set up by the Chinese web giant Alibaba, as an equivalent to the American "Black Friday" event), where nearly 5 million parcels were delivered over the course of the week in 2019. In Southeast Asia, the acquisition of a minority stake in Ninja Van expanded the pick-up and drop-off points to almost 2,800 points, of which 770 in Singapore, 1,200 in Malaysia and 720 in Indonesia.

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 12% since 2017.

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 Authorised Economic Operator (AEO) 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.

Now that the United Kingdom has left the European Union on 31 January 2020 and the transitory period of Brexit has started, DPDgroup has prepared 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.

DPDgroup is a committed player in the Brexit discussions and has planned adapt its network as needed, based on the most likely outcomes. In particular, DPDgroup plans to make a gradual change to adjust its transport plans and start customs clearance operations at dedicated import/export consolidation points (gateways) in the United Kingdom, Ireland, France, the Netherlands and Spain, both to and from the 27 countries of Europe. Now that the United Kingdom has left the European Union on 31 January 2020 and the transitory period of Brexit has started, DPDgroup has prepared 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.

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. Whatever deal is agreed at the end of the transition period on 31 December 2020, DPDgroup is therefore fully prepared for all eventualities.

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. With the acquisition of a majority stake in Lenton in Asia in 2019, DPDgroup seeks to develop flows to and from China by deploying the DPD brand in China.

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 the Seur Frio service, or in Germany and the United Kingdom with the DPD Food service for the delivery of dry food.

The urgent delivery market: delivery within a few hours and urgent urban delivery

DPDgroup's customers can opt for same-day delivery in Spain, Portugal, France, the United Kingdom, Hungary, Poland, Estonia, Lithuania, Latvia, Belgium and Luxembourg, 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 Stuart to 100% (22%-owned since 2015), a French company founded in late 2014, which has developed a last-mile delivery technology platform for merchants and e-merchants willing to deliver their end-consignees more quickly and accurately. Historically positioned in the urgent delivery segment for restaurants, Stuart has diversified its business sectors and is now collaborating with all food retailers and leading retailers in their segments, by operating urban deliveries both from their stores or from warehouses located in city centers. With Stuart, DPDgroup is investing in the urgent delivery market,



a complementary activity to the group's delivery tours. Stuart now operates in 142 cities in 3 countries: France (95 cities), the United Kingdom (45 cities) and Spain (2 cities).

The temperature-controlled delivery 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 and 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.

DPDgroup further strengthened its position in the healthcare sector with the acquisition of Tipsa in Spain in 2019. Tipsa specialises in the urgent transport of parcels on national and international markets. The network's strengths also include 270 branches and 12 hubs.

Developing responsible smart urban delivery

The 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 to develop expertise, solutions and exchanges with all stakeholders in France and Europe.

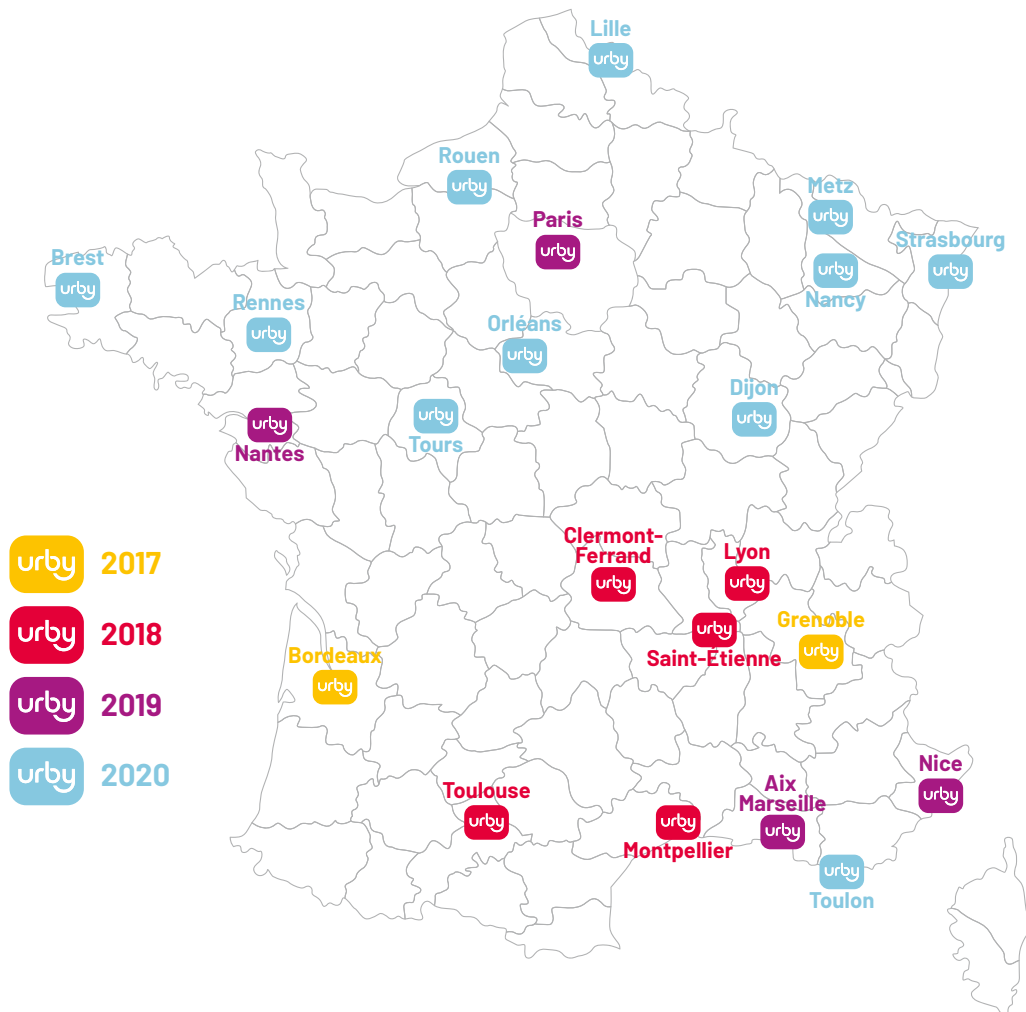
In France

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 Station lockers spread across the city.

In France, created in 2017, the GeoPost/DPDgroup Urby subsidiary was born out of Le Groupe La Poste's desire to offer solutions that make cities less congested and more breathable for their inhabitants. Since its launch, Urby is already present in 11 cities in France and offers urban delivery and goods collection services (from 30 kg to 3 metric tonnes), storage and collection of waste and packaging (cardboard boxes, pallets, etc.). Urby aims to cover 10% of flow pooling in French cities by 2025.

(1) Source: LSE cities.

Deployment of the Urby network



Worldwide

DPDgroup's commitment is reflected in the establishment of responsible and clean delivery solutions in several European cities:

- in Dublin, DPD Ireland inaugurated ElectriCity in April 2019, the country's only fully-electric depot;
- in Hamburg, electric delivery to the city centre is provided by a combination of DPD alternative vehicles;
- in London, the DPD urban depot in Westminster is the first fully electric depot in the country;
- in Madrid, Seur's nine urban depots meet customers' needs for smooth and sustainable last-mile delivery;
- in Paris, 11 sites (Chronopost) deliver up to 25,000 parcels per day;
- in Tallinn, several alternative delivery locations are offered, such as lockers, robot towers and small mobile robots;
- in Warsaw, nine city depots are located close to business areas offering convenient opening hours and numerous customer services, including a fitting room.

Discussions are underway with authorities in about 20 French and other European cities to deploy more urban logistics solutions.

The rest of the world is not to be outdone, with for example the 780 Pickup parcel shops in São Paulo by Jadlog and the 770 pick-up and drop-off points offered in Singapore by Ninja Van.

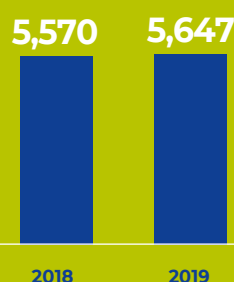
DPDgroup has also set itself the goal of operating a delivery fleet of 5,000 low-emission delivery vehicles by 2025. Chronopost has been delivering throughout Paris using clean vehicles since October 2019.

In 2019, GeoPost/DPDgroup celebrated its 20th anniversary, following the founding of GeoPost in 1999 and the formation of a large international group through the successive acquisitions of operators, mainly in Europe.

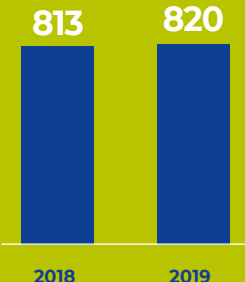
1.8 La Banque Postale

2019 KEY FIGURES

REVENUE in €M



OPERATING PROFIT/(LOSS)* in €M



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

TOTAL BALANCE SHEET

€272 bn (+€10.8% BN)

CET1 RATIO

12.2%
(+ 0.5 points)

LOAN-TO-DEPOSIT RATIO

90%
(+3.6 points)

NUMBER OF EMPLOYEES

16,970⁽¹⁾

COST OF RISK

€178 M
(+34%⁽²⁾)

2019 KEY HIGHLIGHTS

- New stages in the creation of a large public financial group. Upon completion of this transaction in early 2020, La Banque Postale became the majority shareholder in CNP Assurances, with 62.13%. La Poste, the majority shareholder in La Banque Postale, will be majority held by Caisse des Dépôts (66%) and the French State (34%).
- Announcement of the extension of the partnership between La Banque Postale and Groupe BPCE, in particular for euro rate management activities (primarily insurance-based) provided by Ostrum AM and LBPAM using a shared platform.
- Non-binding memorandum of understanding between La Banque Postale and Groupama for the acquisition, by La Banque Postale, of Groupama's 35% stake in La Banque Postale Assurances IARD.
- Launch of "Ma French Bank", a fully digital and responsible bank in more than 2,000 post offices. After opening to retail customers on 22 July 2019, Ma French Bank passed the 100,000 customer mark in four months. The objective of reaching more than one million customers by 2025 is confirmed.
- Acquisition in March 2019 of Société Générale's 35% stake in La Banque Postale Financement. La Banque Postale now holds 100% of the capital of this subsidiary.
- Creation of the platform58 incubator for fintech and insurtech start-ups.
- Freezing of bank fees for all customers in 2019 and capping of monthly incidental bank fees for 1.6 million of La Banque Postale's customers identified as financially vulnerable.
- Signature of several international agreements in favour of a responsible banking sector, in particular the "Equator Principles" and the UNEP FI "Principles for Responsible Banking"⁽³⁾.

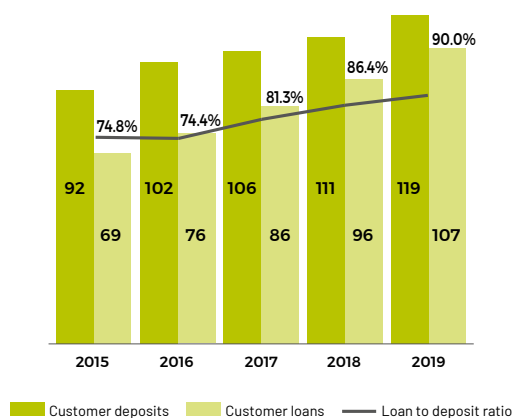
La Banque Postale's balance sheet total reached €272 billion at 31 December 2019. It includes €119 billion in outstanding customer deposits (excluding centralised outstanding savings at CDC) and €107 billion in outstanding customer loans, bringing its loan-to-deposit ratio to 90.0%.

(1) Average full-time equivalents.

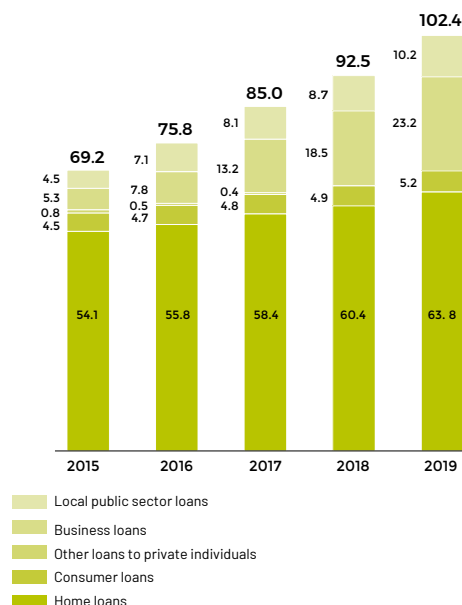
(2) Cost of risk for the commercial bank.

(3) United Nations Environment Programme Finance Initiative.

Outstanding customer deposits⁽¹⁾ and loans (in €bn) and loan-to-deposit ratio (%)

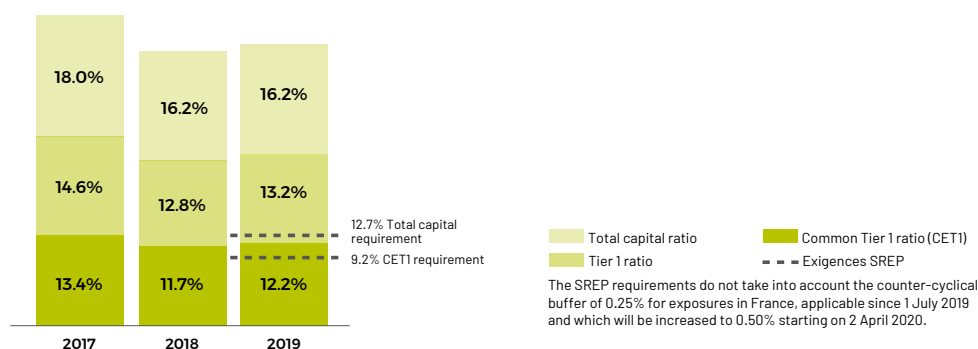


Outstanding loans (in €bn)



Moreover, La Banque Postale has solid solvency ratios.

Ratio de solvabilité



1.8.1 OVERVIEW OF LA BANQUE POSTALE

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

It has three divisions (see Section 1.8.2):

- retail banking, providing banking products and services to private individuals, businesses and social economy and local public segment players;
- insurance, with life insurance provided through CNP Assurances and contingency, property and casualty and healthcare insurance provided through La Banque Postale's insurance subsidiaries;
- asset management, provided by asset management subsidiaries providing savings and investment products for individual customers and legal entities.

From the outset, La Banque Postale's multi-partner business model was founded on the values inherited from Le Groupe La Poste, namely trust, accessibility and local presence, which explains why La Banque Postale enjoys an original and unique position in the French market. Therefore, in its commercial strategy, La Banque Postale favours simple and affordable products adapted to the needs of its customers.

Pursuant to Article 16 of Act 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.

La Poste holds all of the capital and voting rights of La Banque Postale. There is no employee share ownership.

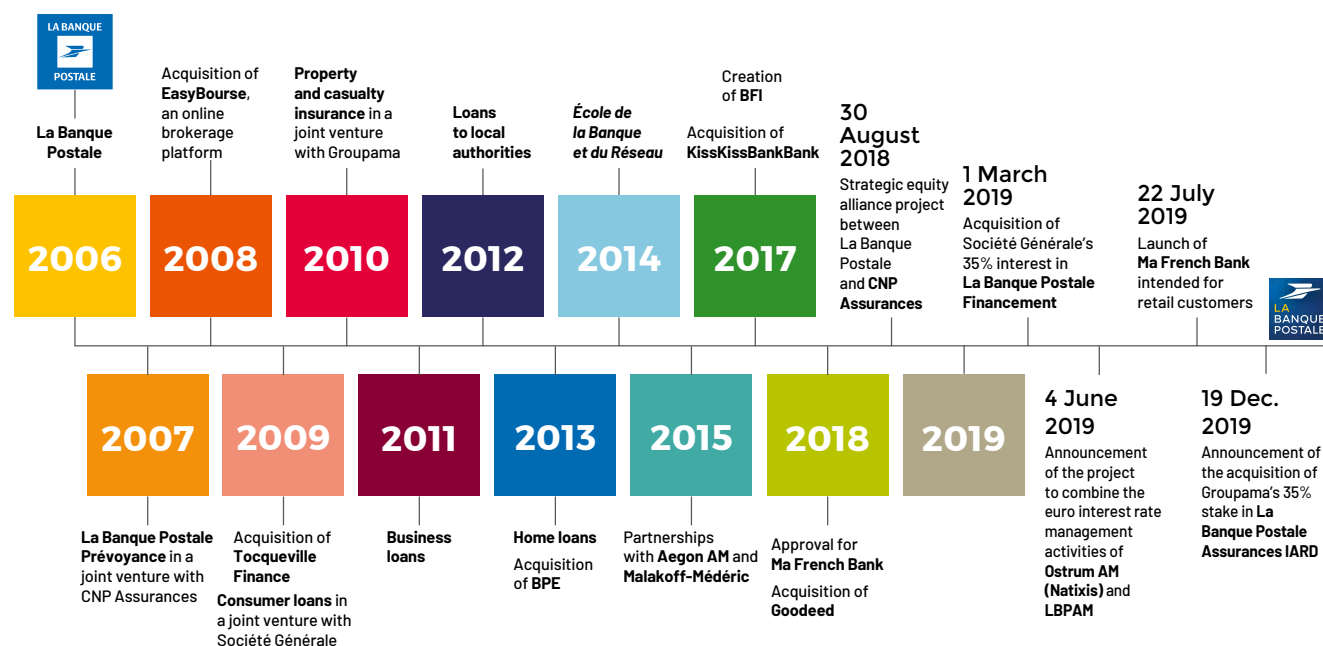
La Poste and La Banque Postale have a very close relationship. This closeness is reflected in both their governance and management bodies and their industrial and commercial relations. The Chairman

(1) These requirements do not take into account the counter-cyclical buffer of 0.25% for exposures in France, applicable since 1 July 2019 and which will be increased to 0.50% starting on 2 April 2020.
"Basel III, taking into account the transitional provisions of CRR/CRD IV"

of La Banque Postale's Management Board serves as an Executive Vice President of La Poste and is a member of its Executive Committee. The Chairman of La Poste is also the 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 Act No. 2005-516 of 20 May 2005, various agreements have been concluded between La Poste and La Banque Postale.

Background



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 Act No. 2005-516 of 20 May 2005 and its Implementing Decree of 30 August 2005, La Poste, a public industrial and commercial establishment (Établissement public industriel et commercial – 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⁽¹⁾.

The French Postal Act of 1990, revised in 2010, entrusted La Poste with four public service missions, including banking accessibility carried out by its subsidiary La Banque Postale. This mission is defined and governed by two agreements concluded with the French State (Article L. 518-25-1 of the French Monetary and Financial Code): the Public Service Agreement between the French State and La Poste (2018-2022) and the Agreement between the French State and LBP (2015-2020). In this respect, La Banque Postale is obliged to:

- open a Livret A savings account free of charge for any person who so requests, in accordance with the "universality" principle;

- authorise domiciliation to the Livret A savings account for payments of social security benefits and public employee pensions, and for direct debits pertaining to payments of taxes and levies, water, gas and electricity payments and social housing rent;
- authorise withdrawals and deposits on Livret A savings accounts 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 a Financing and Investment Banking division which unites the activities related to transactions on financial markets, structured financing, assets and projects.

(1) With the exception of one share held on loan by the Chairman of the Supervisory Board.

In August 2018, the Minister of the Economy and Finance announced the project to create a large public financial group to strengthen regional cohesion and combat regional divides by combining the expertise of La Banque Postale, Caisse des Dépôts, Bpifrance and CNP Assurances. 2019 was marked by new stages in the creation of this large public financial group. Since the completion of this transaction, on 4 March 2020, La Banque Postale is the majority shareholder in CNP Assurances with 62.13% of the capital.

In March 2019, La Banque Postale acquired Société Générale's 35% stake in La Banque Postale Financement. Now the sole shareholder of this subsidiary, La Banque Postale is pursuing a strategy of innovation to respond to new consumer needs and business growth, serving its customers as well as the customers of its mobile bank, Ma French Bank.

In June 2019, La Banque Postale and BPCE Group announced an industrial partnership for euro rate management activities, primarily insurance-based, provided by Ostrum Asset Management and LBPAM under a shared platform. The aim of this project is to create a leading player in insurance management in Europe that is fully compliant with the principles of socially responsible investment (SRI). In December 2019, La Banque Postale and BPCE Group took a significant step forward in the project by defining its main principles and procedures. The operation is scheduled to take place in the second half of 2020.

In December 2019, La Banque Postale and Groupama announced the signing of a non-binding memorandum of understanding for the acquisition by La Banque Postale of Groupama's stake in La Banque Postale IARD and the continuation of their cooperation in legal protection and assistance. The operation is scheduled to take place in the first half of 2020.

2019 was also marked by the continuation of La Banque Postale's digital strategy, with several initiatives and commercial developments. In 2019, La Banque Postale launched Ma French Bank, a 100% mobile bank, in more than 2,000 post offices. La Banque Postale also created the platform58 incubator, hosting start-ups specialising in fintech and insurtech.

Organisational structure

La Banque Postale's structure 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 24 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 SF2 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 Act No. 2005-516 of 20 May 2005 relating to the regulation of the postal business (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, automated teller and cheque deposit machines and sales;
- 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 latter's policies in its name and on its behalf. In accordance with specific rules, these employees have been given the necessary powers by La Banque Postale to carry out banking activities, primarily performing back-office and middle-office operations, IT support and support for the selling of La Banque Postale's banking, financial and insurance products and services.

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 relies on:

- its own resources, as well as those of its subsidiaries and strategic equity investments (see section 1.12 Simplified organizational chart);
- resources provided by Le Groupe La Poste, in particular its network of post offices, and manage distance product sales; the banking advisers and customer managers.

In total, almost 28,200 employees work for and on behalf of La Banque Postale⁽¹⁾.

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

1.8.2 LA BANQUE POSTALE'S ACTIVITIES



Retail banking

La Banque Postale's historic business, retail banking offers 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 2019, retail banking was characterised by:

- 10.5 million individual "Core Customers"⁽¹⁾;
- 9,430 advisors;
- €5.2 billion in net banking income;
- €324.1 billion in outstanding managed savings;
- €102.4 billion in outstanding loans.

In addition, 2019 was marked by:

- the launch of "Ma French Bank", a fully digital bank in more than 2,000 post offices. By the end of 2019, Ma French Bank had over 100,000 customers;
- the launch of the BPE Emeraude multi-fund life insurance policy, insured by CNP Assurances;
- the acceleration of the marketing of high-end bank cards with the introduction of the personalised ceiling;
- the launch of the new Bank Card Space in the mobile app to manage all services related to payment cards. This offer is the most complete on the market and has been praised by the press;
- the launch of a relationship-focused programme dedicated to La Banque Postale's high net-worth customers: the Pass Patrimoine, a value-added advisory services offer available online and from the 1,000 Specialised Wealth Management Advisers.

Private individuals

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

La Banque Postale supports its customers with their projects. Home loans and consumer loans are both up strongly. Their outstandings increased by 5.5% and 5.2% respectively over one year.

It is also present and active with regard to high net-worth customers. High net-worth customers, almost 622,400, place their confidence in La Banque Postale to help them build, grow and manage their assets.

La Banque Postale has renewed and broadened its offering targeted at customers in the 16-25 age bracket through its "#TalentBooster" offering.

In 2019, La Banque Postale froze bank fees for all its customers, in addition to specific measures for financially vulnerable customers (see below).

Finally, on 22 July 2019, La Banque Postale launched "Ma French Bank", a 100% digital bank aimed at responding to new banking usages. The account opening process can be made online or in one of the 2,000 post offices that market the offer. At the end of 2019, Ma French Bank passed the 100,000 customer mark: this figure reflects La Banque Postale's ambition to democratise mobile banking throughout France and to meet the needs of young customers who are looking for a simple and attractive offer.

At the end of 2019, La Banque Postale had 10.5 million individual "Core Customers"⁽¹⁾. In 2019, La Banque Postale's retail banking activity remained dynamic as can be seen from the following indicators:

- €61.9 billion in outstanding sight deposits (+6.1%);
- €82.7 billion in outstanding ordinary savings (+0.8%);
- €63.8 billion in outstanding home loans (+5.5%);
- €5.2 billion in outstanding consumer loans (+5.2%).

Support for financially vulnerable customers

Every day La Banque Postale takes action to support customers in financially vulnerable circumstances. The French Banking Inclusion Observatory (L'Observatoire de l'inclusion bancaire) recorded some 3.4 million financially vulnerable customers at the end of 2018. 1.6 million of La Banque Postale's customers were in this category in 2019, i.e. almost half.

For these clients, at the end of 2019, La Poste introduced a cap of €25 on incidental monthly fees and promoted the "Simplicity" account formula aimed at this customer base, at an attractive rate of €2.30 per month. For customers with this account, incidental bank fees are capped at €20 per month and €200 a year. As of the end of 2019, some 112,400 customers had a "Simplicity" account, up 60% on 2018.

Banking accessibility mission

La Poste has been awarded four public service missions by the legislator, including the banking accessibility mission, which La Poste delivers through its subsidiary La Banque Postale. This banking accessibility mission guarantees universal, non-discriminatory access to banking services that are free, simple and essential for those excluded from traditional banking and who have specific needs.

(1) According to the new segmentation applied in 2019, individual "Core customers" include both committed and non-committed equipped customers. The notion of commitment is linked to the domiciliation of income and the notion of equipment to the holding of several families of products.

This banking accessibility is delivered through La Banque Postale's Livret A savings account, because it is universal, secure and easy to access and use. In respect of this mission, La Banque Postale has obligations in terms of the distribution and use of the Livret A savings account, particularly the requirement to allow anyone who applies to open one, to withdraw or deposit a minimum of €1.5 in cash, and authorisation for certain essential transactions (particularly the payment of social benefits and standing orders for social housing rent and utility bills, etc.).

To perform this mission, La Poste and La Banque Postale offer a nationwide reception and advice network which guarantees real accessibility. In addition to this network, they have developed a support ecosystem comprising a wide range of services – translation, budgeting advice, agreements with non-profit organisations – aimed at facilitating the social and financial inclusion of the unbanked population and/or those whose circumstances restrict access to traditional banking.

As a service of general economic interest, this mission and the compensation received for it must be reported to the European Commission. On 24 October 2017, the European Commission approved the public service compensation awarded to La Banque Postale in order to guarantee banking accessibility through the Livret A savings account.

Based on the observation of habits and use, La Banque Postale has calculated that 1.5 million customers, along with their families, fall within the scope of banking accessibility. That is a total of 5 million people who benefit directly or indirectly from this mission.

Legal entities: local public sector, social and solidarity-based economy actors and companies

With 720 business managers, located in 43 business centres, a local financing department and a team dedicated to large companies, La Banque Postale continues to grow and offers its expertise to all economic players in the service of local economic development with a focus on three strategic axes:

- a multi-market and multi-product offer;
- a positioning as a reference bank for large corporate customers but also for SMEs and mid-market customers;
- a local commercial relationship, in the heart of the territories, with corporate customers and local public sector players.

At the end of 2019, the Legal Entity customer segment continues to grow, as borne out by the following figures:

- €23.2 billion in outstanding Corporate loans (+25.4%);
- €10.2 billion in outstanding Local Public Sector loans (+17.8%).
- 354,000 legal entity and local government customers.

The local public sector

In line with its diversification strategy, La Banque Postale continues to grow its local public sector financing business.

La Banque Postale works with SFIL/CAFFIL through the "Originate to distribute" mechanism, with CAFFIL stating the amounts outstanding transferred by La Banque Postale on its balance sheet. The outstandings sold reached €4.2 billion in 2019. CAFFIL is wholly-owned by SFIL, which in turn is currently 75%-owned by the French State, 20% by Caisse des Dépôts (CDC) and 5% by La Banque Postale.

On 9 October 2019, the French State, CDC and La Banque Postale announced that they had signed an agreement in principle to allow CDC to acquire the stakes held by La Banque Postale and the French State in SFIL's capital. This project, which would be carried out during the first quarter of 2020, is part of the project to create a large public financial pole.

Social housing (HLM) operators

La Banque Postale is the bank for 7 out of 10 social housing (HLM) operators, who manage 90% of the social housing portfolio (4.6 million housing units). La Banque Postale offers them a range of services from flow management to financing solutions.

Social and solidarity-based economy actors

La Banque Postale remains a legitimate partner of the social and solidarity-based economy, with one out of four non-profit organisations as customers. Its specialised advisors in business centres support 5,000 of the main non-profit organisations (foundations, cultural sector, private education, charitable or welfare organisations) while smaller organisations are assisted in post offices or by telephone.

Corporate customers

La Banque Postale continues to expand in the corporate finance market with a strong presence among large corporate customers, representing 50% of the CAC-40 companies, 53% of the SBF-120 and half of the supplementary pension market. La Banque Postale complements its services to companies with the services of its Financing and Investment Bank. In addition, La Banque Postale is developing a factoring, leasing and other financing activity for legal entities via its subsidiary La Banque Postale Leasing & Factoring.

Drawing on its historical know-how, La Banque Postale also aims to conquer small- and mid-market companies, with an increase in outstanding loans of 60% in 2019.

With regard to the professional customer market, La Banque Postale bases its legitimacy on the quality of its customer reception. Nearly 450 professional customer managers accompany entrepreneurs on a daily basis.

Finally, 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 loans falling within the scope of special agreements with state bodies to Engie employees.

Insurance

La Banque Postale's Insurance activity (excluding CNP Assurances) is driven by 706 employees. 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 2019, the Insurance business recorded the following key figures:

- a portfolio of 4.6 million contracts;
- €251 million in net banking income;
- €126.7 billion in outstanding life insurance.

Furthermore, 2019 saw the following highlights:

- completion of the key stages of the planned strategic equity alliance between La Banque Postale and CNP Assurances, paving the way for full consolidation of CNP Assurances in early 2020;
- the announcement of the acquisition of Groupama's 35% stake in La Banque Postale Assurances IARD;
- launch with the +Simple assurtech company of a new complementary collective health insurance offer, providing a digitised customer experience for professionals.

Life insurance

La Banque Postale is a shareholder and distributor of CNP Assurances for which it markets life and capitalisation insurance products. The conditions for the distribution of life insurance products are defined by a commercial contract renewed in March 2016 until the end of 2025. The scope of application of this contract has been extended to the private banking subsidiary BPE and also includes a partnership in group borrower insurance for home loans. In 2019, La Banque Postale represented 25.5% of the revenue of CNP Assurances. Similarly, CNP Assurances products represented the main thrust of La Banque Postale's 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.

In 2019, life insurance outstandings reached €126.7 billion, an increase of 2.0% compared with 2018.

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.

With more than 280,000 new contracts in 2019, La Banque Postale Prévoyance has more than 2.7 million policies in its portfolio at the end of 2019, La Banque Postale Prévoyance has positioned itself as a major operator in the French contingency insurance market.

Healthcare

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

With more than 69,000 new contracts in 2019, La Banque Postale Assurance Santé has more than 200,000 million policies in its portfolio at the end of 2019, 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 is a subsidiary of La Banque Postale and Groupama. This subsidiary offers a range of property and casualty insurance cover to private individuals. 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).

La Banque Postale Assurances IARD had almost 1.8 million policies in its portfolio at the end of 2019, ten years after its launch, up 4.2% in volume year on year.

In December 2019, La Banque Postale and Groupama announced the signing of a non-binding memorandum of understanding for the acquisition by La Banque Postale of Groupama's stake in La Banque Postale IARD and the continuation of their cooperation in legal protection and assistance. This transaction is scheduled to take place during the first half of 2020, subject to obtaining the required authorisations from the competent regulatory authorities.

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 a comprehensive range of savings and investment products covering traditional financial markets as well as more diversifying asset classes. Asset management includes the activities of the subsidiary La Banque Postale Asset Management (LBPAM) and AEW Ciloger's property management activities.

In 2019, the Asset Management activity recorded the following key figures:

- €155 million in net banking income;
- €232 billion in assets under management.

2019 was marked by the following key events:

- announcement of the extension of the industrial partnership between La Banque Postale and Groupe BPCE, in particular for euro rate management activities (primarily insurance-based) provided by Ostrum Asset Management and LBPAM using a shared platform;
- LBPAM became the leading generalist manager in France in terms of the number of SRI-labelled funds, with 53 funds labelled at 31 December 2019. 60% of the assets managed by LBPAM are now under responsible management;
- LBPAM SRI Actions Europe has been recognised by Climetrics as one of the 10 best European equity funds for its climate performance;
- an exceptional year for AEW Ciloger in terms of fundraising, with nearly €4.5 billion raised, an increase of 60% over 2018.

Asset management by LBPAM and Tocqueville Finance

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

Offering a wide range of savings products for private individuals and solutions dedicated to institutional investors, LBPAM is the first European asset management company to have made a public and civic commitment to switch 100% of its outstandings to responsible management 2020.

Tocqueville, a LBPAM subsidiary since 2018, specialises in stock picking management of European equity funds distributed in France and abroad to private individuals and institutional investors.

In June 2019, La Banque Postale and BPCE Group announced an industrial partnership for euro rate management activities, primarily insurance-based, provided by Ostrum Asset Management and LBPAM under a shared platform. Comprising approximately €435 billion of assets under management (based on assets under management at 30 June 2019), this project is intended to create a leading player in insurance management in Europe that is fully compliant with the principles of socially responsible investment (SRI). In December 2019, La Banque Postale and BPCE Group took a

significant step forward in the project by defining its main principles and procedures. The operation is scheduled to take place in the second half of 2020.

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

In 2019, this business activity stood out through the following figures:

- €230 billion in assets under management by the end of 2019 (+6.2%);
- 53 funds received the public SRI label, making LBPAM the leading management company in terms of the number of funds with the label, with 60% of assets in responsible investment at the end of 2019;
- 1.8 billion in assets under management by Tocqueville, excluding LBPAM management delegation (+9.5%).

AEW Ciloger property management

Within AEW SA (a subsidiary in which La Banque Postale holds a 40% stake, alongside Natixis Investment Managers and Groupe BPCE), AEW Ciloger is the regulated management company for all the AEW group's institutional and retail activities in France. It has specific expertise in the creation and management of funds and real estate mandates on behalf of institutional customers and funds for private individuals.

AEW Ciloger manages 23 real estate investment funds (REIT) (sociétés civiles de placement immobilier – SCPI) and 2 real estate investment schemes (organismes de placement collectif immobilier – OPCI) for retail customers, and supports 95,000 partners in their real estate investments. The management company ranks among the top five players in intermediated real estate savings in France and is developing expertise in all areas of real estate asset management for third parties.

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

At the end of 2019, AEW Ciloger's assets under management amounted to €32.1 billion, an increase of 5% compared to the end of 2018.

1.8.3 STRATEGY AND OUTLOOK

Since its creation in 2006, La Banque Postale has gradually developed into a bancassurer offering a comprehensive range of products and services, in keeping with its civic values and its unique raison d'être, to all types of customers in France.

With its Osons créer La Banque de demain ("Daring to create tomorrow's bank") 2014-2020 development plan, La Banque Postale has geared itself up to undertake its transformation in order to provide its customers with an enhanced service.



The new 2021-2030 development plan currently being prepared will have to respond to structural and cyclical challenges, which include the following in particular: an environment of persistently low rates, new customer expectations, and the emergence of new players on the periphery of the financial sector.

The creation of a large public financial group serving local and regional authorities, announced in August 2018 and resulting in particular in the strategic equity alliance between La Banque Postale and CNP Assurances, will make it possible to build a major integrated bancassurance group.

Objectives of the 2020 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. Dedicated product and service offerings and 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 banking for high net-worth customers based on strong commercial teams, a comprehensive offering and an adapted structure. The creation of a Wealth Management division within La Banque Postale and the merger of La Banque Postale Gestion Privée and BPE in 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 implemented by setting up dedicated sales teams between La Banque Postale and La Poste

Network. The gradual and supervised expansion of La Poste 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, non-profit organisations, 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 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 the long-standing local relationships that it maintains with the professional customer market, often personal customers;
- 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 Banking 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.

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 the risks associated with its business more efficiently by integrating product pricing, loan approvals and recovery and capital management processes into La Banque Postale's various operational management processes.

The development plan is also based on major transformation plans to help meet La Banque Postale's sales goals, such as:

- the Cap Client 3.0 programme, which provides 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 La Banque Postale's financial centre operations (remote front-office, middle- and back-office) to increase their efficiency (professionalisation, development and specialisation of teams, streamlining of processes and changing tools to increase agility, efficiency and productivity);
- the Concerto programme, which is also a major transformation project of the entire "core banking" information system. In particular, it has made it possible to serve the development needs of La Banque Postale's corporate customers, by providing them with modern processing chains for the main banking transactions (corporate account keeping, loans, flexible pricing, etc.). It also allows La Banque Postale to position itself as an integrator of new distribution networks or banking producers. The final steps expected in 2020-2022 concern sophisticated corporate account management functionalities."
- the Excellence 2020 initiative to reengineer La Banque Postale's main processes capitalises on the three programmes mentioned above. With a view to resolving customer issues at first contact and strengthening operational efficiency, most of the operations previously carried out solely in financial centres have been transferred to the Cap Client workstation. A large part of these transactions were also made available to the customer (e.g. means of payment management). In connection with Excello, non-strategic activities have been outsourced (cheque processing) or automated. With the aim of providing La Banque Postale customers with an increasingly real-time view of their banking transactions and accounts, the first significant steps were taken in 2019 and further improvements are planned for 2020 and 2021. This transformation is part of a desire to accompany and inform customers as closely as possible in their activities and needs, while capitalising on digital channels.

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 École de La Banque et du Réseau – EBR (Banking and Network School)

in 2014. EBR supports the Group's strategic transformation by promoting the professional development of the 65,300 employees of La Banque Postale, Financial Services and La Poste Network.

This innovative and large-scale training system is aimed at giving La Banque Postale's employees the possibility of embracing the banking roles and skills of tomorrow in order to offer customers 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 2019, EBR held nearly 314,000 training days for La Banque Postale, Financial Services and La Poste Network employees. It rolled out major courses aimed at the entire managerial line of the priority banking network. In particular, EBR provided training on home loans to banking advisers and managers.

In order to ensure that its ambitious development plan is a success, La Banque Postale 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;
- accelerating the digitisation of customer experiences and offers, in particular with the launch of "Ma French Bank", a 100% mobile bank;
- innovation, through the creation of a dedicated ecosystem supported by the Platform58 incubator, which now includes 15 incubated start-ups;
- 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.

Strategic equity alliance between La Banque Postale and CNP Assurances

The strategic equity alliance between La Banque Postale and CNP Assurances was concluded on 4 March 2020. Caisse des Dépôts and the French State transferred their respective stakes in CNP Assurances, 40.87% and 1.11%, to Le Groupe La Poste, which then transferred these shares to La Banque Postale. La Banque Postale now holds a 62.13% stake in CNP Assurances.

This strategic equity alliance creates a leading public bancassurance group, bringing together two major players with

significant customer and policyholder bases. This transaction is based on strong historical, equity and commercial links:

- Le Groupe La Poste and CNP Assurances have been partners for several decades and have strengthened their bonds over the years;
- La Banque Postale and CNP Assurances contribute significantly to their respective activities.

This strategic equity alliance will promote business development and improve operational efficiency through:

- the extension of the commercial agreements between La Banque Postale and CNP Assurances over the long term;
- the strategic realignment in life and borrowers' insurance opening up opportunities for development;
- work to improve the operational efficiency between CNP Assurances and La Banque Postale and to increase the use of CNP insurance products by La Banque Postale customers;
- ultimately, CNP Assurances aims to become the unique insurance vehicle of La Banque Postale group.

In addition, the alliance will allow:

- the implementation of joint strategic initiatives within the framework of the partnership between CNP Assurances and La Banque Postale (seeking convergence on new technologies and innovation in particular and coordinated digitisation of customer experiences);
- the strengthening of synergies (mutually beneficial combination of insurance and banking expertise);
- the bolstering of La Banque Postale's core equity, which is essential for the future development of its activities.

However, the strategic equity alliance will respect the identity and strategic pillars of CNP Assurances:

- the open and multi-partner model (collaboration with other banking networks, a mutualist approach) will be maintained and developed;
- CNP Assurances will continue to be listed on the stock market;
- the autonomy in terms of management and governance, with independent directors, will remain unchanged in accordance with the Afep-Medef Code;
- CNP Assurances' international presence will be maintained and developed;
- continuity of CNP Assurances' financial policy aimed at maintaining strong solvency;
- ability to finance CNP Assurances' organic development and external growth ambitions.

Digital transformation of La Banque Postale

In the last few years the banking landscape has changed dramatically with 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.

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 La Banque Postale's processes to enable it to tailor its tools to customers' new uses. In 2019:

- La Banque Postale continued to digitise its services to meet its customers' expectations in regard to autonomy and personalisation. This allows them to benefit from new services while respecting data security and confidentiality requirements;
- the sales forces were equipped with efficient tools facilitating the process of advising customers and tracking their situations.

For its most digitally savvy customers, La Banque Postale launched "Ma French Bank" on 22 July 2019, a 100% mobile bank. It offers the possibility of opening an account online or in one of the 2,000 post offices, without a minimum condition of financial resources. Ma French Bank allows customers to manage their account and monitor their transactions in real time. As an ECB-approved credit institution, Ma French Bank also offers savings and credit services with the possibility of accessing a revolving credit facility in real time. Finally, based on an open platform, it offers many innovative banking services such as crowdfunding with KissKissBankBank. Ma French Bank draws on the expertise of La Banque Postale and its subsidiaries (consumer loans, insurance and electronic payments) and on that of Le Groupe La Poste.

Moreover, 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 and 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;
- La Banque Postale's incubator, Platform58, a start-up support programme through mentors and experts and a place for innovation and monitoring that encourages interaction between start-ups and La Banque Postale's partners and employees (15 start-ups incubated and 4,900 employees welcomed).

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 and to identify the talents it will need in coming years.

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

1.9 La Poste Network

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, La Poste Mobile and La Banque Postale.

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, etc. 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.

2019 KEY FIGURES

NUMBER OF
EMPLOYEES

46,463⁽¹⁾

OF WHICH POST OFFICES

7,741

FOOTFALL IN POST OFFICES

346 M (-4.7%)

NUMBER OF LA POSTE
RETAIL OUTLET

17,033

OF WHICH PARTNERSHIPS

9,266

2019 KEY HIGHLIGHTS

- Launch of the national action plan to promote social, digital and banking inclusion in 300 post offices.
- Launch of "Ma French Bank" in nearly 2,000 post offices.
- "France Service" certification for the first 42 post offices.

1.9.1 A MORE EFFICIENT COMMERCIAL ORGANISATION

Organisations that foster proximity

As a multi-activity distribution network with a priority on banking, La Poste Network is the place where the Group's products and services are distributed. It is organised into 1,600 segments providing local access to La Poste's offers and services. The 37 regional departments and 201 Local Departments coordinate this network to improve performance and development.

A multi-business network with a priority on banking

In 2019, La Poste Network proved its commercial dynamism in terms of development. It generated:

- €1,564 million of Mail revenue, €405 million of Parcels revenue, €49 million of Chronopost's revenue and 533,000 of La Poste Mobile's sales;



- 587 million banking transactions (including 86 million transactions carried out with cards from other bank networks) and 5.459 million banking advice appointments completed by banking advisers located in the network, representing 56.82% of consumer loans, 100% of home loans⁽¹⁾ and 100% of net deposits from individual customers.

The priority given to banking services is manifest in the strong potential for sales growth that La Banque Postale brings to Le Groupe La Poste. That is why La Poste Network is continuing to strengthen the system for serving bank customers.

Ma French Bank

In order to meet new customer expectations in an increasingly digital world, in September 2019, La Banque Postale launched "Ma French Bank", a 100% mobile bank. La Banque Postale aims thereby to win over new customers, especially young people. La Poste Network is the only physical distributor of this offer and handled almost three out of four account openings with Ma French Bank. At the end of 2019, 100,000 customers had put their trust in Ma French Bank.

KissKissBankBank

La Poste Network contributes to the awareness and promotion of the projects of KissKissBankBank, a La Banque Postale subsidiary specialised in crowdfunding. To this end, La Poste Network organises KissKissDatings in major post offices throughout the country (65 since July 2018) in order to bring together crowdfunding experts, project initiators, and customers interested in providing funds.

An efficient commercial organisation

La Poste Network is constantly adapting its processes and organisation to effectively meet its customers' expectations. It has nearly 48,800 employees, including 26,100 customer service

managers and almost 9,100 banking advisors (80% of the employees work in post offices). The network is working closely with the other business units to better respond to the needs of different customer categories.

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.

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. With 340 professional customer managers and 400 professional customer advisors for the market areas, La Poste has a truly local sales force to support professionals in their development.

With its Banque des Pros programme, La Banque Postale is seeking to tap a new source of growth within post offices, with 430 customer managers specialised in the professional customer market in place at the end of 2019. The professional market, with nearly 4 million customers, 100,000 of whom visit a post office every day, represents a very important growth potential for La Poste.

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. 45 BPE spaces were opened in post offices by the end of 2019.

1.9.2. LA POSTE NETWORK IS MODERNISING ITS PROXIMITY OFFERS

To increase customer satisfaction and improve commercial performance, the network continuously invests in renovating and upgrading its facilities and in the development of efficient tools.

The digital revolution, the challenges confronting rural areas and urban centres and the environmental transition are all contemporary issues that La Poste faces each and every day, together with elected representatives and citizens.

With more than 17,000 La Poste retail outlets, La Poste Network is at the centre of a relationship with a growing number of channels: telephone, Internet, automated postal machines, mobile applications, etc. To meet the specific needs of customers and keep up to speed with life throughout the country, La Poste Network adapts its proximity offers and services:

- the post offices⁽²⁾ (7,767), which include traditional post offices, public service areas and 43 "France Services" post offices;

(1) Excluding social housing loans.

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

- the partnerships (9,266), 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).

This adaptation is the result of 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 fifth agreement, currently in force and pertaining to the 2020-2022 period, was signed on 5 February 2020.

Post Offices

The 7,741⁽¹⁾ 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 and Insurance services, ranging from standard transactions to personalised advice with a comprehensive range of products and services;
- mail services: purchase of pre-paid envelopes, delivery of the Lettre Verte (green mail), franking, mail pick-up, mail forwarding, etc.;
- parcels and express services: sale, drop-off and pick-up, etc.;
- mobile telephone services.

La Poste continues to reinvent itself through solutions tailored to its customers and by supporting regional development. The Network is adapting to the major changes in retail trade and is transforming itself: the return to hyper proximity, new customer experiences at the point of sale, integration of third parties, connected stores, etc.

Modernised retail outlets

The renovation of the post offices, which come in three different formats (Expert, Advice or Service), continued at a rapid pace in 2019.

For example, 36 Expert post offices were renovated in 2019. Customers greatly appreciate this type of post office. 362 Advice and Service post offices were also modernised during the same period, i.e. a total of 398 post offices.

Innovative post offices and targeted offers: depending on the catchment areas

La Poste has decided, in certain post offices, to offer products and services that complement the traditional offer and are adapted to very specific customer groups.

- Post offices for travellers: two post offices have been in place in the Paris airports of Roissy Charles-de-Gaulle and Orly since 2018. Traditional services are still available, but many new options have been added, including the purchase of telephone accessories and the rental of smartphones or WiFi routers.

- Post offices for tourists, young people and professionals: the post offices marketing products and services geared towards tourists (innovative automated postal machines and personalised postcards) and young people (written driving licence test, photocopying and banking offers targeted at students) and professionals (rental of equipped workspaces) are in place in several cities.

- La Poste opened its first combined post and tourist information office, in Mont-Saint-Michel, in 2019.

Public Service Areas/France Services

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. 469 such post offices had been opened by the end of 2019.

On 1 January 2020, 42 public service areas within La Poste Network became "France Services". This first step demonstrates La Poste's commitment to maintaining and developing useful services in every region. The France Services certification is obtained based on strict criteria in terms of reception, care and service offers, particularly with a view to reducing the digital divide and contributing to the modernisation of public service activities.

Postmen-counter clerks

Committed to postal coverage in rural areas, La Poste is introducing postmen-counter clerks who share their time between postman services (mail and parcel delivery, local services) and post office counter services, thus handling all postal products and services. At the end of 2019, there were 985 postman-counter clerks in operation.

Partnerships

The Group's 9,266 La Poste retail outlets managed in partnership bring the most popular postal services closer to home by keeping them accessible, sometimes with extended hours. 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 external barometer as part of the local postal coverage National Observatory's work. The latest surveys show a high level of satisfaction.

(1) Excluding special status La Poste retail outlets.



La Poste Local Postal Agencies

At the end of 2019, there were 6,459 “La Poste local postal agency” retail outlets offering most 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” outlets

At the end of 2019, the network had 2,807 “La Poste Relais” retail outlets, 1,708 of which were in rural areas and 1,099 in urban areas.

They are located where customers live, have extended opening hours and offer La Poste’s key services. Under this partnership, La Poste enters into an agreement with a shopkeeper, trader or non-profit organisation 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 the 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 be 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.

In urban areas, national agreements have been signed with large retailers (Carrefour, Intermarché, Casino group, Auchan, etc.) in order to respond to the lifestyles and new needs of La Poste’s customers.

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 (non-profit organisations or foundations), with outlets numbering 20 at the end of 2019. 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 continues to accelerate the installation of 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 121 such lockers at the end of 2019..

Building a network of services both digital and human

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

Customer service managers now meet customers’ requests in the middle of the sales area using smartphones that can carry out most counter functions (such as purchasing a product, picking up or dropping off an item, providing advice, etc.). 15% 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 2,895 “La Poste Relais” outlets, with almost 2,443 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 4,556 La Poste local or intercommunal postal agencies, access to the online services of the Group and to public services (the French employment office, family allowances and 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. 3,100 post offices, including 511 Public Service Areas and France Services-certified offices, had been equipped with Internet access at the end of 2019.

Customer information and promotion at the sales site have also been modernised using a digital communication system deployed in 1,614 post offices, including in the French overseas departments, since September 2017.

Lastly, La Poste Network is renewing its fleet of automated postal machines (806 renewed in 2019), with in particular the installation of new automated 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 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 overall transformation initiative.

In terms of post office accessibility for disabled people, 58% of post offices are 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 (2,837 ATMs) as well as 100% of automated mail-parcel postage machines (2,837 machines) are accessible to disabled people. At the end of 2019, 98.5% of post offices with ATMs had at least one ATM accessible to persons with reduced mobility or were 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 83% accessibility rate at the end of 2019. This number is constantly increasing.

The recently renovated offices are even more welcoming, with sleeker spaces, furniture, floors and lighting.

1.9.3. COMMITTED AND SUPPORTED EMPLOYEES

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 314,000 training days in 2019 (5.9 days per Network and Financial Services 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 2019, the *École de la Banque et du Réseau* launched a wide-ranging training programme entitled “Towards a digital and human network”, with the intention of strengthening the digital inclusion of the network's employees. It combines classic closed office training courses and workshops on how to use Le Groupe La Poste's applications, in particular for Ma French Bank, in order to help them better support customers and recommend the Group's digital offers.

The School, which has been Qualicert-certified since 2018, focuses on the customer experience and continues to innovate in order to constantly improve the effectiveness of its training courses. The face-to-face trainings are enriched through the creation of new spaces that promote collective intelligence, active pedagogy and creativity. The distance trainings are diversifying for more interactive and collaborative learning (mobile learning with the U[K]now application, telephone training, virtual classes, etc.). The deployment of Signéo (an application to digitise time sheets) has facilitated professionalisation actions in the workplace. This

application strengthens the involvement of managers and experts in the development of employee skills.

At the same time, a dynamic training policy has made it possible for employees to receive a banking diploma. Since 2015, over 776 employees have taken part in a BP, ITB or CESB⁽¹⁾ training programme in partnership with the CFPB (l'École supérieure de La Banque).

In total, over 84% of network and Financial Services employees participated in a training session in 2019.

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. 2019 was a year of consolidation, allowing the commissions monitoring the various agreements to ensure their application and to adapt the measures to operational realities.

Similarly, in an effort to consolidate this social dialogue, the trade unions have been involved in new working arrangements implemented in the Quality of Life at Work Observatory. The objective of this observatory is to create a platform for exchange and debate, where work-related issues are discussed according to a multidisciplinary approach, free from structural and institutional constraints. The activities of this observatory are intended to make it possible to influence work situations through the dissemination of best practice.

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



The network has also launched the Perspectives+ project, bringing together both trade unions and operational staff to better recognise and promote the Area manager position. In 2019, this work will make it possible to review the identification of Segments, the career paths of the Area managers and the associated compensation packages. The first pools were put into place at the end of 2019 in order to identify future Area managers and to be able to train them before they take up their posts, with a “Campus” training approach specially tailored to each profile.

Preventing and managing incivilities in post offices

Mindful of the importance of ensuring the safety and security of the people and property within its sites, La Poste Network has a

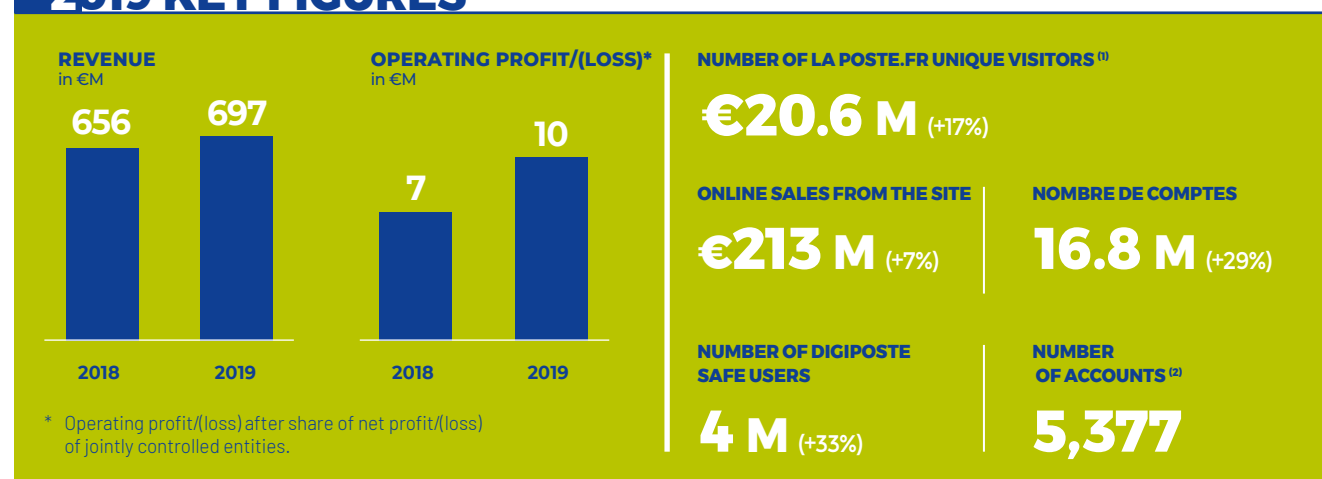
comprehensive policy for safety and the prevention of incivilities, which is deployed throughout the country. Faced with the increase in incivility in the banking networks in general, and in post offices in particular, the Safety and Incivility Prevention Department is focusing on prevention and training. In 2013, it introduced an “incivility management approach” within the network. More recently, a “high-risk incivility management approach” was developed to manage violent uncivil behaviour. These two policies have been co-developed based on real cases by the teams and put into practice by Safety and Incivility Prevention managers throughout France.

At the same time, in response to the need expressed by the regional departments, the network has updated its communication materials aimed at preventing incivility in post offices.

1.10 Digital Services

Under its “La Poste 2020: Conquering the future” strategic plan, the Group has resolutely begun its transformation, with the ambition of becoming the number one 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 environmental transition and the need for third-party digital trust providers (which corresponds to the issue of the protection of personal data and privacy in a digital world where data exchanges are intensifying and can be the subject of controversy). The Digital Services business unit plays a key role in their integration into its commercial activity and thereby promotes internal transformation within the Company (modernisation of existing processes and activities, e.g. online forwarding, address recognition using AI, development of new services, parcel tracking on laposte.fr and the Digiposte electronic mailbox).

2019 KEY FIGURES



2019 KEY HIGHLIGHTS

- Strengthening of expertise: acquisitions of Softeam (specialised digital services in the banking-insurance market), Arkhinéo (archiving and long-term preservation of electronic data) and MarketShot (publisher of the Choisir.com comparison website).
- Strengthening in e-health with two major partnerships: TIGA (Territoire de Santé with the city of Strasbourg, offering solutions in regards to prevention, well-being and good health through digital technology) and the Central Purchasing

Office for Hospital Information Technology (Centrale d'Achat de l'Informatique Hospitalière, management of consents).

- Rollout of customer-centric cross-functional digital infrastructures: acceleration of the roll-out of the Single Customer Account and Digiposte.

La Poste becomes the first digital trust third party: digital identity certified by the French National Cybersecurity Agency⁽³⁾ at substantial guarantee level in January 2020.

(1) Unique visitors per month including mobile connections.

(2) Full-time equivalents on average.

(3) Agence nationale de la sécurité des systèmes d'information (ANSSI).

1.10.1 FUNCTIONS AND ACTIVITIES



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

- a commercial activity 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 in its 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 customer expectations 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.

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

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

Commercial activities

Docaposte

Docaposte is an operator of physical and digital services, a specialist in supporting digital transitions. Docaposte has nearly 5,000 employees spread over 60 sites in France. It is also present in other countries: Spain, England, United States, Mexico, etc.

Historically focused on large companies, Docaposte also targets SMEs and mid-market companies. It is very active in the public sector, has privileged relationships with large agencies and administrations and also works with local authorities.

Docaposte offers solutions for optimising customer experiences, back office and administrative processes (HR, finance, purchasing, etc.) and is based on:

- numerous tailor-made or turnkey offers combining digital and physical expertise in digitisation, the exchange of regulated

information, storage, archiving, certification, data sharing and security, as well as desktop publishing and back-office services (management of the company's business processes – CFO, Customer Relations, HR, Legal, General Services, etc.);

- trusted third-party technology assets with a leadership position: archiving, electronic voting, electronic signature and hosting of health data (leading host for pharmaceutical files: 39 million files hosted on a platform to which all pharmacies and hospitals in France are connected);
- strong credibility on the market: more than 23,000 client companies and administrations, including more than 90% of CAC 40 companies, the Conseil Supérieur de l'Ordre des Experts-Comptables, the Agence Nationale du Traitement Automatisé des Infractions (ANTAI), etc.;
- experts and real know-how: 1,800 IT engineers, 1,000 developers in all languages, more than 20 recognised experts in security and Blockchain, more than 70 UX/UI designers and more than 50 AI engineers;
- technological expertise: four data centres in France operated by Docaposte and more than 120,000 servers, four Docaposte As A Service platforms at the heart of the Group's offers: Digital Hub, document management, AI and electronic document management.

Docaposte aims to be a leader in the activities where it positions itself as a trusted third party. Its priority markets are:

- the public sector: administrations and local authorities;
- banking and insurance;
- eHealth: offers that put the patient at the heart of the system between home, local providers, hospital and health insurance;
- VSE/SMEs by standardising for SMEs and small communities solutions already developed for large accounts.

At the end of 2019, Docaposte made two major acquisitions:

- Softeam, a digital services company with recognised know-how in the banking and insurance market and in consulting, digital transformation and artificial intelligence activities. This important acquisition will enable Docaposte to accelerate its development in its priority markets and propose an expanded “consulting + solutions + operator” offer;
- Arkhinéo, strengthening its position as a trusted digital third party and helping it become a leader in electronic archiving.

In five years, Docaposte's digital activities have increased from 38% to 55% of its revenue. In 2019, its revenue amounted to €529 million, up 6% compared with 2019.

Mediapost Communication

In 2019, Mediapost Communication established its new focus on data and artificial intelligence.

Its first mission is to develop customer knowledge through data. It therefore offers online services that facilitate the daily life of consumers. This activity, which improves the data capital and the targeting of the Group's marketing activities, is operated by:

- Adverline, with 28 million unique visitors per month on more than 100 premium websites, offers, through its Internet advertising network, numerous solutions for building brand awareness and developing web traffic. It is also a specialist in sending SMS campaigns (Optello) and is very active on behalf of e-commerce customers;
- Oxeva offers cloud-managed hosting solutions for high-traffic sites and applications requiring high availability. Oxeva also offers innovative hosting solutions for companies with big data challenges;
- Marketshot, the publisher of the Choisir.com comparison website, markets successful sales, lead marketing and multi-channel activation campaigns based on proprietary data targeting. It also helps enrich data capital.

Mediapost Communication's second mission is to develop "AI" expertise to transform the businesses of its corporate customers and to improve Le Groupe La Poste's performance. Based in Grenoble and Paris, the company ProbaYes has a team of 60 data scientists. Their areas of expertise are predictive analysis, optimisation in the industrial field in particular (fraud detection, energy optimisation, autonomous vehicles, etc.) or image analysis (address recognition).

The laposte.fr e-commerce website

The e-commerce Department is in charge of the services and products offered on the laposte.fr website. It manages the customer experience across all digital interfaces, with the aim of simplifying the user interface and providing several channels.

2019 represented a turning point for laposte.fr, which now adopts a resolutely e-commerce approach, with navigation clearly focused on the customer experience: more intuitive, simpler and better adapted to their needs. A postage offer comparison tool, for example, allows customers to find the best rates, without needing to know the dimensions of the object or its packaging. Customers can quickly find out how to send their items, at what price and in what time frame.

Over the longer term, the laposte.fr site aims to become, through its market place, the reference for all types of shipping by offering, through its partners, physical products related to the world of shipping (stationery, packaging, etc.) and by approving transport partners for the shipment of bulky objects.

Supporting the Group's modernisation and digital transformation

This cross-entity modernisation and transformation activity was defined by the Group's digital strategy presented to the Board of Directors in October 2015. It consists of:

- modernisation of existing processes and activities – digitisation:
 - digitising the Group's internal processes (for example, digitisation of pay slips with Digiposte),
 - digitising the Group's customer processes (know your customer, digitisation of customer processes and services – e.g. online forwarding);
- the Group's transformation: supporting new services and diversification – innovation:
 - supporting the development of new services around the customer: simplification of the customer experience, personalisation, support for the deployment of new digital services and on the laposte.fr site – for example the rate comparison tool on the laposte.fr site,
 - reinventing La Poste's role as a trusted physical third party in the digital world by relying on technological assets – e.g. Digiposte or the digital identity.

Modernising existing processes and activities – digitisation

The Digital Services business unit has developed customer-oriented cross-entity digital infrastructures. They consist of standardised modules that are shared, 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 (16.1 million accounts to date);
- the Digital Hub, a platform to automate flows and processes with La Poste or external partners (10 million postman missions);
- the "Group Data Lake" (big data storage), to ensure the shared use of this capital;
- Digiposte, the digital and intelligent letter box, which relies on a digital safe to store documents for private individuals;
- Digital identity: the La Poste digital identity is a substantial identity certified by the French National Cybersecurity Agency (Agence nationale de la sécurité des systèmes d'information - ANSSI) in January 2020;
- laposte.fr, the omni-channel e-commerce and customer relations platform.



These assets make it possible to digitise customer processes (e.g. online forwarding, electronic registered mail, customer services (after sales service) with the implementation of chatbots, frequently asked questions, etc.) and internal processes (logistics: with ProbaYes on mail and parcel chains, optimisation of address recognition and forecasting of parcel flows; support processes: with ProbaYes for the detection of credit card fraud).

The Group's internal digital transformation is focused on two major projects:

1. Customer knowledge through Mon Compte ("My Account") is the basis of this transformation, moving from a product perspective to a customer perspective. The objective is to optimise and personalise all customer interactions. The information collected is used to carry out a major customer-focused transformation in order to:

- personalise the relationship between La Poste and its customers,
- reinforce the animation of offers and services, and facilitate the placement of new offers,
- propose fluid and consistent customer experiences across all channels,
- simplify the lives of customers by giving them autonomy.

With Mon Compte La Poste and its customer file, the Group has a complete customer knowledge system, allowing it to better know and understand each of its customers, regardless of the channel used.

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;

2. 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 since 2015),
- 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 the management of leave time, 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,

École 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 projects for 2020".

The Group's transformation: supporting new services and diversification – innovation

The Digital Services business unit supports the Group's transformation and the development of new services focused on:

- customers;
- La Poste's position as a trusted third party in the digital world.

The infrastructures developed by the Digital Services business unit enable the other business units to develop new services for the end customer quickly and at shared costs:

- the driving licence test, a platform built by Docaposte on behalf of the high-priority shared project "Modernisation of Public Service Activities": 2.7 million candidates have taken the driving licence test with La Poste since 2016;
- the new postmen services are all managed by the Digital Hub (for example, "Watch Over My Parents" and home delivery services for meals or medicines by postmen);
- as a trusted digital third party, La Poste's objective is to guarantee the proper handling of exchanges and the preservation of data by relying on La Poste's historical values: neutrality, universality, durability, etc.;
- be a universal operator for digital exchanges, thanks to its technological assets that allow it to:
 - identify the players (Digital Identity – to support the French State's desire to provide all French people with a digital identity),
 - trace and preserve exchanges (Digiposte – accompanying the modernisation of public service activities),
 - manage these exchanges between numerous players (The Digital Hub – supporting the development of services for local authorities).

Innovation through different structures acting as disruptive levers in the design of offers, resources and working methods. 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. Offers for companies: Docaposte, the specialist in secure and digitised solutions.

1.10.2 STRATEGY AND OUTLOOK

Thanks to its assets and achievements, the Digital Services business unit aims to expand its activities and has adopted the following objectives for 2020-2023:

- subsidiaries at the service of transformation:
 - ProbaYes: the Group's AI advisor,
 - Docaposte: 75% of revenue made in the digital sector;
- customers at the heart of a multi-channel relationship with La Poste:
 - 20 million customer accounts by 2020 and a customer knowledge that supports the Group's commercial development,
 - digitised customer services with chatbots to process some of the requests,
 - the transformation of the laposte.fr site, in order to offer an omni-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;

- La Poste is a digital trust third party:
 - La Poste is the leader in true digital identities to support the modernisation of public service activities and in customer knowledge for businesses,
 - 10 million Digiposte customers in 2023, leader in digitisation for businesses and private individuals, universal operator of exchanges around daily life,
 - Caisse des Dépôts and La Poste, major players in digital sovereignty (sovereign Blockchain, enhancement of the Banque des territoires offer, Digiposte and Digital Identity).

1.11 Real Estate

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

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

2019 KEY FIGURES

REVENUE
in €M

836

839

2018

2019

OPERATING PROFIT/(LOSS)*
in €M

232

142

2018

2019

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

TOTAL AREA ⁽¹⁾ (in thousands of m²)

10,447

DIRECTLY-OWNED PROPERTIES

2,624

properties representing
3,379,000 m²

RENTAL PROPERTIES

7,470

properties representing
2,805,000 m²

2019 KEY HIGHLIGHTS

- Results of calls for projects: In Rennes, the Frey grouping together with the MVRDV/Bertrand Desmoulin architectural firm; in Cergy, Quadral Promotion and AUC Architectes Urbanistes.
- Launch of a "the Seventies" call for projects for the Grenoble site.
- Winner of the HLU Lyon Herriot project with a surface area of 29,000 sq.m. with LPA, Banque des Territoires and SERL.
- Opening of the La Poste Museum, reconfigured by the Jung architectural firm. The Museum will be one of very few renovated cultural buildings to be certified High Environmental Quality (Haute Qualité Environnementale).
- Delivery of three large parcel platforms: the Alpes parcel platform located in La Buissonnière in Isère, the Hauts-de-France parcel platform in Douvrin, and the Île-de-France Nord parcel platform in Thillay.

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

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: 10,094 buildings, representing 6.2 million square metres of which 55% owned by the Group.

This real estate portfolio breaks down into three categories:

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

Completely atypical, it includes widely diversified assets in terms of size, architecture, type and usage. It is made up of very large industrial platforms, small- and medium-sized retail spaces and service-sector premises, as well as buildings with remarkable architecture, built starting at the end of the 19th century to support La Poste's needs for industrial development. 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, whereas the largest buildings, such as the Industrial Mail Platform in Wissous or La Poste du Louvre, have surfaces of up to 39,000 square metres.

The Group's real estate portfolio represents considerable financial stakes both in terms of running costs as well as in terms of non-current assets on the Group's balance sheet.

1.11.1 ACTIVITIES

Poste Immo is a partner in the business units' competitiveness and development as it is implicitly involved in their expenses due to the real estate itself in the strictest sense and due to their energy consumption.

It also participates in cross-entity discussions on three of the Group's major shared high-priority projects, namely energy transition, urban logistics and modernisation of public service activities, but also in the Group's reflections on the Silver economy. In 2014, La Poste also made Poste Immo responsible for centralising the information necessary to develop urban logistics services.

Poste Immo has professionalised its real estate management, made investments and modernised its portfolio. Through disposals it has also generated cash for the Group to finance capital expenditures. Poste Immo has also helped manage the business units' real estate costs (particularly through work to optimise and reclaim surface area).

The Real Estate division

Poste Immo is the subsidiary that holds the bulk of Le Groupe La Poste's real estate assets in France and manages the real estate portfolio held by its business units. It manages the entire Real Estate division, which is distinguished by the fact that it is made up of a pooling of Poste Immo employees and postal employees.

The division has nearly 871 postal employees or employees of the subsidiary, with a dual culture, real estate and postal. It manages most of the Group's real estate activity (78% 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.

Poste Immo was founded in 2005 to turn real estate into a value creation tool for the Company and to support 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's legal scope includes 57 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.

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 the directly-owned properties by guaranteeing profit on investments in accordance with market rules. Poste Immo 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 28% and the cash and cash equivalents generated by disposals and surplus internal cash have enabled the Group to finance €4.6 billion in construction work.

In 2019, €342 million in investments were made on the portfolio, and €99 million in asset disposals were signed.

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 Palais du Commerce in Rennes in partnership with the City and the metropolitan area: the project led by the Frey group, associated with the MVRDV/Bertrand Desmoulin architectural firm, was chosen to modernise and adapt the building to the needs of tomorrow.

A second call for projects was launched at the very end of 2018 to redevelop old real estate complexes dating from the 1970s. In Cergy, the winner of this consultation was the Quadral Group, in conjunction with the AUC architectural firm. In early 2020 the consultation on the Grenoble complex will be examined.

In 2019, Poste Immo held a major consultation to select an operator for a complex of senior services residences. This strategy to transform attractive currently-vacant service-sector buildings is part of the Group's expansion into the Silver economy.

Urban logistics

Urban logistics places urban mobility and its constraints (pollution and congestion) at the heart of cities' concerns.

As an expression of a powerful and sustainable transformation of modes of consumption in dense urban areas and supported by double-digit growth in e-commerce volumes, urban logistics is a strategic focus for Le Groupe La Poste and its real estate portfolio.

Poste Immo takes these changes into account when developing, restructuring or investing in its assets.

The strategy has been structured around three axes:

- developing a network of buildings in the urban areas of major cities in order to provide the Group's distributors and transporters with an efficient, varied and strategically-positioned urban logistics tool;
- optimising real estate costs and offering attractive market leases to the Group's operators by standardising its assets, carrying out co-investment operations and setting up multi-activity programs;
- anticipating the needs of large cities and taking strategic positions today, in areas where property demand is the highest and where the environmental policies of cities are the most restrictive.

By capitalising on the Group's existing property positions in densely populated urban areas and supplementing them with an active sourcing, primarily in mainland France, Poste Immo has launched major real estate projects in Urban Logistics. The following are the most significant projects:

- in 2017, Bordeaux Tourville, 5,000 sq.m., now in operation;
- in 2018, Toulouse LUMIN, two times 14,000 sq.m., under construction;
- in 2018, Quai Bercy, over 30,000 sq.m., project won in consortium, now under development;

- in 2019, Nanterre CTC, 16,000 sq.m., directly-owned building under redevelopment;

- in 2019, HLU Lyon Herriot, project won in consortium.

In addition to these projects that have been won or launched, many real estate positions have been identified during the feasibility analysis phase: Marseille >10,000 sq.m., Toulouse Lalande 14,000 sq.m., Bordeaux Bègles 14,000 sq.m., Lille 14,000 sq.m., Courbevoie 5,000 sq.m., Lyon Perrache 3,000 sq.m. and Saint-Denis 2,500 sq.m..

Real estate service provider

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

Optimising space and rents

Poste Immo helps the business units to anticipate their real estate needs and to optimise upstream the occupation of surface areas in both directly-owned and rental properties. Reducing under-occupied or vacant spaces is the key to decreasing real estate costs. The optimisation of the spaces occupied by the business units, launched in 2010, made it possible to decrease leased surfaces by 1,023,000 sq.m. and generated recurrent annual savings on rent and property expenses for the business units. Moreover, Poste Immo, as a partner of Le Groupe La Poste's business units, has put in place a so-called lock-up exception clause, which allows the business units to return, each year, 5% of the surface area of directly-owned properties that is not subject to a fixed term outside the lease expiration date.

Adapting the portfolio

Supporting the business units in their real-estate needs

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 the costs for the Group. 2019 was marked by an increase in the number of projects and work sites.

Within the framework of the Industrial Master Plan: 7 parcel platforms will be delivered by the first quarter of 2020 (Douvrin, Alpes, Northern Greater Paris region, Moissy, Rennes, Var and Southern Greater Paris region, 19 new Mail Preparation and Delivery Centres (PPDC) validated, delivered or under construction, 31 PPDCs transformed into multi-flow platforms.

Rethinking the way service-sector buildings are used, focusing on the Group's need for flexibility

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 with 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 2019, €56 million in renovation works were started on the network, including the renovation and adaptation of 464 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 real estate aspects of the Group's overall plan for its portfolio of commercial buildings in order to adapt it to the Group's structural changes, while also optimising surface area, inter-business unit synergies and working on quality of life at work. Since 2016, Poste Immo has been managing the real estate component of La Poste Villages, initially for the headquarters of the Group and the business units, and then at six regional sites: Paris, Strasbourg, Bordeaux, Nantes, Marseille and Lyon. These sites are now almost all completed. As of March 2020, La Poste employees will take possession of the Marseille Colbert post office. In Lyon, the first occupants are setting up in the Bellecour post office building. In 2019, a further step forward was taken. A new series of groupings of commercial establishments in Lille, Nancy, Rennes, Toulouse, Montpellier, Dijon and Rouen was begun. Within three years, 2,250 employees will have joined a La Poste Village and nine sites will have been vacated in view of their future development. E In partnership with the Startway subsidiary, Poste Immo continues to build on its experience in managing office spaces and is rethinking the way the working environment is used, for greater flexibility, to include services for occupants in a complete cost at the work station and improve the profitability of the portfolio, notably through opening up to the outside.

Property Management

Poste Immo provides property management, including the invoicing of rents and charges (Poste Immo manages more than 20,000 leases), and ensures the correct application of the contractual commitments. 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 1,135 upkeep operations being carried out in 2019. 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, Poste Immo has introduced a sustainable management approach called Démarche Bail Vert for 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 directly-owned sites covered by the environmental appendix (leases on office or retail premises over 2,000 square metres) and the 137 buildings involved under 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 service-sector or commercial use.

New Services

In 2016, Poste Immo confirmed its ambition to develop new services by taking an equity stake in Startway. Startway is a company that offers co-working spaces. With Startway, Le Groupe La Poste 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 areas, renting meeting rooms and auditoriums of service-sector 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 2019, Startway has 27 locations throughout France, 23,500 square metres with 3,050 managed workspaces. Among the latest openings, Rue Popincourt in Paris (postal site) and the Bledina headquarters in Lyon.

Promoter, co-promoter and developer

For almost a decade, Poste Immo has been active in real estate promotion and development. It 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 to serve Le Groupe La Poste and local communities.

The aims of these operations are to:

- respond with speed and agility to the development and deployment needs of the Group's business units;
- enhance and develop La Poste's architectural heritage by finding new uses for it and become a sustainable player in urban quality and regional dynamism;
- accompany the transformation of cities by co-developing with local authorities;
- support the Group's corporate social responsibility (CSR) policy by taking into account the major societal challenges facing France: digital society, transition to new ethical values, regional cohesion, demographic transitions and energy transition.

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 investment strategy for assets intended to remain in the portfolio.



Promotion and co-promotion concern assets that are intended to leave the portfolio.

Development

One of the highlights of 2019 was the delivery and reopening of the La Poste Museum. This complex building site of more than 5,000 square metres, entirely managed by Poste Immo, has made it possible to enhance the architectural heritage of this historic building from the 1970s, modernise it by making it bright and accessible to all under optimal visiting condition, and to offer a new museum circuit. €20 million has been invested in this project.

In Marseille, the Colbert post office building is currently undergoing its last months of renovation work. This emblematic Art Nouveau style building has been completely redesigned, while retaining many of its historic features. La Poste employees will return to the building starting in the spring of 2020.

Another remarkable directly-owned property development: La Poste du Louvre. The construction site is now extremely active, giving a glimpse of the future spaces and uses of the building. The marketing of the 14,000 square metres of office space and 2,150 square metres of retail space was launched in the last quarter of 2019. Planned delivery: end of 2020.

In Lyon Gerland, another project to consolidate the regional operational entities of the Mail and Network business units will lead to the demolition and reconstruction of a service-sector building. Work starts in January 2020.

In Nantes, the Maison de l'Innovation ("Innovation Centre") project began to take shape with the completion of the studies and the preparation of the deconstruction area for the Viviani site. This project, which aims to consolidate the Information Systems Departments, features a bold, wood structure architecture (Baumschlager Eberle Architekten). It includes a strong commitment to sustainable real estate (environmental and service certifications at the highest level, photovoltaic panels covering 15% of the building's needs and 85% of the heating needs covered by energy recovery). A particular commitment has also been made in terms of societal involvement (social and professional integration on the site, partnerships with local schools, etc.).

Finally, an unconventional development operation is currently being studied in Bordeaux. On a postal site that is gradually being vacated, in the heart of the Bassin à Flots district, which is being

transformed from the ground up, feasibility studies were carried out in 2019 to define the future of Bordeaux Maritime. Discussions on urban and programme issues were carried out in partnership with local authorities and Aquitanis, a company owning part of the plot. An initial programme was drawn up following these studies: post office, urban logistics, co-working, residential, etc.

Promotion and co-promotion

At the beginning of 2019, the "Urban Quartz" project was inaugurated, the first service-sector building to be delivered in the Euroennes Joint Development Zone. Nearly all of the programme had been leased at the time of delivery.

The Campagne Première operation in co-promotion with Cogedim in Paris (14th) continued its work. This disused postal asset has given way to a social housing and home ownership programme, a sports hall, a day care facility and a post office. Expected delivery of the entire facility: Summer 2020.

Another Parisian operation: the La Poste Magenta building. The Naud et Poux architectural firm was appointed in 2018 and the studies are underway. The building permit will be filed in 2020. Work should be started at the end of 2020 to create a new community living space: housing for first-time home buyers and social housing, urban logistics, co-working spaces and a post office.

Arkadéa, a real estate development joint venture created in 2017 by Icade and Poste Immo to carry out real estate transactions throughout France, continued its activities and launched several work sites in 2019: NATURAL SQUARE (Lyon 7) – 275 housing units; LES IMPRESSIONNISTES (Clapiers) – 53 housing units; AFFINITY (Colombes) – 80 housing units; EXPANSION (Rungis) – 182 housing units; ICONIUM (Nîmes) – 88 housing units; CAP LUMIERE (Juvisy/Orge) – 65 housing units; ALTITUDE VAUBAN (Marseille) – 65 housing units. These seven programmes represent a volume of more than 800 housing units.

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.

1.11.2 CHALLENGES PERTAINING TO SUSTAINABLE DEVELOPMENT

The real estate portfolio accounts for 9% of Le Groupe La Poste CO₂ emissions and the energy consumption of the buildings totals over 900 GWh_{fe}⁽¹⁾. The energy transition is therefore a major focus of Poste Immo's development, representing a strong commitment for the Company.

After a decade in which La Poste, via its Poste Immo subsidiary, was an energy efficiency pioneer (certifications, green leases, proactive commitment to the service-sector charter, eco-design of buildings, policy on energy improvement work included in the

GRGE programme, behaviour management via Cube 2020 and, more recently, SOBRE), the company is beginning a new stage and is working on a more overall "sustainable real estate" strategy, embedded within the Group's wider transformation strategy.

This strategy has four main pillars: energy, climate, circular economy and biodiversity. It builds on the work done over the last ten years and boosts the Group's financial performance, enhances the competitiveness and differentiation of its products

(1) GWh final energy.

and services, and reflects the commitment of Le Groupe La Poste to the regions.

Energy: consume better, buy better, produce better

In the field of energy, we are broadening our action on energy sobriety. The “more efficient consumption” of energy is a priority and is reflected in all our actions. Poste Immo has set itself the ambitious target of reducing its kWh/m² consumption by 30% by 2025, above and beyond regulatory obligations.

For several years, the ambitious policy has been focusing on the environmental performance of new buildings and renovations of older buildings:

- all new buildings meet BBC/HQE standards and are certified;
- all general renovations aim for “renovation” type certifications.

This commitment includes 13 projects on directly-owned real estate with one or more environmental certifications (three of them with operational certification), covering around 140,000 square meters.

Since 2015, Poste Immo has implemented an “embedded energy performance works” policy in the scheduling of GRGE works. The GRGE 2050 specifications propose performance levels equivalent to BBC Rénovation.

Further, Poste Immo is stepping up its efforts in terms of operational and behavioural management. On 129 sites, Poste Immo is implementing “green leases” in conjunction with tenants. For the fourth consecutive year, Poste Immo received a CUBE 2020 award (organised by IFPEB (French Institute for Building Performance)). 35 buildings took part in the challenge in 2019. 19 buildings had exceeded 10% energy savings; the most efficient site, Clamart principal, achieved 35% energy savings.

As a signatory to the service-sector Charter since 2013, Poste Immo has committed itself to improving the energy performance of 120 buildings (directly owned sites of over 5,000 m²) between 2011 and 2020. The energy performance of these directly owned properties was improved by 17% over five years.

As regards energy management, after a roll-out phase in 300 La Poste buildings, Poste Immo launched the SOBRE⁽¹⁾ (energy management) service for large public customers.

Given the marked increase in energy prices and the risk of this trend continuing over the medium-term, energy-saving efforts need to be combined with a policy to manage and secure energy purchase prices “To buy better” energy, beyond our actions of massification, optimisation of subscriptions, audits of invoices, etc. Poste Immo

is studying other energy purchasing strategies to secure prices (e.g. Power Purchase Agreement).”

Produce better

Finally, Poste Immo is continuing the policy to produce renewable energies, which began in 2008 via the partnership with Urbasolar which enabled the creation of 48 resale solar power plants (for energy generation of almost 6 GWh/year, the equivalent of the annual electricity use of 1,000 households).

Since 2019, self-consumption has marked a change in our outlook. Out of ten self-consumption experiments studied by the Group in 2019, two projects received administrative authorisations (Nantes HP and Boulazac) and will move into the construction phase in 2020.

The possibility of deploying self-consumption of solar-generated power on a larger scale on La Poste’s directly-owned properties is currently being investigated, both to make savings and to carve out a position on this promising market.

Climate

As regards the climate, the initial priority is to anchor real estate in the drive to reduce GHG emissions, a cause to which the Group has committed itself (SBT commitment in 2018). For the Group’s buildings, the aim is to reduce GHG emissions by 40% by 2030.

There have been major achievements in recent years:

- since 2016, La Poste has been supplying all buildings under its management with 100% renewable electricity. Purchasing renewable origin guarantee certificates “decarbonises” the electricity used;
- all energy saving efforts also result in lower GHG emissions from the operation of the buildings. For example, the Mas Loubier site in Limoges, with its 30,000 m² and 1,500 occupants, came top of the GHG ranking, with a 70.9% reduction in its emissions in one year.

To enhance the climate policy, in 2019 various potential initiatives were examined to improve the “sustainable real estate” policy in 2020. For example:

- a policy of technical equipment to be renewed;
- a better balance between renovation and new buildings;
- specification of low-carbon materials and equipment;
- better management of the risks linked to climate uncertainty;
- greater contribution to the national carbon neutrality policy and to regional projects to create carbon sinks.

(1) Poste Immo joined forces with Caisse des Dépôts and Egis to create a joint company, Sobre Energie, specialising in energy intelligence consultancy for real estate portfolios. Sobre Energie helps companies and public bodies design action plans appropriate to their strategic objectives, implement them, have a consolidated vision of the results and bring about a change in occupant behaviour to ensure lasting benefits.



Circular economy and biodiversity

As of 2016, Poste Immo has been a pioneer in implementing 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). 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 2019, Poste Immo carried out the deconstruction of the Nice Industrial Mail Platform by reusing and recovering nearly 90% of the materials, well beyond regulatory objectives. This exemplary initiative won a Trophée Climat Énergie award as part of the climate plan for the Alpes-Maritimes department.

As a result of its partnership with the French Bird Protection League (LPO) to preserve biodiversity, Poste Immo set up its first LPO shelter in 2018 on the Rennes Colombier site.

1.11.3 STRATEGY AND OUTLOOK

As a production and development tool for La Poste in the context of the new challenges it faces, Poste Immo proposes to follow, in terms of real estate development, the main lines of its parent company without refraining, however, from using vacant assets for relevant purposes or developing equity investments in its core business.

Its strategy up to 2025 is structured around four axes:

- improving the performance and efficiency in the core business lines: this will involve completing the real estate master plan for the Mail-Parcels business unit and continuing to modernise the network's post offices, while maintaining the real estate portfolio. Increasing performance in this sector will entail working more closely with customers in the area of prescriptions;
- taking positions in growth sectors: Poste Immo will position itself as an investor in senior residences, after carrying out a

major analysis of each of the eligible sites and identifying an operator; it will strengthen its positions in urban logistics (see above); it will develop an ambitious housing development policy with its subsidiary Arkadéa; finally, it will support its subsidiary Startway in its development of new ways of occupying service-sector spaces (co-working);

- promoting specific expertise and know-how to external customers: Poste Immo will sell its expertise in project management on historic sites, based on its proven competence on projects such as the Louvre Post Office and the post office buildings in Marseille, Dijon, etc.;
- integrating the entire portfolio into a sustainable real estate policy by making use of the various levers constituted by energy savings, materials, the development of an energy management tool (Sobre) and biodiversity.

1.11.4 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 €7,536 million at 31 December 2019, compared with €7,349 million at 31 December 2018.

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 2019 can be presented as follows:

Net book value (in millions of euros)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Total
Intangible assets	370	211	732	166	8	10	0	1,497
Land and buildings	23	427	321	3	0	2,571	0	3,345
Machinery and equipment	297	286	123	10	32	0	5	752
Vehicles	13	37	0	(0)	0	0	418	468
Other property, plant and equipment	170	189	93	18	76	300	42	890
Assets under construction	68	182	11	0	1	317	3	584
TOTAL	941	1,333	1,280	198	117	3,199	469	7,536

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 11,778 buildings with a total surface area of 10,447 thousand square metres, of which 3,916 thousand square metres are wholly-owned. They are broken down as follows at 31 December 2019:

Group real estate assets by category

	Directly-owned properties		Rental properties	
	(number)	(in thousand sq.m.)	(number)	(in thousand sq.m.)
Mail-Parcel platforms	515	1,147	825	1,946
GeoPost platforms	17	204	119	494
Financial centres	39	235	5	17
Post offices	1,717	1,056	6,424	1,131
Administrative buildings	186	732	634	655
Other sites	257	543	1,040	2,288
TOTAL	2,731	3,916	9,047	6,531

Group real estate assets by geographic area

	Directly-owned properties		Rental properties	
	(number)	(in thousand sq.m.)	(number)	(in thousand sq.m.)
France	2,685	3,542	7,995	4,057
Europe	45	374	725	1,910
Other continents	1		327	565
TOTAL	2,731	3,916	9,047	6,531

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 3,379 square metres of floor space in directly-owned properties and 2,805 thousand square metres in rental properties at the end of December 2019.

Use of directly-owned and rental real estate assets by business segment

	(in thousand sq.m.)	(in %)
Services-Mail-Parcels	3,838	37%
GeoPost	3,315	32%
La Banque Postale	427	4%
Digital Services	101	1%
La Poste Network	1,727	17%
Support/Structures	315	3%
External customers	146	1%
Vacant areas	578	6%
TOTAL	10,447	100

The gross directly-owned vacancy rate⁽¹⁾ was 12.53% at 31 December 2019. It represents 491 thousand square metres, of which 187 thousand square metres are in the process of being sold and approximately 218 thousand square metres are undergoing renovation works or being demolished. The net vacancy rate⁽²⁾ of these areas is 2.19%.

1.11.5 ENVIRONMENT AND SUSTAINABLE DEVELOPMENT

This information is presented in Chapter 3, Section 3.2.

(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.

1.12 Simplified organisation chart

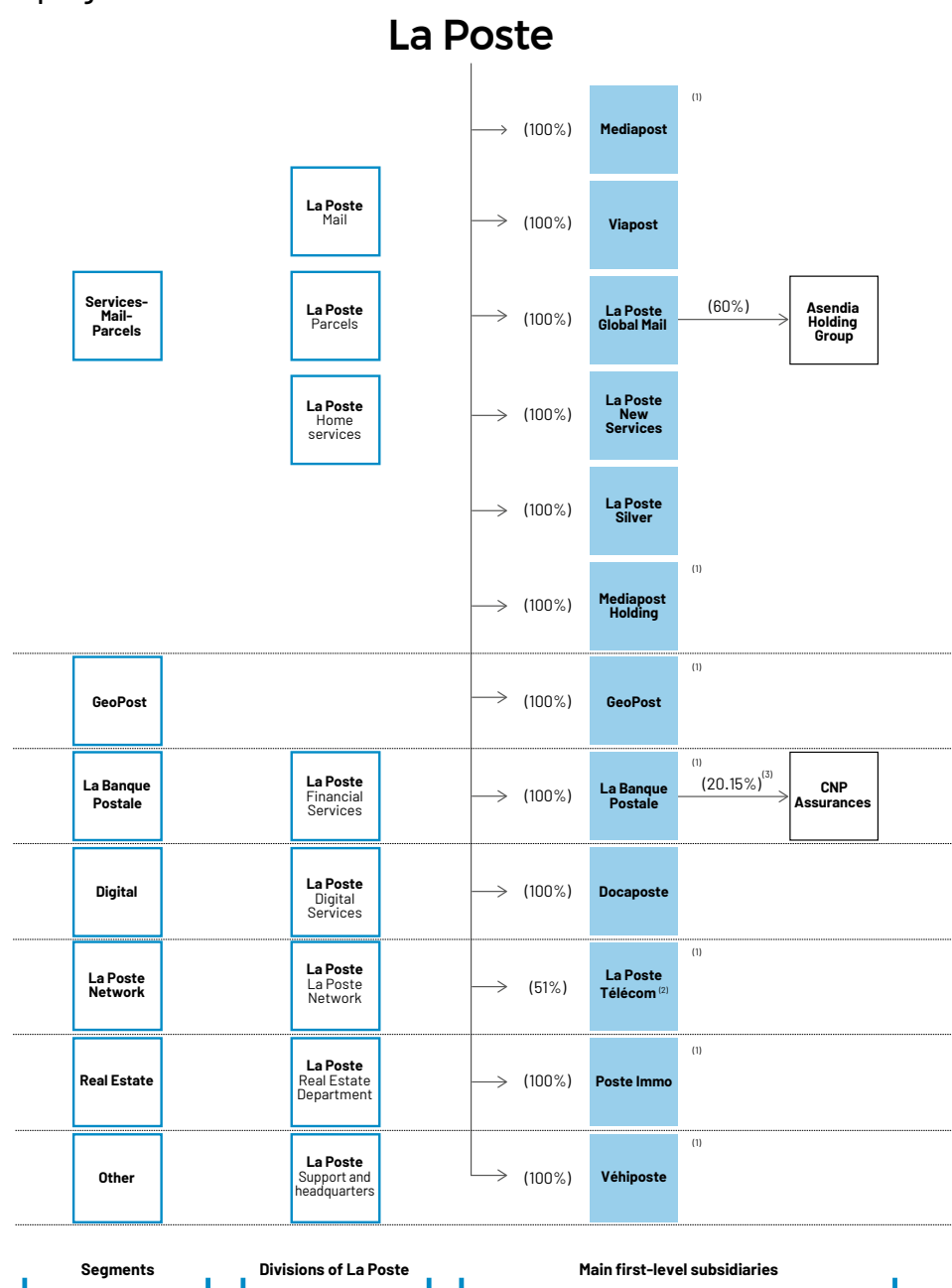
The Group is structured around the operating segments as described in Note 5 to the consolidated financial statements (income statement and main items of the balance sheet).

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 43 to the consolidated

financial statements. The business activities of the Group's main subsidiaries are presented in Chapter 1.1 ("Group profile") of this registration document.

The Group's simplified organisational chart as at 31 December 2019 is presented below. The percentages mentioned for each entity correspond to the interest share in the capital.

La Poste Group organisation chart



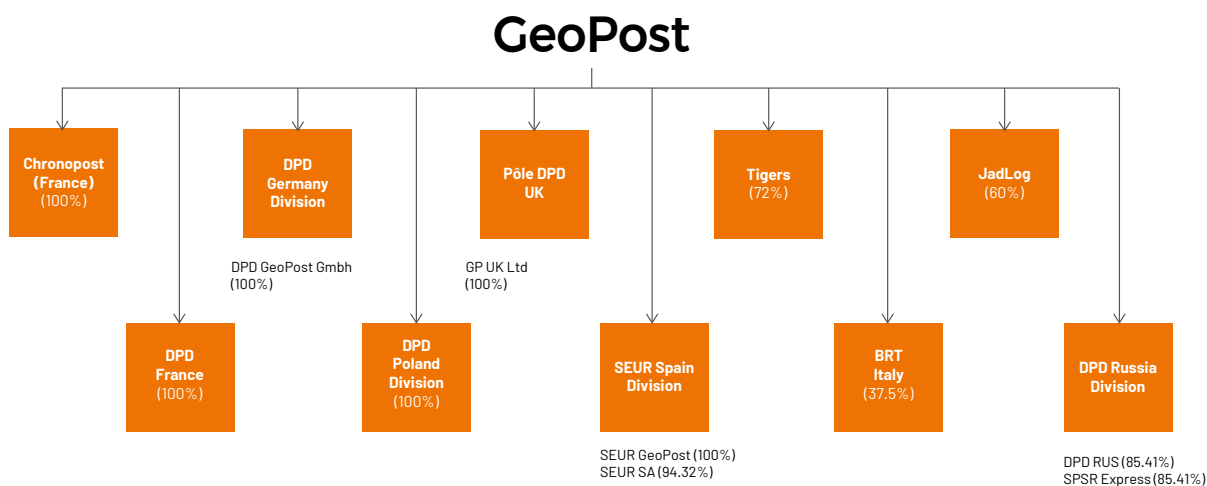
(1) See details of each operating segment's subsidiaries in the scope of consolidation presented in Note 42 to the consolidated financial statements.

(2) Joint venture owned together with SFR.

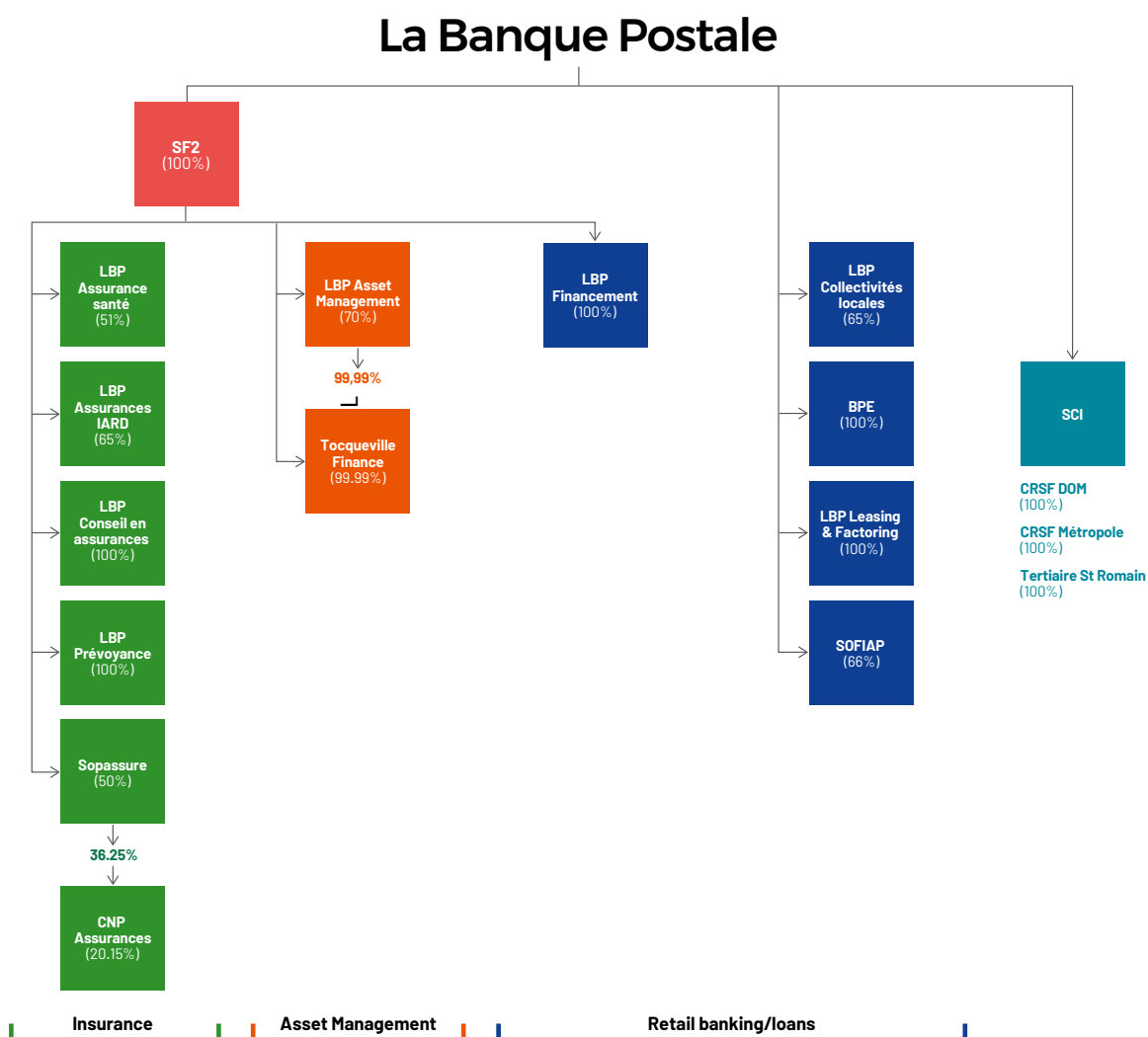
(3) On 4 March 2020, the date of the Mandarin transaction, La Banque Postale became the majority shareholder of CNP Assurances, with a 62.13% stake (see Section 5.6 Pro forma financial information).

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):

GeoPost organisation chart



La Banque Postale organisation chart



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 5, Section 5.3).

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 has received €143 million in interest, corresponding mainly to loans, contributions and guarantees granted to subsidiaries, including interest income from La Banque Postale's undated subordinated notes (€26 million), converted into common shares on 21 May 2019. In addition to the cash flows linked to this financing activity, La Poste received €488 million in dividends in 2019 (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 other related companies, or with joint ventures, are presented in detail in Note 36.2 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 2019 and owed to the Company at 31 December 2019, broken down between the La Poste parent company and the main business units:

<i>(in millions of euros)</i>	La Poste	La Banque Postale	GeoPost	Poste Immo	Other	Group
Non-current assets (including goodwill)	1,588	1,554	4,383	3,433	1,785	12,743
Financial debt, non-Group	7,067		21	10	74	7,173
Passifs de location	436		1,409	561	219	2,625
Cash and cash equivalents in the balance sheet and other asset items included in the net debt	2,967		163		206	3,336
Cash flows from operating activities	562	4,587	781	270	376	6,576
Dividends received by La Poste*		327	89	65	0	

* Excluding interest income received on La Banque Postale's undated subordinated notes (€29 million).



1.13 Innovation and intellectual property

Seeking to reinvent itself to meet the challenges of its environment, Le Groupe La Poste places innovation at the heart of its strategy.

The objective is to transform the Group to prepare for tomorrow's growth, to "conquer the future", by identifying new activities, optimising the customer experience and improving industrial processes.

Innovation takes place at all levels of the Company: the Group has developed an innovation model that involves all internal and external stakeholders.

The Group's innovation policy is based on the following organisational principles:

- initiatives, implemented in each business unit, to respond to customers' needs as closely as possible, while benefiting from the expertise of its business lines and relying on the ecosystem of innovation players (local authorities, start-ups and innovative SMEs, organisations representing in particular the digital economy and investors);
- group coordination and skills to identify future prospects, encourage the sharing of experience and support the digital transformation;
- involvement of employees in the search for operational solutions.

1.13.1 ANTICIPATING CHANGES TO PREPARE THE GROUP'S FUTURE

The Group is faced with radical transformations in each of its businesses units: the impact of technology on its processes and offers, changes in consumption patterns, the arrival of new competitors in each of its businesses units, etc.

These changes must be anticipated in order to ensure the Company remains the leader in local services.

Taking a long-term perspective, Le Groupe La Poste has developed a forward-looking approach that aims to help the Group identify changes in society by picking up on weak signals that could become the major trends of tomorrow.

The Prospective Committee, made up of external and internal experts, provides input for the Group's reflections on major themes regarding its future (e.g. regional coverage, scope and value of trust). To ensure their relevancy, this information is shared within a community composed of prospective units of large groups. In addition, the Group actively participates in the "open prospective club"⁽¹⁾ to co-develop usage scenarios.

These analyses then give rise to proposals for positioning and opportunities that feed into the Group's strategic vision.

In order to be reactive and position itself in the short term, proactive strategic monitoring is carried out centrally on the risks and opportunities for each of the business activities, as well as on the impacts of regulatory changes. Each business line completes this analysis with an operational vision driven by the monitoring units and shared within the framework of a collaborative project.

Moreover, Xange⁽²⁾ shares the trends identified from its deal flow⁽³⁾ with the Group's decision-makers. This sharing makes it possible to forecast short-term changes in the impact of technologies on markets close to the Group's business lines (connected logistics, autonomous vehicles, banking and insurance, etc.).

All these elements help fuel the Group's innovation.

1.13.2 THE MODEL FOR PUTTING INNOVATION INTO ACTION

Innovation is essential to improving the quality of the Group's services, optimising the customer experience, creating more services for customers, increasing productivity while remaining in line with the values of proximity and accessibility.

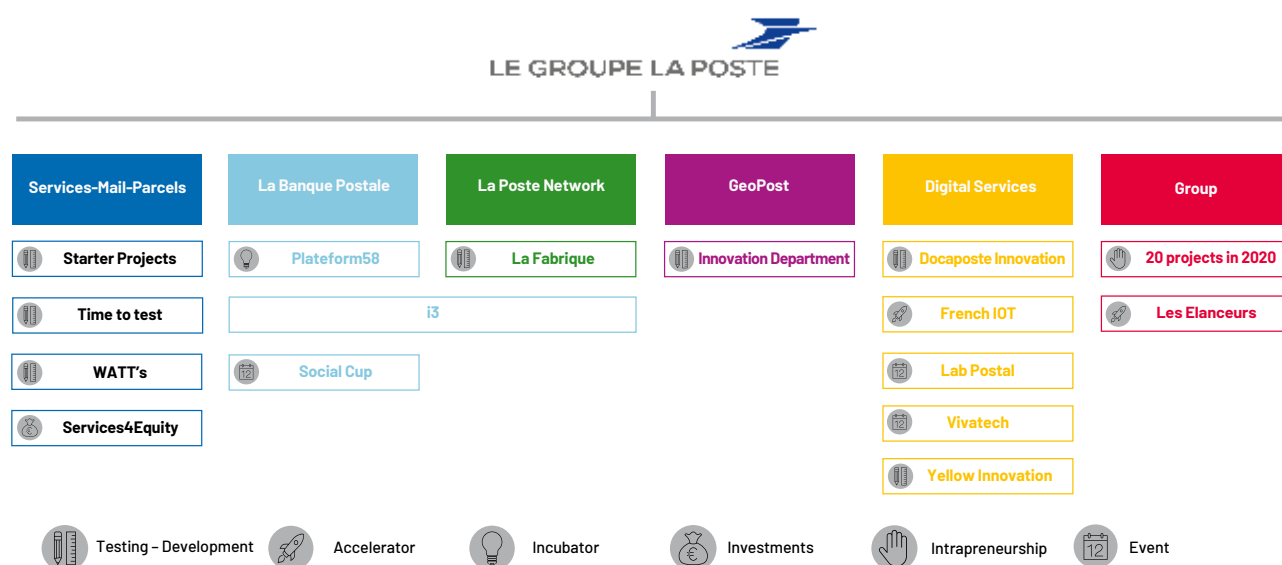
(1) www.clubopenprospective.org.

(2) www.xange.fr is a venture capital firm and Group partner.

(3) Deal flow: potential business flows from an investment fund.

The commitment of each entity

To implement these principles and make them operational, Le Groupe La Poste has set up units dedicated to innovation in each of its business lines.



Sources : Study of the innovation systems within the business units and interviews with the Strategy Department, Cross-entity Partnership & Innovation

The entities set up within the business units are designed to meet the major operational challenges of the various business units. The purpose of each of these entities is to create the conditions to test and implement new concepts in a dynamic of open innovation⁽¹⁾ in all business units:

- for the Services-Mail-Parcels business unit, the main challenge is to find new markets. Several structures coexist within the business unit:
 - Starter project incubates and tests innovative merchant service concepts with a target of three successful Proof of Concept (PoC)⁽²⁾ per year,
 - Time to test accompanies the Services-Mail-Parcels business unit with the objectives of winning new customers, increasing performance and promoting excellence, with a target of 12 PoCs in 2019, two of which are in the process of being industrialised. Since 2015, out of 51 PoCs (i.e. about more than ten per year), 4 have resulted in industrialisation, i.e. 8%,
 - WATT'S supports innovation projects in the business unit and key accounts and acculturates postal employees to innovation. The WATT'S unit was involved in 74% of the projects to win new customers, 8% of the excellence projects and 18% of the projects for internal acculturation. 53 projects were carried out between 2017 and 2019 (including 23 PoC implemented with the business lines),
 - La Poste Services 4Equity is a subsidiary of La Poste designed to capitalise start-ups by exchanging Group services. In 2019, two investments were carried out;

- for La Banque Postale, innovation is needed to develop the services offered to customers by relying on:
 - Platform58, an incubator located in the centre of Paris that is implementing a programme to accelerate and support start-ups in their industrial development (12 were incubated in 2019). It is also an acculturation programme for Banque Postale employees (master classes, consulting to start-ups, etc.),
 - i3, a unit created by the IT Department to identify and create new digital services in order to optimise internal processes or improve customer experiences. It serves both La Banque Postale and the Network. (e.g. entry of back office transactions with HMI interface in post offices);
- for the network the objective is to adapt its formats to the needs of individual customers:
 - La Fabrique is an open innovation structure dedicated to BtoC which supports the deployment of new offers and forms of postal coverage. Special post office formats have been created: Young People, start-ups at Station F, and Tourists at Orly and Roissy;
- for GeoPost every innovation project must be aimed at creating value, either for the Company or for the customer, in order to increase or consolidate its position in the face of competition by providing a differentiating offer. Innovation takes place within each GeoPost entity; GeoPost's Innovation Department coordinates the initiatives (e.g. DPD UK with the Last-Mile Labs incubator launched with the L Marks fund) by relying on a network of correspondents;

(1) Open Innovation encompasses all innovation processes based on sharing and collaboration.

(2) PoC: Proof of Concept is a concrete validation step in the implementation of a new project.



- for Digital Services the stakes are essentially related to the impact of technologies on the markets where the Group is present and the identification of new opportunities. The innovation structures are:
 - Docaposte Innovation is a unit bringing together complementary skills (designers, developers, etc.) dedicated to the development of innovative uses on behalf of internal or external customers (50%),
 - French IoT is a programme for accelerating and supporting start-ups around IoT in the BtoB and BtoC markets. Present throughout France and 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,
 - Yellow Innovation is located in the premises of the SchoolLab and aims to promote synergies to support Le Groupe La Poste's digital innovation projects. From consulting to strategy, from design to production, the programme federates the Group's internal innovation dynamic, while remaining resolutely open to the outside world (start-ups and students);
- at Group level, housed within the Communications Department of the Group's Corporate Social Responsibility Department (CSR), the Les Éclaireurs approach is designed to promote and support a sustainable development project led by a start-up.

In addition to these teams dedicated to innovation, the Group is present in Paris&Co's thematic incubators: Immobilier de Demain (Poste Immo) and Économie Circulaire (Group CSR). This presence contributes to the detection, listing and acceleration of innovative companies in these business segments.

Focus groups have also been set up on Blockchain, artificial intelligence and chatbots to identify the impacts and opportunities of these technologies for the Group and ensure a shared approach.

Employee commitment

The Group also relies on all its employees to support its transformation and in the search for new activities through its various programmes:

- participatory innovation aims to identify best practice to improve the customer experience or optimise internal processes. All the employees of La Banque Postale, Financial Services, the Network and the Services-Mail-Parcels business unit are called upon to contribute to improving the daily lives of La Poste's employees and customers. The best practice thereby identified is then disseminated within the Group to be implemented widely;
- intrapreneurship aims to identify new activities for the Group and to develop entrepreneurial skills. The Group's La Poste 20 projects for 2020 programme enabled over 3,000 employees to submit value creation ideas. Following several selection phases, the winning teams are assigned full-time to develop their proposal and prove the viability of their model, with the support of the Group entities impacted by the project. Two subsidiaries have been created (Kiscare and Tripperty) and one is being finalised (AfrikEasy).

Procedures are also implemented within the Group's entities to accelerate innovation: for example, training in "design thinking" for all the marketing departments of the Services-Mail-Parcels business unit, an acculturation programme integrated into Platform 58 to "develop the entrepreneurial spirit" of 200 managers and 200 high-potential employees at La Banque Postale.

Communication

The Group relies on high-impact events to highlight some of its innovations and partners:

- the Group has been participating in Viva technology for two years in order to increase the visibility of the start-ups with which it has business relationships;
- Lab Postal, an event open to all innovation communities, presents an overview of the latest changes in technologies and uses;
- the Group is also present at BIG, an event organised by BPI France, at the GovTech summit⁽¹⁾, which presents solutions for the transformation of administrations and is a partner in French Tech events. It is also a sponsor of Moovjee⁽²⁾.

Examples of key projects

The Group is succeeding in developing new activities and positioning itself on new markets thanks to its highly decentralised innovation model.

These few examples are representative of the quality and diversity of the innovation within the Group:

- Archipels: Caisse des Dépôts, EDF, Engie and La Poste have launched Archipels, a partnership to develop a blockchain infrastructure to provide digital trust services such as document authentication to individuals and legal entities;
- e-Health: The Silver economy business unit and Docaposte are developing a set of solutions to bring the hospital and the home closer together to improve patient well-being, through the integration of services and tools at home and an optimised relationship between caregivers and patients (home delivery of medication, connected routers for the elderly, hospitalisation follow-ups, etc.);
- Solar power self-consumption of buildings: Poste Immo has concluded a joint venture with Urbasolar and Omnes Capital for the development and financing of solar power projects on its entire real estate portfolio. Ten locations are currently undergoing tests;
- Kids care: This subsidiary was created as a result of an intrapreneurship project led by two employees. It is a secure application that simplifies the daily lives of its users (parents, schools, communities and pupils). The relationship between parent and school, as regards a pupil's school life, is managed in real time (absences, changes to exit times, etc.) and the application involves all stakeholders (parents, teachers, day care, school cafeteria and mayor's office).

(1) <https://govtechsummit.eu/>

(2) Moovjee supports young entrepreneurs between the ages of 18 and 30 in their personal development and the growth of their company.

1.13.3 INTELLECTUAL PROPERTY POLICY

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 2019.

Dependence on patents

The Group is not dependent on any patent.

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 1,080 brands registered in France and around the world.

The Group has registered numerous other brands corresponding to the names of subsidiaries, products and services: 730 brands for Le Groupe La Poste (parent company and subsidiaries excluding La Banque Postale) and 350 brands for La Banque Postale.

Lastly, constant care is taken to protect, defend and monitor the portfolio of brands and domain names in order to prevent any fraudulent or unauthorised use that could harm the Group's intangible assets and brand image. 31 new domain names were registered in 2019 (of which 5 for La Banque Postale).

1.14 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 various 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).

Some of La Poste's business activities are governed by sector-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 1.14.1) or fall under requirements specific to the public service missions for which it is responsible (see Section 1.14.2).

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.

1.14.1 REGULATIONS SPECIFIC TO LE GROUPE LA POSTE'S ACTIVITIES

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

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

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 Act 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.

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.

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, guarantees all European citizens a permanent range of postal services, at determined quality levels and affordable prices, and irrespective of geographical location (see below, Section 1.14.2.1).

The European directives were transposed into national law:

- by Act 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,

The report on the application of the directive also affirmed the European Commission's concerns 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. The text gives new competencies to the national authorities. ARCEP is 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. The conditions

(1) Regulation (EU) No. 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) No. 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) No. 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) No. 2018/644 and Commission Implementing Regulation (EU) No. 2018/1263.

for implementing this information collection were specified by ARCEP's Decision No. 2019-0289 of 12 March 2019 relating to the implementation of annual surveys in the postal sector. Le Groupe La Poste provided 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 activity subject to prior receipt from ARCEP of an operating licence. Since Title II of the Act of 9 February 2010 entered into force 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 explicit 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 renewed for 15 years pursuant to ARCEP's Decision No. 2016-1331 of 18 October 2016.

In addition, the Act of 20 May 2005 designated La Poste as the service provider responsible for the universal postal service. The Act 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 1.14.2.1 *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 Act 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 the legal and contractual obligations in force related to employment rights and applicable social security legislation, notwithstanding the special provisions applying to those who may have civil servant status;
- 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, the 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 Act 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 and 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, and now codified in Articles R. 2-1 *et seq.* of the French Postal and Electronic Communications Code, which provides for maximum compensation with regard to the nature of the items and the postage. Accordingly, the 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 and 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, in particular reviews of 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 (*Autorité de régulation des communications électroniques et des postes* – 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" comprising 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 "smaller panel" comprising 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;
- a 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 a substantiated decision, of which the concerned party is informed, and which may be rendered public in publications, newspapers or public communications channels through an electronic means chosen by the "smaller panel", 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 Title II of the Act of 9 February 2010 entered into force, 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 within the meaning of Article L. 112-8 of the French Code on the Relations between the Public and the Administration. The data collected in this reporting platform will be used by ARCEP to quantify problems.

Express-related operations

La Poste operates in the express parcel service business through GeoPost's subsidiaries. These subsidiaries operate mainly as 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 road 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 Act 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 modified provisions of the Decree of 30 August 1999 were repealed in order to be included in the regulatory section of the French Transport Code, which came into force in 2017.

The conditions for access to the freight forwarding business are mainly laid down in the Act 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 Transport Code) on the performance of freight forwarding companies. The latter differs from a transport operator in that it organises and arranges the 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 are 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 drawn up 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.

Banking activities

La Banque Postale, a wholly-owned subsidiary of La Poste, is a public limited company with a Management Board and a 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 and insurance linked products.

It also provides payment services unconnected with a bank account, such as postal money orders, and makes available services for money transfers and cash foreign currency exchange.

Bank transactions, transactions associated with bank transactions, investment services and services associated with investment services and savings products are regulated by the French Monetary and Financial Code.

Insurance products are governed by the French Insurance Code.

These codified provisions, 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 regulatory 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 SSM is the European system for banking supervision in force since 4 November 2014, comprising the ECB and the national supervision authorities of the 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 manage any financial risk.

The European Central Bank directly supervises 117 large banks in the participating countries.

The risks affecting a bank are assessed and measured annually via the Supervisory Review and Evaluation Process (SREP). The items assessed at this time relate to the bank's business profile, governance and risk management, risks affecting share capital and liquidity and finance risk. The Joint Supervisory Teams (JST) draw up a decision for each bank, determining the supervision measures under Pillar II.

- The SRM, created by the European Single Resolution Mechanism Regulation (SRMR), comprises the Single Resolution Board (SRB) and the national supervision authorities of the participating countries. Its objective is to ensure an orderly resolution of failing banks in order to limit their impact on the economy, the financial system and public finances.
- The SRB must ensure that all procedures and decisions are implemented promptly. It also has a proactive and preventive role, preparing resolution plans for banks and improving their solvency in order to avoid the potential negative impacts of a bank failure on the economy and financial stability.
- The resolution measures may be financed by a Single Resolution Fund (SRF), backed up by contributions from the banks in the 19 member States participating in the Banking Union, which is expected to reach the minimum target level of 1% of the security deposits of all credit institutions in the Banking Union by 31 December 2023.

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%,
 - a leverage ratio set in Regulation (EU) No. 575/2013 (CRR) and aimed at limiting excessive bank leverage in times of economic recovery. As of 28 June 2021, it will become mandatory in the same way as the solvency ratio with a minimum requirement set at 3% of Tier 1 capital,
 - a short-term Liquidity Coverage Ratio (LCR⁽¹⁾) declared monthly, which measures La Banque Postale's ability to resist during 30 days a severely degraded situation in a context of a systemic or idiosyncratic shock. At all times, the LCR must be over 100%, as of 28 June 2021, La Banque Postale must calculate and generate the Net Stable Funding Ratio (NSFR⁽²⁾) at a minimum target level of 100%;

- under Pillar II, an additional CET1 requirement of 1.75% as of 1 January 2019 resulting from conducting the SREP 2018:

In addition to these Pillar I and II requirements, additional buffers must also be respected:

- a Capital Conservation Buffer (CCB), applicable to all European institutions, is fully applicable as of 1 January 2019 and now amounts to 2.5%. It aims to absorb losses during periods of intense economic stress,
- acting as a countercyclical buffer, determined by each country and applicable to all exposures originating in that country, it aims to combat excessive credit growth. In France, this buffer is set quarterly by the High Council for Financial Stability. On 1 July 2019, its level increased from 0% to 0.25%, and a second increase is scheduled for 2 April 2020, bringing it to 0.50%,
- a systemic buffer, applied according to the institution's systemic importance. For La Banque Postale, which is qualified as an "other systemic institution", it is fully applicable as of 1 January 2019 and currently amounts to 0.25%.

(1) Liquidity Coverage Ratio.

(2) Net Stable Funding Ratio.



Managing bank crises (second pillar of the Banking Union)

The European Bank Recovery and Resolution Directive (BRRD) defines a European system for re-establishment and resolution of credit institutions. It was transposed into French law by Order No. 2015-2024 of 20 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 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).

Changes in the regulatory framework

On 16 April 2019, the European Parliament adopted a series of legislative measures known as the "banking package". Four directives and regulations are involved (CRR2, CRD5, BRRD2 and SRMR2), 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).

For CRR2, the main measures relate to the leverage ratio, large exposures, the requirement for stable funding (NSFR) and the minimum requirement in terms of total loss absorbing capacity (TLAC). Most of the measures will be applicable on 28 June 2021.

These texts aim to strengthen the Banking Union and the Capital Markets Union and to reduce the risks in the banking sector.

Moreover, the French Act for Business Growth and Transformation of 22 May 2019, which aims to give businesses the means to innovate, transform and create more jobs, organises in particular the transfer by the French State of control of La Poste to Caisse des Dépôts (CDC) with the goal of creating a large public financial pole with the strategic equity alliance between CNP Assurances and La Banque Postale.

Telecommunications activities

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 a 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 and data) to La Poste Telecom across mainland 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 the 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:

- the conditions governing the consistency, quality and availability of service;
- the conditions of confidentiality and neutrality with regard to the messages transmitted and information related to communications;
- the regulations governing health and environmental protection;
- the free routing of emergency calls;
- the funding of the Universal Electronic Communications Service.

1.14.2 REGULATIONS APPLICABLE TO THE PUBLIC SERVICE MISSIONS

La Poste is tasked with four public service and public interest missions, defined in Article 2 of the Act 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 accordance with 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. The agreement covering the 2018-2022 period was approved by the Group's Board of Directors on 19 December 2017 and 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 the universal service. The change 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 1.14.2).

The commitment to enriching the universal postal service offer has begun to be implemented with, in particular, the creation of the domestic mail tracking sticker launched in 2018, which has already been chosen more than 8 million times by customers.

The same applies to the commitment to facilitate the use of parcels for private individuals, by providing, for example, notification of the postman's delivery time slot on the day before the delivery of parcels requiring a signature, which will be rolled out in 2019 throughout mainland France.

Regional planning mission

The Public Service Agreement incorporates the main provisions of the 2017-2019 postal coverage agreement, which makes it possible, through a network of more than 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 "La Poste Relais" outlets) and to develop new forms of resource pooling (maisons de services publics [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 (*Commission départementale de présence postale territoriale* – 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 1.14.2).

As part of the preparatory work for the 2020-2022 postal coverage agreement, the National Postal Coverage Observatory drew up an assessment of the actions carried out over the 2017-2019 period. A participatory approach was also put into place between February and June 2019 with the CDPPTs. This work made it possible to define the objectives of the 2020-2022 postal coverage agreement (see Section 1.14.2).

La Poste receives partial compensation of the cost of the mission in the form of a deduction in local taxes. 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.

Press transportation and delivery mission

An Inter-Ministerial Decision rendered on 5 September 2016 set the price increase levels for 2016 to 2020. It states that the service pricing for postal press public service transportation will undergo annual reassessments for this period, before taking inflation into account – 0% for daily newspapers with low advertising resources (QFRP), 1% for political and general information publications (PIPG) and 3% for the other press categories benefiting from the CPPAP plan. The amount of compensation granted by the French State to La Poste is specified in the Public Service Agreement up to 2020 (see Section 1.14.2).

In a decision dated 24 January 2019, the European Commission declared that the compensation for the public service mission of press transport and delivery paid by the French State to La Poste for the 2018-2022 period was compatible with the internal market⁽¹⁾.

(1) http://ec.europa.eu/competition/elojade/isef/case_details.cfm?proc_code=3_SA_48883.



Banking accessibility mission

La Poste carries out this mission, *via* La Banque Postale, through the Livret A savings account, which helps encourage the use of banking solutions by financially vulnerable customers. This mission is the subject of an agreement between La Banque Postale and the French State. On 24 October 2017, the European Commission announced that the compensation received by La Banque Postale for the banking accessibility services of general economic interest (SIEG) complied with EU state aid rules. The financial terms and conditions pertaining to this compensation were set down 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.

The public service missions entrusted to La Poste are presented in turn in the following sections.

In addition, as part of the 2013-2017 Public Service Agreement, La Poste has begun to welcome 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 commitments within the framework of the 2018-2022 Public Service Agreement by undertaking to support 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).

Universal postal service mission

The Act of 20 May 2005 designated La Poste as the service provider responsible for the universal postal service mission. The Act 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 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 any 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 states that the universal postal service must 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.

The European Union provisions on the universal postal service were transposed into French law by the Act of 20 May 2005, which was subsequently supplemented by the Act of 9 February 2010.

The legislator 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 Act 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 legislator'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 the 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 Act 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 the universal service provider, La Poste is subject to quality of service, claims processing and accounting obligations. A compensation fund has been established to finance this mission.

Furthermore, every year, La Poste sends a report on the universal postal services that it has provided to ARCEP and sends a copy thereof 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.

The 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. The 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.

On 1 January 2019, in order to simplify international shipments for private individuals, La Poste merged the European Union and Rest of the World geographical areas into one pricing area known as "International". The price of an international letter weighing between 0 and 20g was fixed at €1.30.

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 of the French Postal and Electronic Communications Code, following a proposal by La Poste, ARCEP defined the price caps of the offers falling under the universal postal service.

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 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 the 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.

Case-by-case price regulation for universal service products

The Act of 9 February 2010 (Article L. 5-2 of the French Postal and Electronic Communications Code) stipulates that ARCEP issues 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 disregarded.

(1) Article 6 of the Act of 2 July 1990, modified by the Act of 20 May 2005, specifies that La Poste contributes to national and regional 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 stringent 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 a 20-minute 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".



Quality of service obligations

At the 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 have been 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 the 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 the 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 line with the commitments of the 2018-2022 Public Service Agreement, the 2018 version of this table includes, for the first time, results relating to customer satisfaction.

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 means of 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 also sets in its second annex quality indicators to be included in the universal service dashboard.

Furthermore, as the universal service provider, La Poste must display a notice at each retail outlet detailing the claims procedure and compensation conditions. The users of the universal postal service must be given 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 of charge 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, at La Poste's expense, via an independent organisation approved by ARCEP, to verify that the defined principles are correctly applied.

Universal postal service financing

The provisions of the French Postal and Electronic Communications Code resulting from the Acts of 20 May 2005 and 9 February 2010 provide that the operator in charge of the 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 is 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 the French High Commission for Digital and Postal Services (*Commission supérieure du numérique et des postes* – CSNP), will 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 service provider, establishing, based on accounting data, that the provider is bearing an unfair financial expense as a result of its universal postal service obligations, will determine the first year for which the net contributions into the universal postal service compensation fund are to be collected.

Regional planning mission

The Act 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 criteria (rural or mountainous areas, overseas departments and urban priority neighbourhoods).

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 1.14.2.1); and
- a complementary accessibility rule for its contribution to regional planning, set down by the Act of 2 July 1990 on the organisation of the public services of La Poste and France Télécom, as modified by the Act 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 a 20-minute 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 economic and social 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), in which case they are called local postal agencies or 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 thus comprises 17,007 retail outlets (post offices, postal agencies and "La Poste Relais" outlets) spread out over 13,958 municipalities.

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 2020, 92 departments in mainland France and 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 coverage (*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 the 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 CDPPTs' 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 the French Association of Mayors and Presidents of Intercommunal Consortia (*Association des maires de France et des présidents d'intercommunalités* – AMF), six representatives from La Poste, six members from CSNP, two regional councillors from the CDPPT and two departmental councillors from the CDPPT.

The regional planning mission is the subject of a multi-annual local postal coverage agreement signed between the French State, La Poste and AMF. Following the very positive outcome of the first four agreements, the fifth local postal coverage agreement was signed on 5 February 2020 for the 2020-2022 period.

To prepare the 2020-2022 local postal coverage agreement, a consultation, initiated and validated by the National Postal Coverage Observatory, was set up between February and June 2019 with the Departmental Commissions on Local Postal Coverage (CDPPT). This consultation phase involved a large number of elected officials and departmental representatives of the French State.

At the end of this consultation, and in accordance with the amended Act of 2 July 1990 and its implementing legislation governing the postal business and its contribution to the general interest, La Poste sent the co-signatories (the French State and the French Mayors' Association and Presidents of Inter-Communal Consortia) its proposals, priorities and guidelines.

In line with previous agreements and in order to better reflect the local context, departmental governance bodies will enjoy greater autonomy in setting their priorities in line with local needs, through the consolidation of their right to innovate in particular.

Among the priorities arising from the consultation carried out in 2019, the agreement sets out a strong ambition to improve and adapt the local postal service to meet the wide-ranging and new requirements of citizens in all regions, whilst supporting the continued adaptation of the postal network through new forms of shared postal coverage, through the consolidation and gradual development of the France Services network in physical spaces and through mobile services.

This agreement also stipulates an increase in service provision and access to services as well as resources for supporting populations in rural and urban areas as well as overseas departments marked by significant economic and social vulnerability. It also takes into account the new requirements of populations in terms of digital tools and support for digital services, including the roll out of the digital pass in particular.

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 in Decree No. 2011-849, issued by the French Council of State on 18 July 2011, following consultation with CSNP. The decree specifies that "the net cost of this additional coverage is equal to the avoided cost in its absence less the 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 €231 million for 2018 (Decision No. 2019-0985 of 16 July 2019).

Following the referral to ARCEP, CSNP issued a favourable opinion⁽¹⁾ on 25 July 2019 on the draft report submitted by ARCEP to the French Government and Parliament on the net cost of this mission in 2018.

(1) Opinion No. 2019-03 of 25 July 2019.

La Poste receives partial compensation of the net cost in the form of a deduction in local taxes, up to 95% of the amount normally paid. 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 the 2017-2019 period, 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 maisons de services publics (public service areas) 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.

The 2020-2022 local postal coverage agreement stipulates that the financing of the regional planning mission should be consolidated and that the postal prices equalisation fund may receive a maximum national allocation of €177 million per year, or a total of €531 million over three years, including the financing for the public services and France Services areas in post offices.

To contribute to this objective, a first measure consisted in modifying Article 1635 sexies of the French General Tax Code in order to raise the ceiling, from 95% to 99%, of the deductions granted to La Poste in respect of the direct local taxes collected on behalf of local authorities and miscellaneous bodies. This rise will tend to offset the erosion of the added value used as the basis for the contribution on corporate added value.

Press transportation and delivery mission

The Act of 2 July 1990 makes La Poste responsible for a press transportation and delivery public service mission. The Act of 9 February 2010 confirmed the assignment of this mission to La Poste.

By facilitating press transport and delivery through special rates granted 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.

During the 2009-2015 period, 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 the press industry unions. As the Schwartz agreement ended on 31 December 2015, in June 2015, the Ministry of Culture and Communications announced the launch of a reform of the press assistance system, concerning in particular postal press delivery.

Upon completion of the work launched by the French government to update the conditions for transporting postal press, an Inter-Ministerial Decision rendered on 5 September 2016 set the 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 eligible for the CPPAP scheme.

The annual 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

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.

This change in the catalogue was approved at the same time as the 2019 prices for the press transportation and delivery mission by the decree of the French Minister of the Economy and Finance signed on 12 December 2018 following Opinion No. 2018-1395 of the French Authority for regulation of the electronic communications and postal sectors (*Autorité de régulation des communications et des postes* – ARCEP) dated 15 November 2018.

Financing

As set out in the 2018-2022 Public Service Agreement, the French State's contribution to press transport and delivery will amount to €111.5 million in 2018, €103.8 million in 2019, and €95.9 million in 2020.

On 24 January 2019, the European Commission concluded 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 the European Union regulations on state assistance.

Banking accessibility mission

Framework of the mission

The banking accessibility mission entrusted to La Poste by the French State⁽¹⁾ aims to ensure the availability to the entire population, without any restriction, of the same “basic” savings plan with banking facilities, in order to promote the use of banking solutions and to supplement the 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 its subsidiary La Banque Postale (LBP), a credit institution⁽²⁾, through the Livret A savings account and according to specific conditions.

La Banque Postale is also committed, within the framework of the Act of 9 February 2010, to combat and prevent excessive debt and to promote micro-loans.

The French Economy Modernisation Act 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 as part of its banking accessibility mission, which are specified in an agreement made between the French State and La Banque Postale, currently covering the 2015-2020 period⁽³⁾. La Banque Postale is required:

- to open, according to what is commonly referred to as a “principle of universality”, a Livret A savings account, upon simple demand and free of charge, for any individual, association mentioned in Article 206-5 of the French General Tax Code, public housing body or any joint ownership association 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, free of charge, for Livret A savings accounts all of the transactions listed in the Decree of 4 December 2008 issued by the minister responsible for the economy, namely:
 - 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 or electricity bills and rent due to social housing associations.

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 or her legal representative or proxy), regardless of which institution the account holder uses;
- provision of cheques drawn in favour of the Livret A savings account holder (or the holder’s legal representative or proxy);
- making available a withdrawal card that can be used in La Banque Postale’s Automated Teller Machines.

These specific requirements require La Banque Postale to manage Livret A savings accounts for a large part of the low-income population which is subject to various constraints and vulnerabilities due to their administrative (e.g. migrants) or cognitive (e.g. illiteracy and e-illiteracy) situation. In concrete terms, this means that La Banque Postale is obliged to implement an extensive human support system and manage a very large number of withdrawals and deposits of small sums on a daily basis, resulting in significant direct and indirect management costs arising in particular from the fact that a large number of these transactions are carried out at the bank’s counters. These transactions are mainly concentrated on savings accounts with low deposit amounts and in certain urban and semi-urban areas (urban priority areas in particular).

At the end of December 2019, over 50%, or around 7.5 million accounts, of La Banque Postale’s Livret A savings accounts held by individuals had average balances of under €150. These Livret A savings accounts, which represent less than 0.3% of deposits, generate significant management fees because they are among the most used accounts, with 48% of all transactions (withdrawals and deposits) being carried out on Livret A accounts.

In 2019, the first works undertaken with the French State on the renewal of the banking accessibility mission entrusted to La Banque Postale led the Advisory Committee on Financial Services to confirm the existence of a market shortage and the usefulness of this mission through a favourable opinion, issued on 10 December 2019, to “maintain the banking accessibility system justifying the specific mission conferred to La Banque Postale via Livret A savings accounts for 2021-2026 [...]. This mission constitutes a balanced response and concrete demands expressed by very specific populations, in very vulnerable situations at times that are not covered by other banking accessibility programmes”.

Financing

La Banque Postale receives every year “compensation proportionate to the specific obligations incumbent upon it in terms of distributing and operating of Livret A savings accounts⁽⁴⁾”, whose calculation method is set by decree of the French Council of State.

(1) Act No. 90-568 of 2 July 1990 on the restructuring of the postal and telecommunications public service.

(2) Article L. 518-25-1 of the French Monetary and Financial Code.

(3) The Public Service Agreement between the French State and La Poste for the 2018-2022 period also specifies the framework for carrying out this mission.

(4) Article L. 221-6 of the French Monetary and Financial Code.

As part of the collection of the Livret A savings account, La Banque Postale receives compensation composed of two elements that are independent of the variations in the Livret A interest rates for savers:

- a commission on the deposits, 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 is set by decree, in accordance with Article R. 221-8-1 of the French Monetary and Financial Code.

For the 2015-2020 period this compensation is set by the Decree of 4 December 2017, amending the Decree of 26 February 2015. The amounts are as follows:

Year	2015	2016	2017	2018	2019	2020
Amount (in millions of euros)	235	355	340	320	300	280

Despite the partial compensation received for the banking accessibility mission and the efficiency gains made to reduce operating expenses, the specific compensation received does not cover all the costs borne by La Banque Postale in respect of its banking accessibility mission.

On 24 October 2017, the European Commission concluded 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 the European Union regulations on state assistance.



2

RISK MANAGEMENT

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2.1 Risk factors and insurance policy

2.1.1 MAIN RISK FACTORS

The main risks facing Le Groupe La Poste and influencing its economic health and capacity to meet its strategic objectives were updated in 2019.

These major risks are identified and assessed as part of a process involving all levels of the Group (Executive Management, business units, subsidiaries and branches) and coordinated by the Group's Risk Department. The risk mapping and management plans resulting from this process are approved at the end of the process by the Executive Committee and then by the Audit Committee.

This chapter lists the main risk factors monitored by Le Groupe La Poste as well as their criticality. They are divided into four categories. The first category includes risk factors upstream of and external to the Group, *i.e.* those related to its economic, financial and geopolitical environment, which are used to draw up and update its strategy. The three other categories include downstream risk factors weighing on the implementation of La Poste's strategy:

- risk factors relating to the economic, financial and geopolitical 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 relating to the transformation of the Group's business model and the implementation of growth drivers, whether they are well-established Group activities facing risk in terms of growth or new activities requiring nurturing until they reach critical mass;
- risks relating to non-compliance with laws and regulations: often common to all Group companies, they relate mainly to banking compliance and compliance with anti-corruption and data protection regulations as well as compliance with competition law. Their aggregation and/or intensity make them significant at Group level;

- cross-entity risks related to the Group's business activities: they mainly cover issues of personal health and safety, cybercrime, disruption of activities in the event of a major crisis and adaptation to environmental and societal issues.

The financial risks excluding banking activities (credit, liquidity, interest rates and foreign exchange) and financial risks related to banking activities (structural risk factors, La Banque Postale's risk exposure, credit, liquidity, interest rates and market) are presented in the notes to the consolidated financial statements, in Notes 33 and 34 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 four categories set out above, the tables below show:

- the main risk factors;
- their description;
- their potential impacts;
- the main mitigation measures implemented;
- risk factor trend compared to the previous fiscal year.

These risk factors are presented in descending order of criticality in each of the categories.

"trend" key:

- ➔ risk factor improvement
- ➡ risk factor stability
- ➞ risk factor deterioration

RISKS RELATED TO THE ECONOMIC, FINANCIAL AND GEOPOLITICAL ENVIRONMENT

Main risk factors	Description	Potential impacts	Main mitigation measures	Trend
1. 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 profit at La Banque Postale ■ Reduction of La Banque Postale's capacity to strengthen its equity on its own	■ Development of activities that are less reliant on interest rates in the medium and long term ■ Development of the range of products and services used by customers: wealth management, asset management, consumer loans ■ Price steering in the commercial bank	➔
2. Decline in the volume of physical mail	Acceleration of the decline in the volume of physical mail due to the digitisation of exchanges and regulations fostering digitisation	■ 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, adaptation and development of mail ranges ■ Continued development of local services, Silver economy services and offers for professionals ■ Adaptation of industrial facilities to the needs generated by mail and parcel activities ■ Forward-planning for milestones relating to the digitisation and flow pooling of key accounts	➔
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	■ Intensification 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) ■ Policy of increasing the share of international flows	➔

4. Emergence of new players in retail banking	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 the innovation policy and partnerships with players in the fields of fintech (KissKissBankBank, organisation of La Banque Postale's Artificial Intelligence hackathon, incubator) and InsurTech ■ Improvement of the attractiveness of the omnichannel bank (account aggregator, digitisation of business loan payment experience) ■ Launch of a fully digital bank: Ma French Bank	→
5. 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	■ Financing of acquisitions through debt in local currencies ■ 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 (customs clearance volumes, HR, financial and operational impacts)	→

RISKS RELATED TO THE TRANSFORMATION OF THE GROUP'S BUSINESS MODEL

Main risk factors	Description	Potential impacts	Main mitigation measures	Trend
6. Growth drivers	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 the decline in traditional activities ■ Inoperative synergies with more classic growth drivers ■ Difficulty in acquiring companies or in integrating acquired companies	■ Accompaniment and renewal of legacy offers around new digital, health, Silver economy and urban logistics uses ■ Conquest of new areas of growth ■ Support and financing for innovation: vault, identity and digital hub, digital banking ■ 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 transactions	→

7. Transformation of the Group's networks and production tools	Inadequate, overdue or ineffective restructuring of the Group's major operational networks (general public retail customers, 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 formats, diversification of post office formats, pooling) ■ Implementation of a new industrial structure transforming mail platforms into multi-stream platforms ■ Increasing awareness among managers about results-driven management	→
8. Financial resources	Difficulty in supporting and financing the transformation 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	■ Implementation of a financial strategy for raising financial resources at the right time ■ Development of operating synergies between the business units (merging of accounting systems, single sales management) ■ Optimisation of the Group's running costs ■ Management of the internal investments ■ Development of growth drivers that contribute sufficiently to margins ■ Support for innovation (within each business unit through intrapreneurship and development of employees, start-ups)	→
9. Prudential capital in banking	Difficulty in meeting the increased capital 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	■ Strategic equity alliance between La Banque Postale and CNP Assurances: synergies between activities and strengthening of the Bank's equity ■ Monitoring of regulatory changes and defending La Banque Postale's interests with the relevant authorities ■ Development of an internal measurement method for credit risks ■ Optimisation of the equity allocations by business line	→

10. Quality of service as perceived by customers	Difficulty in offering sufficient quality of service in a context of significant competitive pressure, increased expectations, 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 ■ Strengthening of the quality culture ■ Improved customer approach (overhaul of customer experience, etc.)	➔
11. Skills management and professional development	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 given 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 Human Resources (HR) function ■ Forward-planning of jobs and skills in the regions in coordination between managers and HR managers ■ Increased fluidity of cross-entity career paths between divisions and business units across the regional network	➔

RISKS RELATED TO NON-COMPLIANCE WITH LAWS AND REGULATIONS

Main risk factors	Description	Potential impacts	Main mitigation measures	Trend
12. Non-compliance	Risk of occasional or local breaches of laws and regulations: ■ 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 (risk mapping, monitoring, self-assessment and audit)	➔

CROSS-ENTITY RISKS RELATED TO THE GROUP'S BUSINESS ACTIVITIES

Main risk factors	Description	Potential impacts	Main mitigation measures	Trend
13. Cybercrime	Increased cybersecurity risks related to an increase in the attack surface and the sophistication of attacks resulting in hindering or weakening the capacity of the Group's IT or telecommunications to support its operating activities Growing threat of malicious attacks on the Group's information systems to steal or destroy data or deceive authentication devices in order to perform illegitimate transactions	■ 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 practice 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 Act with the Group's information systems security policy ■ Implementation of a security incident management system ■ Resilience tests and adaptation of systems	→
14. Health and safety SNFP	Risk of harm to the health and safety of Group employees due to internal causes (accidents at work, psycho-social risks, road risks, etc.) or external causes such as physical 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 employees returning to work ■ Support for the transformations and improvement of quality of life at work ■ Support/involvement of suppliers and subcontractors in health/safety risk coverage for their own personnel ■ National programme for the reduction of incivility in the most exposed post offices	→
15. 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-entity crisis management system ■ Organisation of crisis management exercises at national and local level ■ System for securing business travel ■ Adaptation of systems within the framework of the deployment of a national and international anti-terrorist policy	→

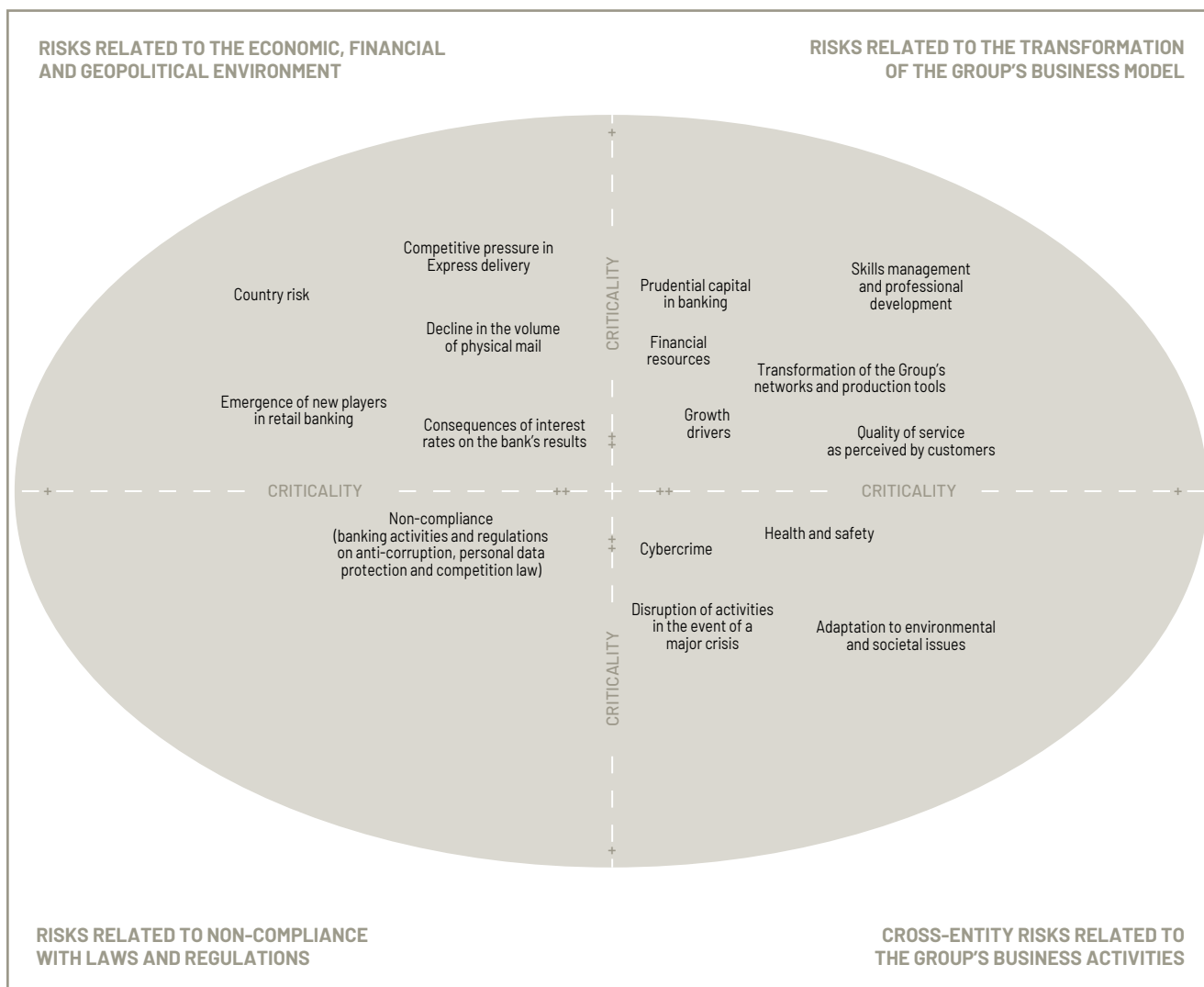
16. Adaptation to environmental and societal issues

- Loss of credibility and brand image
- Downgrading of non-financial ratings and decline in attractiveness for large customers 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
- Implementation of ethical and responsible Digital Services
- Support for the control of risks related to the environmental transition (energy and resources)
- Reduced reputation risk among stakeholders
- Integration of the measurement of quality as perceived by customers into performance management and support in the Group's transformation



Breakdown of the main risk factors facing Le Groupe La Poste according to their criticality

A breakdown of the major risks monitored by the Group is presented in the figure below. These risks are positioned in this figure according to their criticality calculated on the basis of their impact and probability of occurrence. The farther the risk is from the centre of the figure, the lower its criticality.



In 2019, this work was complemented with the forward-looking analysis of the impacts of the Groupe La Poste's governance development project in the context of strengthening capital link with Caisse des Dépôts.

Risks related to the Coronavirus

The Coronavirus epidemic, which began in China in December 2019, could slow down the operating activities of Le Groupe La Poste, delay its projects and have an impact on its financial position. At this stage, it is very difficult to quantify the impacts of the epidemic on a macro-economic level and on the solvency of companies, and on the Group specifically. Le Groupe La Poste has identified the

following main risk factors (non-exhaustive list): instability on the financial markets could have an impact on banking activities; on mail, parcel and express markets, the economic slowdown seen in certain geographic areas could have an impact on the volumes of mail and parcels transported by the Group; the epidemic could affect the health of the Group's employees and service providers, despite application of all recommendations made by the public authorities. Le Groupe La Poste, alongside the public authorities, will take the necessary measures to ensure the continuity of postal and financial services.

In addition to the mitigation measures described above, the Group has policies for covering certain risks through insurance.

2.1.2 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 Group entity.

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 companies]) 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 Automated Teller Machines.

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.

The 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, software program 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 its subsidiaries

such as La Banque Postale and 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 the La Poste parent company (internal combustion and electric vehicles), 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. This insurance has also been taken out for most subsidiaries of Le Groupe La Poste.

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. The deductibles are adapted to the nature of the risk and beneficiaries of the coverage.

There is also obligatory coverage for insurance brokerage, management and real estate transactions, as well as for the employees concerned. Third-party medical insurance has also been taken out by the Group, particularly in respect of La Poste Silver's new business activities.

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.

This policy covers 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 their construction completion acceptance.

Moreover, in order to insure the installation of industrial processes in the Group's facilities, a "comprehensive assembly and testing" policy has also been taken out.

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.

2.2 Risk management and internal control procedures

2.2.1 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, Executive Management, 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.

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 in force since 1 January 2010, was updated with effect from 1 January 2015. It applies across the whole Group.

Objectives and limits

The objective of the risk management approach set out in the Charter is to ensure:

- respect for its corporate purpose, mission and the achievement of its strategic objectives;
- compliance with current laws and regulations;
- the application of instructions and guidelines set by the 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 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).

Scope

The features of the Group's internal control and risk management systems apply to the 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 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.

2.2.2 PLAYERS IN RISK MANAGEMENT

At Group level

Everyone in the Company is involved in risk management:

- Executive Management sets out 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 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 Executive 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;
- supports Le Groupe La Poste entities in mapping their operational risks and drawing up the associated management plans;
- monitors the points of vigilance 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.

The Group's risk management system is overseen by three bodies:

- 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 made up of senior executives representing each of the business units and the main functions of the Group's head office who implement the Group's risk management policy within their respective scopes. This committee 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 2019, notably to oversee the implementation of the risk management approach, review the mapping of the Group's major risks as well as those of the business units and subsidiaries and their corresponding management plans and to monitor the implementation of the results of self-assessment of internal control systems.

The Group's Risk Department relies on work carried out in close cooperation with the internal control and risk management officers in the subsidiaries, business units, departments with nationwide responsibility and head office departments, with a view to constantly adapting to legal and regulatory, structural and organisational developments.

The heads of business units, departments with nationwide responsibility, head office departments and Executive Management of 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.

At business unit level

Services-Mail-Parcels business unit

The risk management of the Services-Mail-Parcels business unit is based on the following key principles:

- the business unit's major risks are identified according to the strategic ambition and objectives set for its Chief Executive Officer;
- risk management is integrated into the management systems of the various entities and is subject to regular monitoring;
- the risks of the executive and operational departments with nationwide responsibility consist of the risks identified by the head office and the operational risks identified locally;
- 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.

At the national level, the Risk, Compliance and Ethics Department reports to the Quality and Customer Satisfaction Department and is responsible for coordinating risk management, internal control and ethics (since February 2019) and compliance in areas relating to the prevention of corruption, personal data protection and the enforcement of competition law as well as lists of exclusions and embargoes. A risk and internal control correspondent coordinates the business unit risk management approach within the operational departments with nationwide responsibility.

These departments, as well as all business unit subsidiaries, are required to commit to the business unit's risk management system.

At the local level, each Quality and Customer Satisfaction Department of the Executive Departments covering the country has a "risk manager" responsible for:

- organising and coordinating the implementation of the risk management and assessment approach;
- 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.

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. In particular, it incorporates the rules of internal governance that determine the responsibilities and management as well as the internal control principles applicable to the subsidiaries.

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 group has parent-company responsibility for financial sector companies, themselves approved as lending institutions, financing companies, electronic money institutions, investment companies, portfolio management companies or insurance companies. La Banque Postale is recognised by the supervisory authorities as forming a financial conglomerate with its insurance subsidiaries and complies with the regulations specific to this additional surveillance.

More broadly, La Banque Postale has the responsibility of a parent company vis-à-vis its subsidiaries and equity investments.

For La Banque Postale and activities performed on its behalf, risk management falls within the specific framework of the applicable regulations.

La Banque Postale's policy in terms of risk management is based on its risk appetite statement and its limits handbook. 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;

2

- documentation and consistent processes to ensure the operational application of the appetite for risk and the associated organisational principles.

Four bodies organise and manage La Banque Postale's risk management as follows:

1. the Supervisory Board, particularly through its Risk Committee, approves the risk appetite of La Banque Postale and monitors changes in its risk profile in relation to the defined appetite framework.

It assesses the quality of the 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 (*Autorité de contrôle prudentiel et de résolution* – ACPR) 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 Bank's Internal Control Charter and ensures that the Bank's compensation policy and practices are compatible with it.

More broadly, the Risk Committee of the Supervisory Board also performs the tasks applicable to conglomerates. In this respect, it produces guidelines on behalf of the Supervisory Board with regard to the schedule of regular audits, the compliance requirements and the risk management system. It reports to the Supervisory Board on the guidelines produced.

The Supervisory Board or its Chairman may also instruct the Committee to carry out any other regular or ad hoc assignments; in addition, the Committee may suggest that the Supervisory Board consults it on any specific issue that it considers necessary or relevant;

2. the Risk Committee of Le Groupe La Banque Postale (emanation of the Management Board) investigates the Bank's proposed risk management policy and the operational limits prior to approval. 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 (credit, market, operational, rates, etc.) as well as their coverage level are examined and threats that may affect the structure of the balance sheet, earnings or management ratios (solvency, liquidity, etc.) are analysed. At each of its meetings the Committee also produces an update on the fight against money laundering and the financing of terrorism (overseeing screening, alert system, etc.).

The Risk Department of La Banque Postale group is responsible for implementing the Committee's decisions through instruction notes and procedure notes and for circulating them to the relevant entities (particularly through the risk division) and for overseeing their implementation;

3. the Management Board's Internal Control and Ethics Coordination Committee examines the coverage of the permanent control plan and the General Inspectorate plan (the rate of completion of control and audit plans, findings and implications of main controls and audits). It monitors the reports on topics related to fraud,

compliance, the fight against money laundering and terrorist financing, financial sanctions, 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;

4. the Risk Management Rules Committee (a subcommittee of the Risk Management Committee) approves all management rules and normative documentation issued by the Risk Department of La Banque Postale group, entities within the risk division and business unit departments of La Banque Postale which contribute to risk management under the framework set by the Bank in the risk appetite statement and risk management policy. This Committee also ensures that the risk management strategy described in the risk appetite statement and risk management policy is implemented effectively, whilst taking into account changes in the risk appetite framework, the organisation and activities, as well as regulatory changes.

The monitoring of the effective implementation and enforcement of these rules falls to the various bodies of La Banque Postale group's Risk Department and to the risk division responsible for monitoring risks.

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 the risk of non-compliance, as defined in point p of Article 10 of the Order of 3 November 2014;
- the Risk Department of La Banque Postale group 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.

Further, the Executive Management of each La Banque Postale subsidiary, as a corporate officer of the entity within the meaning of Article 511.52 of the French Monetary and Financial Code, is responsible for implementing a control mechanism which is put to its Board of Directors or Supervisory Board for approval. This mechanism is part of a framework set up by the Risk Department of the La Banque Postale group; risk-taking, risk management, surveillance and reports take place within the framework set by the La Banque Postale group. The Board of Directors or the Supervisory Board is responsible in the first instance for managing the risks within its entity.

La Banque Postale group's 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. Like the Group Risk Management Committee mentioned above, the Risk Department of La Banque Postale group organises a Steering Committee at subsidiary level: the Subsidiary Risk Steering Committee. This Committee precedes the governance bodies (Audit and Risk Committee) of each subsidiary.

La Poste Network business unit

At the national level, the Operational Risk Management Department, reporting to the Head of the Organisation, Risks and Customer Experience, 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 operational risk officers in charge of operational risks at the business unit's head office, in departments with nationwide responsibility and the risk division in the regional entities. Indeed, this division has reported to it since 1 September 2019.

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 the business unit's activities. It manages the division dedicated to the permanent control of the business unit for non-banking activities. Under the responsibility of the business units' Executive Management, it draws up the plans for first-level controls to be implemented by La Poste Network's local entities, in line with and proportionate to the risks faced, and ensures that they are implemented out across the country. It also draws up the second-level control plans corresponding to the risks associated with managing cash on hand and non-banking activities.

At the local level, regional managers are responsible for managing the risks associated with the activities within their scope, 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 the activities entrusted to the retail outlets of the partner networks are organised.

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 Digital Services business unit is divided into the following eight main divisions:

- the e-commerce division draws up the digital marketing strategy and manages the Group's e-commerce activities;
- the Information System division manages the technical infrastructure of business unit products and services;
- the Customer Knowledge division is responsible for the "customer knowledge" common priority programme and oversees its deployment across the other Group business units;
- the Digiposte+ division is responsible for implementing the strategy for Digiposte products and services as well as for marketing them;
- the Docaposte division, positioned as the trusted partner of organisations in the process of digital and mobile transformation, manages all entities in the subsidiary of the same name;
- the Yellow Innovation division is an ideas lab and incubator responsible for devising, developing, testing and proposing services with the speed of a young shoot;
- the Data division, represented by the Head of Data, drives the transformation of Le Groupe La Poste through data ("data transformation" programme);
- the Mediapost Communication division is specialised in relationship marketing and incorporates the subsidiaries Adverline, Oxeva, Probayes and Marketshot.

The business unit's risk management system is organised and managed at the level of the Executive Management of the Digital Services business unit.

2.2.3 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 the degree of risk management to corporate officers, governance bodies and, more generally, managers and senior executives. To this end, it performs targeted and 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 the applicable agreements.

Organisation of internal audit services

The internal audit function is primarily the responsibility of the Group's Audit and Risk Department (DARG), which reports directly to the Chairman and Chief Executive Officer of La Poste. The Head

of General Auditing coordinates the auditing services within the DARG. He is responsible for the operational deployment of the audit assignments. The auditing takes place at several levels within the risk management process. Through their findings auditors are involved in assessing risks. They then verify the measures undertaken to reduce these risks and in a general manner perform an assessment of the 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 reporting to the Chief Executive Officer of the Poste Immo subsidiary.

The Group's Audit Department coordinates all of these services through a Coordination Committee.

Working methods

Each Internal Audit Department develops an audit plan based on the risk mapping of the entity on whose behalf it operates. These plans are finalised and their implementation monitored by Coordination Committees. The consolidated audit plan for the year, drawn up by the Group audit function, is first presented to the Group's Executive Committee and then to La Poste's Audit Committee. The findings are presented to La Poste's management bodies and to its Audit Committee.

In accordance with the decisions taken by the Chairman and Chief Executive Officer of Le Groupe La Poste, the Group Audit and Risk Department, in collaboration with the other Audit Departments within the Group, draws up a rolling multi-year plan geared towards covering the full audit scope over a four-year period.

Activities

In 2019, 122 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 119 in 2019, make recommendations and monitor the implementation of the improvement measures taken in application of their recommendations by management. The Group audit performs three types of assignments:

- cross-entity assignments targeting support functions, governance, projects and recent acquisitions are conducted by the general audit team. In 2019, it finalised 15 assignments and had 9 auditors at the end of December 2019;

- IT assignments are conducted by internal IT auditors. The Group IT audit team (9 employees at the end of 2019):

- works from start to finish on the assignments it is tasked with in the annual audit plan (8 assignments completed in 2019),
- contributes to the assignments of the General Inspectorate of La Banque Postale (two assignments in 2019) and the audit of GeoPost (1 assignment in 2019);

- assignments targeting the operating activities of the business units (Network and Mail-Parcels).

The number of assignments completed in 2019 breaks down as follows:

- 8 assignments for the La Poste Network business unit with a team consisting of 6 auditors at the end of 2019;
- 9 assignments for the Services-Mail-Parcels business unit with a team consisting of 11 auditors.

The General Inspectorate of La Banque Postale, made up of 76 internal auditors, conducted 51 assignments in 2019. The 6 GeoPost auditors and 2 Poste Immo auditors conducted 22 and 6 assignments respectively in the same period.

A half-year management report is presented to the Chairman and the Audit Committee, including a summary of the assignments and of the progress of the action plans implemented by the audited entities after receiving recommendations. A focus report is drawn up for the five most high-stake assignments for the Group.

The Group's Head of Audit and Risk reports the findings of his assignments to any of the following: the senior executives, the Select Committee chaired by the Group's General Secretary and/or the Chairman and comprising the Head of Audit, the manager of the specific audit assignment, the members of the Executive Committee affected by the focus of the assignment or their representatives and any other director affected 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 division, 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.

2.2.4 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 its internal control and risk management actions across all of its activities throughout 2019.

Permanent internal control and risk management systems within the Group

The internal control system

At Group level

The Group's internal control function, which reports to the Group Risk Department, oversees the implementation of the Group's Risk Management Charter. To this end, it performs annual mapping of the risk management systems for Le Groupe La Poste to ensure their compliance with the Charter. Each year, a review of the 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 the internal control systems to cover the risks facing them. It distributes tools and methods, in accordance with best market practice, provides professional documentation bearing on risk management, manages the overall division and contributes to its training. It coordinates the follow-up of the essential points of vigilance defined by the Risk Committee and the 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 the signatories' compliance with their commercial, operational, technical and financial commitments and to agree on any necessary corrective actions for the proper implementation of the agreements.

The Group's Internal Control Department and the "internal control" officers in the entities provide managers with any support required for deploying the Group's compliance programmes in their sphere of responsibility, particularly in designing and implementing control activities.

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 provide strategic management of human resources for Le Groupe La Poste.

In the area of regulatory compliance, the Group's Human Resources Department lays down the 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 and 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 the national level on the major issues of "quality of life and health at work" (which covers absenteeism, prevention of accidents at work and the management of incapacity and hardship) and "skills management and professional development".

Purchases

The Group Purchasing Department, which reports to the Group Finance and Development Department, oversees the purchasing policy. It is responsible for the development and application of a corpus of rules relative to the purchasing process and 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.

The Group Purchasing Department is responsible for the supplier alert system and for managing the supplier and service provider evaluation process.

La Poste's Purchases Commission⁽¹⁾ (CALP), an independent body, has the following remit:

- providing advisory opinions on contracts and amendments submitted to it, in compliance with Le Groupe La Poste's contract-awarding rules, the legal soundness of the contractual arrangement and the merit of choosing the bid (the "best-price" principle);

(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.

- making any useful observations and recommendations relating to the economic performance of the sales transactions submitted to it.

CALP reports on its activity once a 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 division 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 the commitments made to the French Competition Authority (*Autorité de la concurrence*);
- anti-corruption, 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 design and implementation of the measures identified as part of the duty of due diligence and international sanctions and embargoes compliance programmes (OFAC⁽¹⁾), like the one on corruption prevention, in association with the Group's Ethics Department which manages it.

Security

The Group's security policy is laid down by its General Safety and Security Department. This department 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, as well as the implementation of legal and regulatory measures

applicable to Le Groupe La Poste in its role as key national public service provider. The Group's business units are responsible for managing fraud at the operational level, with the Group's General Safety and Security Department assisting and coordinating these entities in drafting common fraud policies for the Group.

At business unit level

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 tours" 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 Executive Management of the business units that ensure compliance with the requirements and priorities under their responsibility, as well as the cross-entity fields and support areas;
- by the risk managers who ensure compliance with the risk management system, the establishment of ethics procedures and who ensure compliance risk coverage.

GeoPost business unit

The control of the activities of GeoPost's operating subsidiaries is structured in accordance with the systems governing standing delegations of signature, in accordance with the rules issued by the Executive Management of the GeoPost Group.

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 the appropriate managers.

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 in particular.

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 Compliance Department is responsible for managing the implementation of the compliance programmes across subsidiaries. Each subsidiary is responsible for their application in relation to local regulations.

As such, GeoPost is implementing a programme of compliance with international sanctions and embargo restrictions. It covers majority-owned subsidiaries as well as those that use a GeoPost brand in their commercial communications. This programme includes the provision of a tool for checking existing sanctions and restrictions, the implementation of a comprehensive sanction policy and strives to embed an "Embargo" culture within the Company.

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).

The internal control system is based on three lines of defence on 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 units of La Banque Postale 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. Two levels of permanent control are in place:

- self-monitoring by staff and their managers during their operating activities;
- control carried out by dedicated staff who do not have any operating activity.

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;

- the 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.

The permanent control of the activities of the financial centres is managed by the Permanent Control Department of La Banque Postale group's Risk Department. First-level control is based on self-monitoring and control by managers. 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.

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.

Anti-fraud actions are coordinated by La Banque Postale's Risk Department, either directly or via more operational teams. Anti-money laundering and combating the financing of terrorism work is led by the Financial Transactions Security Department, which reports to the Compliance 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. It structures its permanent internal control system 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 in their areas of responsibility;
- the staff of La Banque Postale's permanent control bodies perform second-level controls for the banking activities;

- the staff of the permanent control bodies of the La Poste Network business unit carry out second-level controls for activities outside the sphere of banking except those associated with managing cash and regulatory information displayed in the banks.

In addition, specific controls have been established in the spheres or cross-entity activities of the support and regional support departments.

Anti-fraud measures are coordinated by the Ethics, Control and Investigations Department, the Operational Risk Management Department, Le Groupe La Poste's Security and Accounting divisions, as well as La Banque Postale's Financial Security Department and General Inspectorate.

The national service for investigations reports to the Ethics, Control and Investigations Department of the La Poste Network business unit. It responds to suspicions of internal fraud or ethical breaches.

The La Poste Network business unit implements the anti-money laundering, embargo and exclusion list procedures set by La Banque Postale. It also implements Le Groupe La Poste's competition law compliance programme and anti-corruption plan.

Digital Services business unit

The Digital Services business unit's compliance manager is responsible for supporting each division in implementing their risk-mapping and the associated management plans.

The managers of the various divisions implement risk management and internal control procedures within their sphere of responsibility. In terms of managing specific risks associated with Docaposte acquisition plans, specific governance for each project is being implemented and systematically includes an auditing phase (legal, fiscal, social and technical due diligence). In the post-acquisition phase, the management responsible for integration monitors the smooth running of the operation and Le Groupe La Poste's Audit Department performs third-level controls (through post-acquisition assignments).

In the fight against fraud, the Digital Services business unit monitors the application of regulations for all its activities and observes a strict separation of duties on sensitive issues, by including blocking controls in its management software packages.

Moreover, the subcontracting activities of the Digital Services business unit carried out on behalf of La Banque Postale include anti-money laundering and financing of terrorism controls in order to meet the relevant control and declaration obligations.

The Digital Services business unit implements the Group's programmes of compliance with competition law and enforcement of regulations on the prevention of corruption and personal data protection.

The risk management system

At Group level

The overall system

The identification and assessment of major risks, and the preparation of plans to manage 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.). The audit plans are prepared, in particular, based on the mapping of the major risks facing the Group and its business units and subsidiaries (see Chapter 2.1 of this document).

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 a mapping summary to the members of the Board of Directors.

Another meeting, mid-year, allows the Executive Committee to monitor the implementation of the risk management plans. An overview of this monitoring is also presented to the Audit Committee and the Board of Directors.

Le Groupe La Poste faces four categories of risk:

- external risks associated with the economic, financial and geopolitical environment in which the Group operates each of its main business activities (external threats that undermine its business model);
- external and internal risks associated with the transformation of the Group's business model and implementation of its growth drivers;
- risks relating to non-compliance with laws and regulations: often common to all Group entities, they relate mainly to issues around banking compliance and compliance with anti-corruption and data protection regulations as well as compliance with competition law;
- cross-entity risks related to the Group's business activities: they mainly cover issues of personal health and safety, cybercrime, disruption of activities in the event of a major crisis and adaptation to environmental and societal issues.

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 appoints people responsible for the risk and the related management plan within a functional department at head office or in the business units. In addition to the appropriate as-needed measures, the risk management plans include internal control actions and, where relevant, insurance coverage.

The Boards of Directors and Supervisory Boards of La Banque Postale, GeoPost and Poste Immo also have Special 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. It liaises with national public authorities (Ministry of the Interior, Ministry of Health, Ministry of Defence, etc.).

The Group General Safety and Security Department is the risk owner for major crises that may disrupt Le Groupe La Poste's business activities and for cybersecurity risk.

At business unit level

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. Members of the Executive Committee with ownership of a risk are responsible for producing and monitoring their risk management plan.

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 risk management 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

The risk analysis related to the achievement of the subsidiaries' specific objectives is carried out locally. The review of events liable to affect the achievement of GeoPost's objectives is performed at the GeoPost group level. The subsidiaries are required to present the measures taken to control the identified risks to GeoPost's Executive Management.

The potential strategic risks related to the activities under the responsibility of the subsidiaries liable to impact the GeoPost group are identified and assessed upstream of the budgeting process and the updating of subsidiaries' strategic plans by the members of the Executive Management Committee and the subsidiary directors.

In addition to these risks, other risks are identified by experts at GeoPost's central departments to ensure that the whole scope is covered.

GeoPost's annual audit plan takes into account the risk mapping 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's Board of Directors.

La Banque Postale business unit

Risk identification is performed by each entity. These risks are described in the risk mapping of La Banque Postale's business units. The Risk Department of La Banque Postale group 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.

La Banque Postale's executive body determines its risk appetite, *i.e.* the level and types of risk that it is willing to assume when applying its business plan to achieve its strategic goals, while remaining within the limits imposed by the 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 as regards the acceptable and unacceptable risks, 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 and 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 the Risk Department of La Banque Postale group through its risk management policy, management rules and risk monitoring rules.

The Bank seeks to implement risk coverage arrangements wherever it is 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 the risk management plans associated with each of these risks and monitors their implementation. La Poste Network's⁽¹⁾ Risks and Control Committee monitors the business unit's risk management plans, whether national or not, or whether under the responsibility of the regional departments or of other Le Groupe La Poste entities, including La Banque Postale. This Committee approves the first- and second-level control plans deployed throughout La Poste Network.

(1) This Committee meets three times a year and includes the following people: Head of Operations, Risks and Customer Experience; Head of Commercial Development; Head of Human Resources; General Secretary; Head of Transformation and Network Attractiveness; Head of Operational Risk Management; Head of Ethics, Control and Investigations; regional directors of the La Poste Network business unit; Head of Risks; Head of Compliance of La Banque Postale; and is chaired by La Poste Network's Chief Executive Officer.

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, which helps to deal with crisis situations, is in the process of being updated to take into account recent organisational changes.

Digital Services business unit

The business unit's risk management system is based on the following two principles:

- on each of the three levels of management of the Digital Services business unit (Executive Management, business divisions and production sites), the manager has full responsibility for the management of risks within his or her area of responsibility;
- 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.

Dissemination of information

Business units, departments with nationwide responsibility, head office departments and subsidiaries ensure that the relevant information needed to manage the control environment and activities, risk management and compliance with legal and regulatory requirements is circulated 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. Dissemination calls largely on electronic media adapted to each target group and contributes to the implementation of Company guidelines and the control of its activities.

The risk and control division is coordinated by the Group's Risk Department, 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 the management plans relative to the major risks faced by the Group and developments in their criticality. It is also the recipient of the risk mapping summary 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, departments with nationwide responsibility, head office departments and subsidiaries to describe their internal control and risk management processes and to set their risk management objectives for the coming year. This campaign helps provide mapping of the 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 2019, this questionnaire continued to be used to assess the work accomplished regarding the duty of due diligence and three additional questionnaires were introduced to measure the control of compliance in relation to competition law, the implementation of the corruption prevention plan and the level of compliance with the provisions of the European Regulations on data protection (these aspects were introduced in 2018).

The business units, departments with nationwide responsibility, and head office and subsidiaries departments are responsible for their permanent internal control and risk management system in compliance with the Group's Risk Management Charter.

Lastly, the efficiency of the entire system is periodically checked by the various internal audit services, and notably by the Group Audit Department.

Highlights in 2019

- Le Groupe La Poste's Risk Department has launched a project to strengthen the Group's risk management system. This project is intended to improve the operational risk monitoring system and more significant incidents at Group level. In this context, Le Groupe La Poste's Risk Department has developed a method for measuring operational risks common to all entities within its scope.
- GeoPost has strengthened the conditions for implementing its corruption prevention plan. As such, it has drawn up a detailed road map to strengthen each of the eight measures in the corruption risk management plan in accordance with the Sapin 2 anti-corruption law. Governance has thus been strengthened through the creation of an anti-corruption division made up of one officer per subsidiary.

- The Digital Services business unit has implemented Le Groupe La Poste's policies on personal data protection, competition law compliance and anti-corruption. Moreover, it has continued the change of approach with respect to data protection by incorporating measures relating to the processes necessary for its business activities as a default from the design stage.
- For La Banque Postale 2019 saw the reorganisation of the risk division, the development of the corporate loan segment, whilst keeping the cost of risk under control, the strengthening of the Internal Capital Adequacy Assessment Process (ICAAP) and the strengthening of the risk management system in the finance segment, including the introduction of rating systems for asset and project finance, home loans and finance for its "large corporate" customers.
- In September 2019, the operational risk division of the La Poste Network business unit becomes independent from its managerial line with the whole of this division reporting to its Operational Risk Management Department. This change falls within the overall context of a reorganisation of the divisions associated with La Banque Postale's risks. It was accompanied by improved functional management of La Poste Network's Operational Risk Management Department by La Banque Postale's Risk Department.
- In 2019, the Risk, Compliance and Ethics Department of the Services-Mail-Parcels business unit deployed a training programme on risk management, compliance and communication and a monitoring tool for risk managers belonging to Executive Management.
- In 2019, a Compliance Department was created within the Group's Tax and Accounting Department. This department has begun work on drafting an accounting compliance Charter as part of the Risk Management Charter. It is due to be finalised in 2020.
- The Group's Purchasing Department mapped its processes in order to standardise the vision and practices in terms of compliance and risk management across the purchasing division.
- In 2019, the Group's Human Resources Department built on and strengthened action plans (relating both to the prevention of accidents at work and support for people returning to work) in order to mitigate risks associated with the health and safety of employees.
- GeoPost will continue to improve the security of its IT infrastructures across all its subsidiaries and acquisitions.
- The Digital Services business unit will introduce risk management governance to monitor the progress of the risk mapping and the management plans for major compliance and operational risks.
- In addition to the support for the organic growth of La Banque Postale, particularly in the loans to legal entities segment and the continuation of the multi-year plan to transform the risk management system for said segment, in 2020 the work on the risk management system will focus on the strengthening of the risk management relating to the group created by the strategic equity alliance with CNP Assurances, the introduction of a new definition of default in line with changing regulatory requirements and the introduction of a new "Value at Risk" model to monitor market activities more closely.
- In 2020, the La Poste Network business unit will continue its work identifying, analysing and measuring operational risks to consolidate its anti-fraud and non-compliance risk management system.
- The Services-Mail-Parcels business unit will strengthen its management processes by introducing monthly monitoring of the indicators on major risks and mapping of the risks in regional entities. Moreover, it will launch work to improve risk management support for its subsidiaries.

Internal control and risk management systems relating to the Group's accounting and financial 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 for defining and implementing accounting, tax, financial and purchasing policy. Moreover, it coordinates the Group's Investment Committee.

Within the Group's Finance and Development Department:

- the Group's Financial Control Department oversees the Group's economic and financial performance. This includes setting the Group's economic target and standards in terms of Financial Regulations, helping to meet this target, financial control of La Poste's main internal investment projects and activities, managing financial planning processes and the management control division, drafting the Group's consolidated budget and monitoring the performance of La Poste and its business units;

2020 outlook

- Le Groupe La Poste's Risk Department will deploy the operational risk mapping method in the business units, subsidiaries, departments with nationwide responsibility and head office departments. Work on completing these will be reviewed and consolidated so as to fine-tune the Group's risk profile.

- the Financial Operations and Treasury Department is responsible for managing the Group's short-term cash and cash equivalents (excluding La Banque Postale), Group financing and refinancing operations, ensures that at any given time the Group has the necessary liquidity to meet its financial deadlines and manages all its market risks (excluding La Banque Postale) as well as inter-company financing. It centralises all of the banking powers of La Poste, its business units and subsidiaries who have agreed to it. It shares its financial insight in respect of the expansion plans of the business units of GeoPost and La Banque Postale with the Group's Investment Committee and supports the Digital Services, Services-Mail-Parcels and La Poste Network business units in implementing their acquisition plans;
- the Financial Communication and Investor Relations Department explains and promotes the content and key messages relating to the Group's business model and financial achievements to its stakeholders and makes presentations to investors at the time of the Group's bond issues. Every year, it produces the Group's Universal registration document, coordinates the half-year financial report, produces all legal publications as a financial market issuer, ensures that the Company's regulatory and legal obligations in terms of financial transparency are enforced and publishes financial press releases as well as information in the financial information section of the Group's corporate website;
- the Group's Tax and Accounting Department produces and declares Le Groupe La Poste's accounting, tax and financial information. In particular, it ensures compliance with accounting and tax laws, regulations and standards and produces La Poste's financial statements and the Group's consolidated financial statements;
- the National Accounting Department reports to the Group's Head of Accounting and Taxation and combines under its authority all of La Poste's accounting departments in France. It provides support in the fields of accounting and auditing;
- the Group's Finance Solutions Transformation Department designs the governance and architecture of the Group's financial information system and coordinates projects of convergence towards a common integrated management software package and supports the transformation of the Company's finance functions. It manages cross-entity projects and coordinates various contracts in order to maintain the coherence of the information systems in terms of management rules and data repositories;
- the Strategy, Cross-Entity Partnership and Innovation Department provides insight and perspectives on current and future changes in French and international civil society, shares information on the strategic environment, drives innovation across business units by developing intrapreneurship and cooperations with the ecosystem, identifies business opportunities and internal/external partners, supports the development of new offerings and offers Group Directors its impartial opinion on the business units' strategic plans;
- the Group's Purchasing Department implements and coordinates the governance of the purchasing function. It sets out the purchasing strategies for La Poste and the Group, and updates and monitors the purchasing rules in liaison with La Poste's *Solutions Juridiques* Department. It is also responsible for the

transformation and coordination of the Group's purchasing and supplies division;

- The General Secretary of the Finance and Development Department provides the whole department with administrative and human resources management support and, in particular, coordinates management's work in its relations with the Group's Audit and Risk Department in respect of Group audits, major risks and coordination as well as the assessment of the internal control system.

Internal control and risk management procedures regarding the reliability of the accounting and financial information

Group financial statements

Accounting policies and standards

The financial statements of La Poste SA and the consolidated financial statements are prepared by the Group Tax and Accounting Department based on the 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 a detailed work timetable and schedule, formalised through accounting revision and consolidation instructions sent to the relevant entities. When the half-yearly and annual accounts are closed, files allowing analytical screening of the accounting and financial information are prepared for both the holding companies and the parent company. 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 the parent company and consolidated financial statements in order to continuously improve the production and analytical process.

The Group's Accounting and Tax Committee meets 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 serves 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 to produce and analyse the consolidated financial statements are properly entered into the consolidation system within the time limit set by the 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 of other information about the period's operations 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.

The 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 the entities and detailed internal procedures.

The Group's financial control

Organisation and principles

The Group's Financial Control Department produces two types of consolidated financial information derived from the data submitted by the business units and the head office's support function departments:

- forward-looking information: multi-year plan, annual budget, half-yearly or annual results;
- performance analyses.

These analyses may be used internally, including for presentations to the Executive Committee, Board of Directors or shareholders of La Poste, or externally, for example for drafting progress reports and management reports.

Internal control of the quality of financial information and risk management within the Group

As regards the forward-looking information, the internal control entails:

- checking that the economic scenarios approved by the Executive Committee are taken into account;
- checking that the regulatory changes described in the instruction notes issued by the Group's Tax and Accounting Department are taken into account;
- checking that the data in the reports submitted by the business units and head office support departments are exhaustive and coherent;
- checking that the ambitions reflect the Group's strategic plan;
- raising the alarm if an objective or implementation deadline risks endangering or compromising the Group's performance.

As regards the performance analyses, the internal control aims to:

- provide a true picture of the Group's economic and financial health as well as of the core contribution of the business units and head office support departments to Group performance;
- alert to risks of not achieving the ambitions approved by the Executive Committee;
- contribute to proposing action plans, savings plans or plans to return to the financial business plan to secure performance.

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 quantitative 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 ended 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 for handling the relationships with external contacts, including credit rating agencies, the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) and bondholders. The "Our financial information" section of the <https://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

The National Accounting Department reports to the Group's Head of Accounting and Taxation and combines under its authority all of La Poste's accounting departments in France. It provides services in the field of accounting and 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 division.

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 Banque de Financement et d'Investissement and the Bank's accounting and general services provide first-level controls of the accounting information. The audit plans are reviewed on the basis of the risk analysis carried out during the 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 the 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 group through specific consolidation instructions.

The accounting information is transmitted to the department responsible for public affairs and institutional and financial communication, which coordinates the production of the

registration document and handles the 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.

The accounting and financial reporting between GeoPost's subsidiaries and Finance Department includes:

- in management control terms, monthly financial reporting on each component of operating results, incorporating an identification of risk factors liable to affect the achievement of the objective. The 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 the budgetary 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.

During the closing period, the accounting information is subject to accounting reviews performed by 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.



3

CORPORATE SOCIAL RESPONSIBILITY

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3.1 Employee policy, a lever to transform the Group

3.1.1 THE FRAMEWORK FOR A RESPONSIBLE EMPLOYMENT POLICY

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; and
- managerial development and transformation of the HR division.

Group headcount

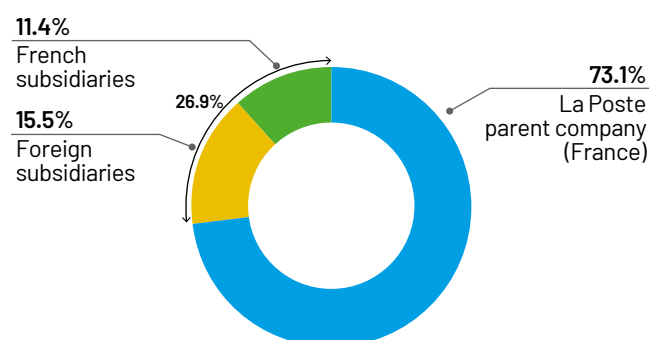
Changes in Group headcount

Headcount in full-time equivalents on average^(a)

	2019	2018
Le Groupe La Poste	249,304	251,219

(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 249,304 full-time equivalent employees in 2019, a decrease of 0.77% compared to 2018. Changes in headcount are the difference between natural departures (mainly as a result of retirement) and new hires.



Breakdown of Group headcount

Breakdown of Group headcount by continent^(a)

Africa	America	Asia	Europe	Oceania	Total
1.2%	1.2%	0.2%	97.4%	0.1%	100.0%

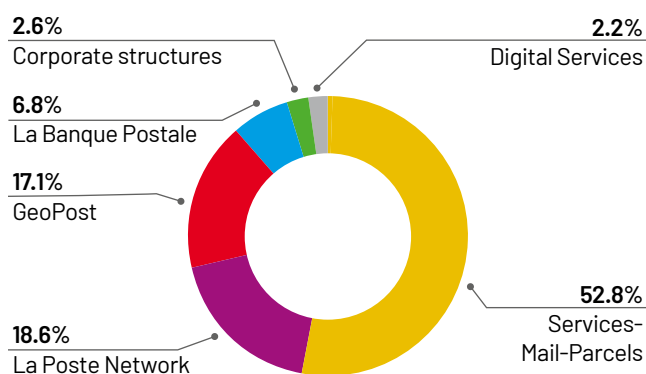
France	Other countries in Western Europe ^(b)	Eastern European countries and Russia	Total workforce in Europe
84.5%	8.6%	4.3%	97.4%
93.07% of the Group's workforce is located in Western Europe			-

(a) Source: consolidated financial statements for La Poste, its subsidiaries and the companies it controls (fully consolidated). The workforce is expressed as 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.

Breakdown of Group headcount by business unit

Full-time equivalents on average



Breakdown of Group headcount by company

In full-time equivalents (FTE)

La Poste parent company ^(a)	73.08%
Subsidiaries consolidated in the social indicators ^(b)	11.40%
Scope of the social indicators ^(c)	84.47%
Other subsidiaries	15.53%
TOTAL	100%

(a) Includes employees made available to La Banque Postale as a shared resource for the financial centres (4.62% of Group headcount).

(b) Includes all subsidiaries located in France.

(c) Unless otherwise specified in the indicator.

A 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:

- implement a recruitment policy that promotes diversity and equal opportunity, and reflects the Group's commitment in these areas;

- promote quality employment, by increasing the number of permanent jobs at La Poste. Applications from those who have worked for La Poste are prioritised when hiring under permanent contracts for the same position. In 2019, 3,268 employees who had previously been employed on temporary contracts were transferred to permanent contracts, versus 3,061 in 2018. Within the Group, the total number of employees recruited on permanent contracts in 2019 was 15,073 (16,323 in 2018).

In 2019, 92.4% of headcount was on a permanent contract, and the turnover rate was low, at 5.3% (vs 5.2% in 2018).

Work organisation summary table

The work organisation in Le Groupe La Poste companies in France (which accounts for 84.49% of Group headcount and 70% of consolidated revenue) operate based on an average of 35 working hours per week for day shifts, and 32 hours per week for night shifts. Night shifts concern Alturing, Docaposte, GeoPost, Mediapost and Viapost.

Indicators	Le Groupe La Poste*	
	2019	2018
Percentage of part-time employees in the headcount as at 31/12 (individuals, excluding temporary contract employees)	11.61%	11.96%
Percentage of employees working night shift in the headcount as at 31/12 (individuals, excluding temporary contract employees)	2.7%	2.5%
Days of absence due to illness (number of calendar days)	5,402,904	5,371,912
Number of paid overtime hours	3,660,667	3,642,525

* Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

Components of workplace transformation

Sustained social dialogue

Agreements and amendments signed in 2019

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 70 national agreements signed since 2012 are the result of constructive consultation with each representative trade union and are proof that there is a shared will to drive 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 by the signature of 11 agreements in 2019 (vs 13 in 2018):

- the amendments to the agreements of 8 December 2006 which created the Group savings plan (PEG) and the Collective retirement savings plan (PERCO) within the Group (signed on 9 January by CFDT, FO and Liste Unis pour Agir (CFTC-CGC-UNSA));
- the payroll agreement for 2019 (signed on 18 March by CFDT, FO, Osons l'avenir (CFTC-CGC) and UNSA);
- the amendment to the agreement on Parcel premiums (signed on 1 October by CFDT, FO and Osons l'avenir (CFTC-CGC));
- the seventh agreement to promote the employment of disabled people (signed on 10 May by CGT, CFDT, FO, Osons l'avenir (CFTC-CGC) and UNSA);
- the agreement on the integration of young people and the employment of older people (signed on 29 May by CFDT, FO and Osons l'avenir (CFTC-CGC) and UNSA);
- the fourth agreement on gender equality in the workplace (signed on 25 July by CGT, CFDT, FO and Osons l'avenir (CFTC-CGC) and UNSA);
- the amendment to the agreement bringing in two collective obligatory cover plans, "Disability-Infirmity-Death" and "Reimbursement of healthcare costs", for La Poste employees (signed on 20 November by SUD, FO, Osons l'avenir (CFTC-CGC) and UNSA);
- the amendment to the agreement of 7 July 2011 bringing in a collective cover plan, "Reimbursement of healthcare costs", for civil servants and public contract staff of La Poste (signed on 20 November by SUD, FO, Osons l'avenir (CFTC-CGC) and UNSA);
- the amendment to the agreement on the integration of young people and the employment of older people of 2019 (signed on 20 December by CFDT, FO, Osons l'avenir (CFTC-CGC) and UNSA);
- the amendment to the "A future for every employee" agreement of 2015 (signed on 20 December by CFDT, FO, Osons l'avenir (CFTC-CGC) and UNSA);

Summary table of the agreements signed in 2019

2019 indicator	La Poste	La Banque Postale	Docaposte	GeoPost	Mediapost	La Poste Silver	Poste Immo	Viapost	La Poste Nouveaux Services	Miscellaneous
Total number of employee agreements signed (incl. amendments)	12	35	30	6	4	16	4	40	9	3

Almost 100% of the Group's employees in France are covered by an employee agreement.

Follow-up on commitments made in agreements that were in force during 2019

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.

To ensure that these principles are adhered to, La Poste has introduced an employee alert system which, since 2013, trade unions have been able to use to report to the local manager, then, if necessary, the Group's Human Resources Department (DRH), any shortcomings they believe to have occurred in honouring the social dialogue commitments of La Poste as regards adherence to the change management method applicable to national or local organisational changes (see below), and compliance with the agreements signed.

In 2019, the Group's HR Department received 10 national reports (vs 11 in 2018).

The HR function - supporting transformation

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. Specifically:

- 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.

In 2017, La Poste launched an ambitious training path for Heads of Human Resources (HHRs) and HR managers (HRMs).

The "HRD 2020" and "HRM 220" programmes are for all of the Group's HR Directors and HR Managers. They aim to:

- support a HR function focused on providing optimum HR services and quality, personalised support to employees;
- build on the skills of HR generalists (HRDs and HRMs) in their role as partners for the managers, in contributing to transformation projects and rising to business challenges;
- achieve progress and innovation in operational HR methods, while controlling the fundamentals of their business line.

The HRD pathway is made up of three transformation-related development modules. In 2019, 38 HRDs completed the "Strategic transformation partner" module, 36 HRDs completed the "Guarantor of service quality" module and 33 HRDs completed the "Integrator of HR ambitions & policies" module.

The HRM qualifying training path, available since January 2018, was completed by 222 HRMs in 2019.

Recognised and sustained management

Within six months of taking up their position, new managers at all levels undergo an obligatory integration process with a skills development component. This includes specific training on the manager's HR role, in place since 2013, enabling managers to:

- 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 the managerial position. In 2019, 177 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. Finally, in 2017, the Institute of Management was set up to provide specific training for group managers (see below).

3.1.2 BOOSTING SKILLS AND EMPLOYABILITY

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. Access to training is one of the main commitments of this agreement, which states that at least 80% of employees must be trained each year. It also provides for the introduction of qualifying training paths, aiming for 50,000 new paths by 2020.

Training

In 2019, the main training programmes continued:

- a programme of 50,000 qualifying training paths with in-house certification between 2015 and 2020, to boost key skills and further employees' career aspirations. Around 43,600 paths had been begun at the end of 2019 (vs 37,000 at the end of 2018); 87% of the target of 50,000 qualifying training paths by the end of 2020 was therefore met;
- an individual training programme with a self-service training offer (OLS) accessible to all employees via a dedicated portal since April 2017, now based on two themes: corporate culture, and digital and *data*. More than 86,000 employees have taken at least one OLS training module (including more than 50,000 in 2019);
- 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 the IM portal. The six regional sites also enable employees all over France to access training. At the end of 2019, 14,476 managers had taken part in a programme run by the IM (compared with 9,797 in 2018);
- the Institute of Development (ID), created in 2018, provided training for 19,000 employees of support divisions. Via the ID portal, the employees of these divisions can access shared training on topics such as project management, risk management, accounting documents and customer care. The training is provided in the form of short online programmes, face-to-face training and conferences. In 2019, the ID delivered training sessions to 30,505 employees (compared to 13,506 in 2018);
- the business units also have their own training body - the *École de la banque et du réseau* (EBR) and the Services-Mail-Parcels University (USCC). The EBR helps employees of La Banque Postale, Financial Services and the network improve their specialist skills. In 2019, it delivered 14,262 days of training to 61,581 employees. The USCC supports the development of BSCC employees towards the roles of the future and fosters service excellence as part of "Ambition 2020, towards a world of services", via a network of six specialist schools (School of Sales, Marketing School, Supply Chain School, Postman School, Quality and Customer Satisfaction School, and Customer Relations and Sales Administration School).

Training access rates were high for the seventh year in a row in 2019, 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.

Talent management

A talent management policy has been introduced to support the Le Groupe La Poste transformation goals. The policy aims to:

- help departments identify the organisation's key positions;
- anticipate future needs by identifying and preparing employees to take up key positions;
- prepare existing and new occupants of key positions for future challenges through development initiatives and by providing professional development opportunities.

With this in mind, in 2018 La Poste launched two "talent" development programmes for senior executives (Rethink & Lead) and strategic executives (*Impacte!*). Following the positive results of these programmes, both were repeated in 2019.

Part-time education

La Poste has for many years been firmly committed to a policy of training young people and integrating them into the workplace, via apprenticeship contracts and vocational training contracts leading to degrees and/or professional qualifications, from the Professional Ability Certificate qualification (CAP) to Masters level. Training is provided by the three "Formaposte" part-time education centres (Centre de formation en alternance - CFA) set up by La Poste to meet its specific need to train young people in its business lines, particularly in the regions. They currently provide support to 40% of La Poste employees who are in part-time education (50% are on apprenticeships and 35% are on vocational training contracts).

La Poste has committed to hiring 4,000 young people on part-time education contracts in 2019, as part of the agreement signed on 29 May 2019 on the integration of young people and the employment of older people. This agreement renews the measures in the 2016 agreement, which resulted in over 17,600 work-study students being recruited between 2016 and 2019. During 2019, 4,739 new apprenticeship or vocational training 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.

Mobility

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 advertised on the job exchange, which dramatically increased between 2014 (5,700 jobs) and 2018 (18,808 jobs), decreased by 7.9% in 2019. 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 professional development advisers in place across all La Poste departments since 2015;
- La Poste encourages cross-entity career paths between business units and between professional fields. The introduction of the regional GPEC⁽¹⁾ in October 2019, coordinated and led by the EMRGs, should increase career mobility and fluidity between the business units and divisions of the Group at local level;
- 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 any La Poste employee (in particular postmen or customer service managers), after a selection and training process, to obtain a designer-developer diploma and to join the La Poste IT departments. The success of this initiative, with 51 employees included since its creation, was confirmed with the selection of the fourth cohort for 2019/2020: 17 La Poste employees were selected out of over 300 candidates. In total, 41 La Poste employees have already moved into designer-developer roles thanks to this initiative. Buoyed by this success, La Poste launched a new cybersecurity analyst pathway: 9 La Poste employees are receiving training with Simplon with a view to obtaining their certification by summer 2020.
- in total, almost 11% of the employees in France were able to advance their careers within the Group in 2019⁽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 Act 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. In 2019, La Poste helped 202 employees transfer out to the public sector.

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 to training, adjusted working hours, financial assistance, post-set-up monitoring, and the right to a smooth return to work, if needed. In 2019, 143 employees set up or took over a business.

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 2019, 167 employees successfully completed such external development projects.

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 2019, 17,595 employees were promoted via one of these three channels, i.e. a promotion rate of 9.5%.

(1) Forward-looking management of employment and skills.

(2) 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.

Yearly performance and career review

■ The managerial line is closely involved in detecting the skills development needs of employees and supporting their career paths via the yearly performance review; this key part of the manager's job is crucial to the company's strategy and employees' career development. It enables the company to channel its efforts towards priority objectives, in line with the assignments entrusted to each employee;

■ the yearly performance reviews now include a skills assessment based on the skills requirements of the business lines;

■ all employees are offered a career review each year (this becomes obligatory every two years pursuant to the Act of 5 March 2014 on professional training).

Results

	Le Groupe La Poste ^(a)	
	2019	2018
Number of employees who have changed jobs (internally)	20,191	22,825
Total number of training hours ^(b)	4,881,436	4,904,426
Proportion of employees who took at least one training course during the year ^(c)	80.3%	80.4%
Training expenditures as a percentage of payroll ^(d)	3.8%	4.2%
Number of qualifying training paths rolled out (total since 2015) ^(e)	43,600	38,000

(a) Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

(b) Total number of internal or external training hours attended by all staff (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.

(c) Scope: La Poste parent company. Employees having completed one or more training sessions with a cumulative duration of at least 3h30.

(d) Scope: La Poste parent company. Sustained investment in training but expenses calculation affected by taxation changes in relation to the apprenticeship tax (so-called "lost year").

(e) Scope: La Poste parent company.

3.1.3 OFFERING VARIED COMPENSATION AND BENEFIT PACKAGES

Compensation packages

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 (*Convention commune*) 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.

2019 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. This agreement provides for the introduction of an indemnity to partially cover employees' daily commuting costs.

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 or 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 €103.26 million for the 2019 fiscal year.

Most French subsidiaries also have employee incentive agreements.

Group savings plan (PEG) and collective retirement savings plan (PERCO)

In December 2006, La Poste and five trade unions (FO, CFTD, 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 2019, the total contribution paid by La Poste was €23.5 million, compared to €23 million in 2018. The subsidiaries which have signed up to the plans are free to set their own contributions: in 2019, the total contribution paid by the subsidiaries was €1 million, compared to €1.1 million in 2018.

The amounts paid into the PEG and the PERCO are invested into a diverse range of employee mutual funds, exclusively dedicated to Le Groupe La Poste. La Banque Postale Asset Management (LBPAM) is responsible for the financial management. There were six employee mutual funds across all asset classes at 31st December 2019, enabling each employee to select their investment according to their risk/reward profile: a money-market fund (*La Poste Responsable Monétaire*), a bond fund (*La Poste Obligations*), an equity fund (*La Poste Actions 100*), a mixed fund with a focus on bonds (*La Poste Actions 30*), a mixed fund with a

focus on equity and a responsible investment vehicle (*La Poste Responsable Actions 70 Solidaire*) and a flexible diversified fund (*La Poste Allocation Flexible*) in which the fund manager changes the allocations to the different asset classes over time 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, which accounts for almost 38% of employee investments, is 92% invested in SRI assets. Minimum thresholds in terms of SRI assets are also applied for the bond and equity funds. It is envisaged that by the end of 2020, all funds will be 100% SRI.

As at 31 December 2019, Le Groupe La Poste had 152,994 unit holders in the Group employee savings plans, a 7% increase between 2018 and 2019.

There were 141,814 unit holders from the La Poste parent company, representing €868 million in assets under management as at 31 December 2019.

There were 11,180 unit holders from the subsidiaries, representing €35.5 million in assets under management as at 31 December 2019.

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 2019. 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.

Employee profit-sharing

Currently, there is no employee profit-sharing programme in place at La Poste.

Act 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").

The subsidiaries are required to operate profit-sharing programmes.

Summary table on compensation

Indicators	Le Groupe La Poste ^(c)		
	2019	2018	2017
Gross average annual compensation ^(a)	€31,839	€31,464	€30,877
Change Y/Y-1	+1.2%	+1.9%	+1.6%
Annual employee incentive pay based on annual earnings	€125.47 m	€96.2 m	€119.8 m
Number of employees with a group savings plan (PEG) and/or a collective retirement savings plan (PERCO) ^(b)	160,405	150,349	135,737
Net contribution paid by the Company	€29.4 m	€28.5 m	€29.7 m
Percentage of socially responsible investments in the PEG and PERCO assets	67.67%	46.21%	44.68%

(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.

Employee shareholding

Article 1 of Act 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.

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, Act 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".

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 Act of 9 February 2010 (Act 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).

The healthcare plan changed in 2019 with the introduction of additional options enabling employees to adjust the cover to their needs. New services were also added, such as a healthcare network to access optical and dental equipment at preferential rates, a quote analysis service, a remote medical consultation service and services for employees who are family caregivers.

Staff from the subsidiaries are covered by plans specific to each company.

Benefits in kind and social activities

Benefits in kind and social activities

The budget for benefits in kind and social activities, which are offered to all La Poste SA employees⁽¹⁾ was €203.8 million in 2019. It covers five main areas:

- the catering offering, which includes cafeterias and cafeteria vouchers (average of 104,556 recipients per day and 46.2% of the total budget in 2019);
- economic activities and daily life (3.7% of the total budget in 2019);
- cultural and leisure activities (17.3% of the total budget in 2019);

(1) In 2013, a process began making all of the benefits in kind and social activities that were primarily reserved for permanent staff available also to temporary contract employees with more than three months' service.

- child and youth assistance (19.2% of the total budget in 2019). 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 (6.9% of the total 2019 budget) made up of support for families with disabled children, the severely ill, staff suffering from addiction, blood donors, first-aiders and disabled people.

La Poste has also developed individual welfare initiatives under its Company policy, including holiday vouchers (37,408 requests in 2019), study grants, and pre-paid service cheques (CESUs). 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 benefits in kind and social activities

(in € million)	2019	%	2018
Catering and economic segment	94.3	46.2	95.9
Of which cafeteria vouchers	43.0	21.1	42.6
Economic activities and daily life	7.5	3.7	4.9
Cultural and leisure activities	35.3	17.3	37.3
Child and youth assistance	40.5	19.9	41.1
Mutual aid and social solidarity	14.1	6.9	12.7
Management and structural costs	12.1	6.0	12.2
TOTAL	203.8	-	204.1

The benefits in kind and 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 non-profit organisations (eight, with two representatives for each of the four sectors covered). It is chaired by Le Groupe La Poste's Head of Human Resources. COGAS relies on the National Social Activities Department (DNAS) to prepare its decisions. This Department has its headquarters in Gentilly and has nine facilities throughout the country.

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 40% occupied by active or retired employees.

The 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 the employees' needs at every stage of their residential experience, their professional development or their personal life. In 2019, this policy helped more than 11,500 employees; 1,956 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. Negotiations are underway to conclude a fifth agreement on housing at La Poste for the 2020-2022 period.

3.1.4 IMPROVING HEALTH, SAFETY AND 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 have been signed to bolster these commitments: the QLW (Quality of life at work) agreement in 2013; then the "A future for every employee" agreement in 2015. The latter applies to all La Poste employees for a period of six 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, and the quality of individual support and health and safety at work.

Quality of life at work initiatives

A range of decisive measures have been taken over the years:

- the deployment of over 1,000 local HR managers;
- improved prevention;
- remote working: at the end of 2019, 4,349 employees worked remotely;
- an adapted part-time working option for older employees;
- additional rest days being granted to older employees working in physically-demanding positions.

Further, in 2019, work-discussion encounters continued to be introduced in the operational entities and support functions. 2,000 managers have already received training. These encounters are intended as an opportunity for teams and their managers to discuss difficulties in their day-to-day work and to seek solutions.

La Poste has implemented the right to disconnect since 2015. 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).

An agreement was signed in 2018 which brought in measures to improve the work/life balance of caregiver employees, such as the donation of days of leave via a "caregiver solidarity fund" to which La Poste contributes 1,000 days per year, along with any employees who wish to do so. Employee caregivers are also allocated three days of special leave to accompany those requiring assistance to

administrative and medical appointments. They are also offered flexible working arrangements and support with their professional development if they are in need of geographic mobility.

Change management method

Introduced in early 2013 in the Quality of Life at Work agreement, the La Poste change management method supports major projects that result in a change to the way work is organised.

This method is applied from project launch through to completion and includes a certain number of steps to ensure that the meaning of the project is properly shared and discussed, and that continuous information on the project's advancement is provided to employees. The method also involves an impact study during which the Company listens to individual employees about their working conditions and work/life balance.

Initiatives to prevent occupational risk and accidents at work

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 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 chairmen of Health, Safety and Working Conditions Committees (CHSCT);
- continued efforts to certify all employees who drive as part of their job;
- prevention equipment and initiatives for service-sector workstations.

Prevention of psychosocial risks and incivility management

La Poste has implemented several psychosocial risk prevention programmes:

- a strengthened psychosocial risk prevention approach was introduced in all entities in 2019;
- training sessions on management fundamentals and the assessment and prevention of high-risk situations within facilities; in 2019, 794 managers (50% of all managers) received training from the IM on quality of life in the workplace and listening to and supporting people who are experiencing problems;
- a system to prevent and handle situations involving psychological and sexual harassment;
- a telephone-based listening and psychological support system accessible to all employees 24 hours a day and another phone number specifically intended for managers and HR employees.

As regards customer reception and incivility management, the POLI plan involves a set of initiatives to reduce the amount of rude and aggressive behaviour to which employees are subjected in the course of their work at the most severely affected post offices:

- group training and prevention actions to manage incivil behaviour;
- customer reception initiatives – creation of customer service manager reception positions;
- support for employees who have encountered incivil behaviour, with incidents being reported to the police by the Company.

Medical monitoring

La Poste has its own healthcare services to monitor the occupational health of employees and a support service for employees who are experiencing difficulties in their professional and/or personal life. At the end of 2019, it had 119 occupational health doctors, 149 occupational nurses, 107 occupational healthcare assistants and a network of 283 social assistants.

Results

Indicators	Le Groupe La Poste ^(d)	
	2019	2018
Number of days of absence due to accidents at work or commuting accidents or occupational illness ^(a)	800,632	783,949
Accidents at work with time off:		
■ Frequency rate ^(b)	24.93	25.05
■ Severity rate ^(c)	1.51	1.47

(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 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).

(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, after decreasing 10% in two years, the number of accidents rose again slightly in 2019.

3.1.5 ENSURING THAT HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS ARE UPHELD

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 Organisation'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.

In keeping with its participation in the United Nations Global Compact, Le Groupe La Poste introduced 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. Since 2003, the Group has renewed its signature of the United Nations Global Compact every year, 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.

La Poste places major importance on negotiating with its social partners on the implementation of these policies. It signed new agreements in 2019 on contingency, gender equality in the workplace and disability, providing its employees with additional guarantees and rights.

Further, the duty of due diligence (see Appendix 1) has resulted in measures to prevent, within the Group and in its contractual relations with suppliers and tier 1 subcontractors, any risk of serious human rights and fundamental freedoms violations and to improve accident prevention and health and safety at work.

Finally, the Group's international activities included the signature in 2017 by GeoPost of an agreement with UNI Global Union confirming its commitment to upholding human rights and the rights of employee representatives, in accordance with the ILO conventions.

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 is implemented *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. On 19 December 2019, the French Certification Authority (AFNOR) awarded the Services-Mail-Parcels business unit the Diversity label, for a four-year period, in recognition of its proactive equal opportunities and anti-discrimination policies.

In 2010, La Poste 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 uses several methods to promote diversity in its recruitment processes (recruiting in urban priority neighbourhoods, vocational training contracts, apprenticeship contracts and simulation-based recruitment).

Employment and integration of disabled or unfit for work people

La Poste strives to employ disabled or unfit for work workers and ensure their professional development, providing support *via* a national network of disability officers. On 10 May 2019, the seventh agreement was signed to promote the employment of disabled people, for the years 2019-2022. Under this new agreement, La Poste has earmarked €23 million for the disability policy and committed to recruiting 650 people (260 of them on permanent contracts) over a four year period. Under this agreement:

- over 60% of the agreement budget will be set aside for measures to keep all disabled employees in employment, reflecting the high priority of this target at La Poste;
- a tailored welcome plan for each new position taken up and obligatory training for managers who have a disabled person on their team to improve inclusion;
- improved professional development and career paths for disabled people.

In 2019, 7% of La Poste's headcount consisted of beneficiaries of the obligation to employ disabled workers, which means that the Group exceeded the statutory minimum of 6%. It has 11,521 employees with a recognised disability.

La Poste organises a range of disability and anti-discrimination events to raise employee awareness. Disability employment week (SEPH) in 2019 shone a spotlight on 200 employees with an invisible disability across France.

Gender equality

La Poste signed a fourth agreement on workplace equality on 25 July 2019, which sets out new commitments for the 2019-2022 period. It aims to ensure the same career development opportunities for women and men, thanks to a higher proportion of female senior executives, Executive Directors and Strategic Directors, improved gender balance in all business lines, tackling sexism and violence and equal rights irrespective of sexual orientation and gender identity. In 2019, La Poste introduced a network to promote gender equality within the Group.

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 2019, 52.4% of La Poste employees were women, 50.9% of management positions were filled by women and 32.3% of senior executives were women.

Indicator	2019	2018	2017
Proportion of women on the Management Committee*	31.4%	30.4%	30.1%

* The members of the Management Committee hold strategic positions within La Poste and its French subsidiaries, as defined by the Group's Executive Committee.

Indicator	Le Groupe La Poste*		
	2019	2018	2017
Gender pay gap	-4.3%	-5.2%	-5.1%

* Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

La Poste is working to ensure equal compensation for men and women doing the same job or work of equal value. The wage gap was very narrow in 2019 at La Poste, thanks to the Group's gender equality measures. Female civil servant employees earned 2.8% less than their male counterparts, and female private-law employees earned 0.2% less than their male counterparts.

Thanks to these measures, in 2019 La Poste scored 94 out of 100 in the gender equality index, higher than the average of 82% in French companies.

Promoting diversity

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 2019, 9.51% of all new hires on permanent contracts were aged 45 and over, in line with the new agreement on the integration of young people and the employment of elderly signed on 29 May 2019 which renewed the measures of the previous agreement for 2019. 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.

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) non-profit organisation for 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.

Staff representation

Status of staff

Having both civil servant employees and private-law employees, La Poste tries to apply the same or at least comparable HR rules to both groups. 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 27.1% of the Group's entire headcount at the end of 2019 (29% in 2018).

According to Article 29 of the Act of 2 July 1990, La Poste's civil servant employees are governed by specific regulations pursuant to Act No. 83-634 of 13 July 1983 on the rights and obligations of civil

servants and to Act No. 84-16 of 11 January 1984 on legal provisions relating to the French public sector.

According to Article 31 of the Act of 2 July 1990, contractual staff is subject to collective agreements.

Act No. 2010-123 of 9 February 2010, relating to La Poste as a public sector company and to postal business, did not affect the pre-existing provisions on the status of staff.

Social dialogue and staff representation

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 act), consistent representation and social dialogue rules need to be ensured across the Company.

The Act of 6 August 2019 on the transformation of the civil service confirmed that the specific IRP arrangements in place at La Poste would continue until the following renewal of the current terms of office, stipulating that, until January 2023:

- the provisions relating to the Social and Economic Committee (CSE) do not apply to La Poste;
- all IRPs, including the CHSCTs, shall remain in place.

In the meantime, La Poste will start working to define its new post-2023 IRPs, in partnership with the trade unions.

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:

The 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);

The CHSCTs

The CHSCTs were introduced at La Poste in November 2011 in facilities with 100 employees or more, in accordance with Article 31-3 of Act 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.

Social dialogue bodies

In addition to the bodies described above, La Poste has several forums for information, consultation and negotiation:

- the La Poste Social Dialogue Committees (*Commissions de dialogue social de La Poste* – CDSP), 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

The most recent workplace elections were held in December 2018 to elect members of the Technical Committees (TCs), Joint Administration Committees (CAPs) and Joint Advisory Committees (CCPs), at national and local level. The new terms of office began

on 1 February 2019 for a four-year period. The participation rate in these elections was 73.04%; a remarkably high rate which places La Poste higher than all other French public sector bodies and reflects the employees' shared commitment to workplace democracy.

Results of workplace elections

Trade union	2018 professional elections	Seats on the 2019 National Technical Committee
CGT	24.80%	4
CFDT	24.76%	3
SUD	18.84%	3
FO	18.48%	3
CFTC		
CGC	6.68%	1
UNSA	4.84%	1
CNT	0.75%	Not representative
SDP	0.85%	Not representative

Exercise of the right to strike

Number of days lost due to strikes

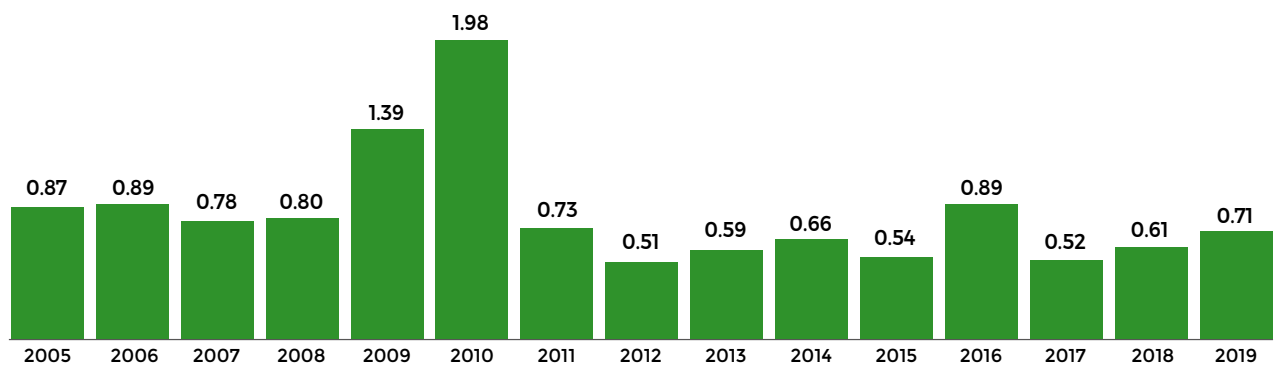
Indicator	Le Groupe La Poste ^(c)		
	2019	2018	2017
Number of days lost due to strikes ^{(a)(b)}	149,880	132,090	115,003

(a) Number of days lost due to national or local strikes. Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

(b) The number of strikes increased in both 2018 and 2019 due to nationwide protest movements, in particular against the pension reform bill.

(c) Includes the La Poste parent company and the Group's subsidiaries in France, but not subsidiaries located abroad.

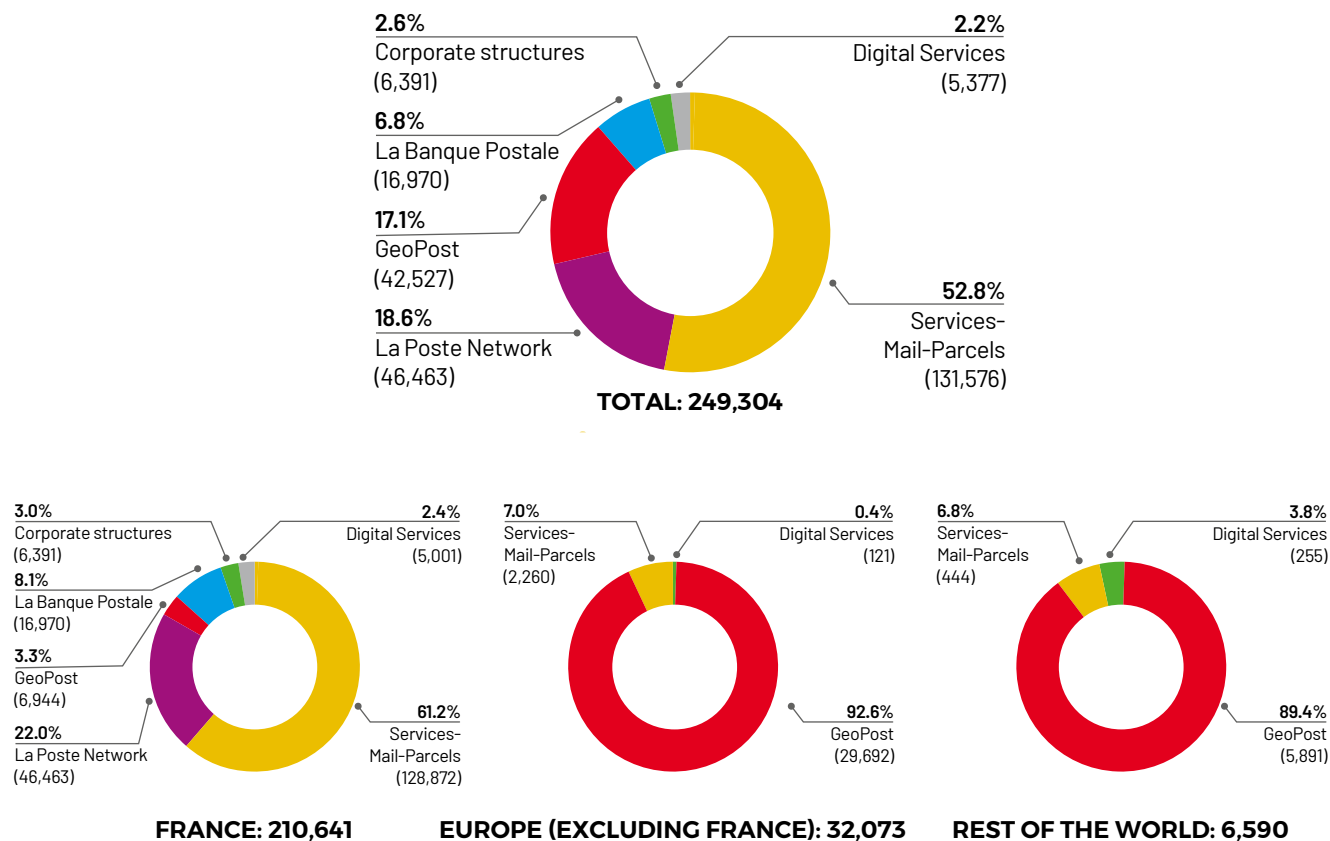
Number of days lost due to strikes per staff member at La Poste (national and local strikes).



3.1.6 SUMMARY OF EMPLOYEE INFORMATION

Breakdown of headcount by business unit worldwide

Headcount in full-time equivalents (FTE) on average



Breakdown of Group headcount in France

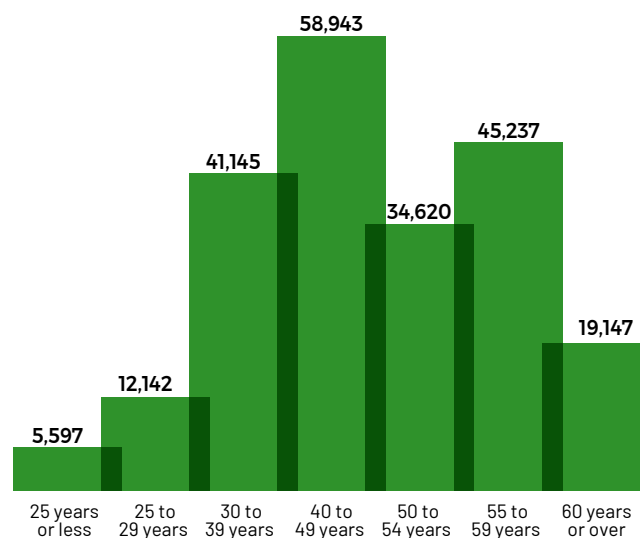
Total individual headcount as at 31 December^(a)

	2019	2018
La Poste parent company	202,736	211,603
Mediapost	10,439	11,091
GeoPost	6,901	6,392
La Banque Postale	5,355	5,039
Docaposte	4,577	4,660
Viapost	2,520	2,580
La Poste Silver	1,073	1,104
Poste Immo	538	579
La Poste Nouveaux Services	214	176
Other	201	155
TOTAL	234,554	243,379

(a) Civil servants, permanent contracts, temporary contracts and vocational training contracts for the La Poste parent company only.

Age pyramid for Group headcount in France

Number of individual headcount as at 31 December – civil servant employees and private-law employees under permanent contracts



Summary of employee information for the Group in France

	2019	2018
Headcount		
Total headcount at 31/12 (individuals)	234 554	243,379
Number of civil servants and permanent contract employees	216,831	222,772
Number of civil servants	71,380	79,105
Number of temporary contract employees	17,723	20,607
% men	49.0%	49.0%
% women	51.0%	51.0%
Average headcount (full-time employee equivalent per annum)	210,598	214,070
% managers	26.6%	25.5%
% employees	73.4%	74.5%
Breakdown of headcount by age, excluding temporary contracts		
Under 25 years of age	2.6%	2.4%
25-29 years of age	5.6%	5.5%
30-39 years of age	19.0%	18.8%
40-49 years of age	27.2%	27.0%
50-59 years of age	36.8%	37.0%
60 years of age or more	8.8%	8.3%
Part-time employees within permanent headcount		
Number	25,169	26,645
% of total permanent headcount	11.6%	12.0%
Number of paid overtime hours	3,660,667	3,642,525
New hires		
Number of new hires under permanent contracts	15,073	16,323
% men	53.7%	53.8%
% women	46.3%	46.2%
Number of new hires aged under 25	4,755	4,219
Definitive departures		
Number of redundancies	2,594	2,313
Professional relations		
Number of national agreements signed, subsidiaries included	159	122
Training		
Number of employees trained at least once	160,458	156,845
Number of training days	697,347	700,632
Promotion		
Number of promotions	19,934	17,791
Part-time education		
Number of part-time employees under apprenticeship contract	3,145	3,040
Number of part-time employees under a vocational training contract	2,408	2,791
Absenteeism(a)		
Rate of absence for sickness	6.76%	6.59%
Health and safety conditions		
Frequency of accidents at work with time off	24.93	25.05
Severity of accidents at work with time off	1.51	1.47

(a) Permanent contract and civil servant employees.

3.2 Corporate social responsibility policy

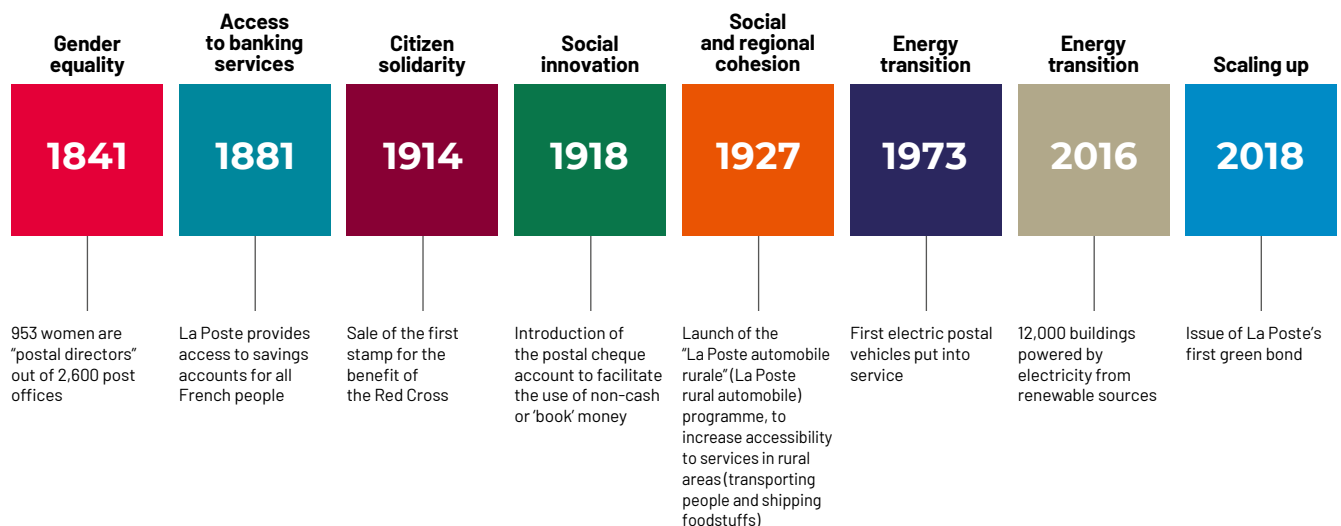
3.2.1 AN ENDURING COMMITMENT

Societal commitment in La Poste's history

For over five centuries, Le Groupe La Poste has been supporting the development of French society. Societal commitment is at the heart of all La Poste actions and drives its strategy to reinvent itself and be different. 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, non-profit organisations, local authorities.

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.



The ambitions, action plans and results of the Group's societal commitment policy presented below are a continuation of its public service mission, in a bid to redouble efforts to support major transitions that have an impact on society: environmental, regional and demographic transitions (including the ageing of the population) and digital transitions. They reflect the corporate and societal ecosystem's commitment to engagement and transformation, and a genuine desire by all stakeholders in these changes to make an impact and to sustain momentum.

The pillars of societal commitment

Stakeholder concerns and changes in the major challenges facing Le Groupe La Poste led to four priority areas in the Group's societal commitment being defined, with 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;
- the societal commitment policy, based on three major areas:
 - social and regional cohesion (see Section 3.2.3): for the Group this means optimising its modes of coverage and services throughout France, in consultation with elected representatives, engaging with stakeholders on local initiatives, and stimulating local communities and all their inhabitants, from the most enterprising to the most fragile,

- responsible and ethical digital services (see Section 3.2.4): the Group aims to develop digital services in a responsible way and help its customers to appropriate new digital tools and make them a driver of social inclusion,
- environmental transitions (see Section 3.2.5): the Group intends to modify its tools, processes and behaviours to consume better and use less energy and resources in order to reduce its environmental impacts (GHGs, atmospheric pollutants, sound pollution, city congestion, etc.).

Le Groupe La Poste has defined three levels of engagement that enable it to commit to ongoing improvement:

- 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.

An approach based on an internationally recognised frame of reference

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 level*⁽¹⁾. 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).

Social and environmental consequences of its operations, in line with the obligations of the Grenelle 2 Act and the statement on non-financial performance required by Decree No. 2017-1265 of 9 August 2017 implementing Order No. 2017-1180 of 19 July 2017 on the publication of non-financial information.

Since 2009, the Group has had its extrafinancial indicators verified by an independent third party (see Appendix 3). It is gradually extending the scope of the indicators published, and is aiming to provide data for all indicators at Group level.

Le Groupe La Poste receives extrafinancial ratings, which it closely monitors to measure the segment performance of all its policies and action plans:

- as regards the postal sector, La Poste has climbed 10 places and is now No. 2 among the members of the International Postal Corporation;
- as regards "Climate Change", since January 2019 Le Groupe La Poste is rated A- for Climate Change by CDP;
- Le Groupe La Poste ranks first, all sectors combined, among the 4,903 global companies evaluated by Vigéo Eiris;
- With a score of 78/100, La Poste was awarded the 'Platinum' medal in January 2020 by Ecovadis, which recognises the most committed and successful companies in terms of CSR.

A contribution 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. Detailed analysis on the guidelines for the 167 SDG targets has identified the Group's contribution to two new SDGs in 2019 (1 & 2). This analysis also showed a greater alignment of the actions of the Group's entities with three "core business activity" SDGs, supported by major initiatives within the Group and with material consequences for all its stakeholders: 8, 11 and 13.

(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.

SUSTAINABLE DEVELOPMENT GOALS



3

A policy nourished by dialogue with stakeholders

Strong relationships

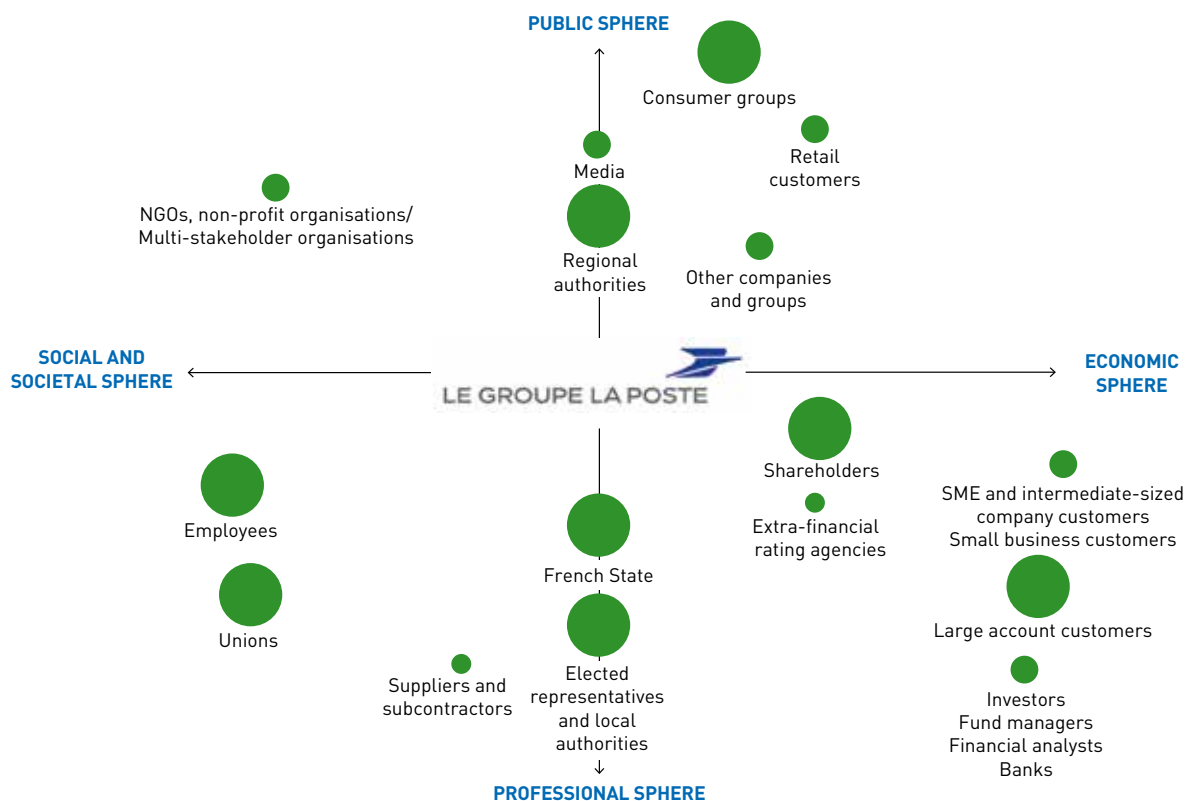
The stakeholders of Le Groupe La Poste make up a rich, complex eco-system.

The Group identifies the stakeholders with which it engages according to the scale and frequency of the interactions with the Group. It extends its responsibility to its entire value chain. Shareholders, customers, suppliers and employees of Le Groupe

La Poste are among the main stakeholders, as they are essential to operational performance and value creation. For example, consumers have been able to refer to the La Poste ombudsman since 1989, meetings are held several times a year with the main consumer associations, and a consumer representative sits on the Board of Directors.

Over time, the Group has built partnerships with some NGOs, maintaining close relations with them. These partnerships make it possible to find shared solutions, and work together to drive societal progress in the general interest. Thanks to the expertise of the NGOs, the Group can improve the way it works.

The chart below lists the stakeholders (the size of the dots reflects the intensity of the relationship).



Regular surveys are conducted on stakeholders, such as the SMART brand and transformation survey⁽¹⁾. Further, in 2016 and 2017, 90,000 employees and 3,000 customers took part in the collective approach to “make life easier for customers and employees” halfway through the strategic plan.

Stakeholder expectations

The table below summarises the main expectations expressed by stakeholders during their exchanges and interactions with the Group:

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 associations	■ Being listened to, taken into account, receiving a personalised response on the first request and real-time tracking of communications ■ 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 career paths
Local elected representatives, local 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 service activities
Suppliers and subcontractors	■ Long-term economic partnership with <i>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
Non-profit sector partners (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

A renewed dialogue

In 2018, Le Groupe La Poste conducted a study to redefine the dialogue with its stakeholders over the medium term in line with the seven principles drawn up by the French Committee for the Environment and Sustainable Development (*Comité 21*)⁽²⁾, drawing as much as possible upon existing tools and based on a benchmark of best practice in the field.

This study made it possible to assess the current levels of dialogue with stakeholders and redefine the forms of dialogue necessary to update the materiality matrix for the Group's CSR priority areas.

In 2019, Le Groupe La Poste prioritised five macro-categories of key stakeholders for its activities and asked them about their expectations and priorities as regards the societal commitment of Le Groupe La Poste (materiality analysis). Over 1,500 people gave their opinions and expectations, including:

- customers;
- employees;
- suppliers;
- consumer associations;

(1) The SMART brand and transformation survey measures the progress of transformation three times a year based on five target groups (retail customers, corporate customers, professionals, local authorities and opinion leaders) on La Poste's positioning, brand strength, image and perceived quality.

(2) The French Committee for the Environment and Sustainable Development (*Comité 21*) principles are: obtaining the resources for change; taking into account diverse, even conflicting interests; committing to selecting relevant stakeholders and issues and involving them all; including all stakeholders by appointing a facilitator; upholding the values of dialogue; making the approach a long term one; and reporting back on results to all those involved.

- elected representatives and community representatives.

These results are reflected in the updated materiality matrix for the Group's CSR priority areas.

Focusing its policy on material issues

In 2019, Le Groupe La Poste repeated its materiality analysis, which was first done in 2014, and updated in 2016 then in 2019.

Le Groupe La Poste identified 20 material aspects, as regards its responsibility across its entire value chain and drawing on the

central issues of ISO 26000, the SDGs and the global reporting initiative (GRI).

These material aspects have changed slightly since the last fiscal year, with four new concepts being included in response to current societal challenges:

- responsible finance;
- dialogue with stakeholders;
- accessibility of products and services;
- responsible supplier relationship.

20 priority areas for action

Communities/social and regional cohesion	Environment/ environmental transitions	Responsible and ethical Digital Services	Customers/ customer satisfaction	Employees/HR	Governance
Regional planning (SDG 11)	Energy and climate (SDG 7, 9 and 13)	Responsible data use/ethical Digital Services (SDG 12)	Responsible products and services (SDG 12)	Professional development (SDG 8)	Business ethics (SDG 16)
Social inclusion and solidarity (SDG 1, 4 and 10)	–	–	Responsible customer relations (SDG 12)	Working conditions, occupational health and safety (SDG 3 and 8)	Responsible finance
Local economic development (SDG 8)	Air quality and living conditions (SDG 15)	–	Accessibility of products and services	Working Conditions, Occupational Health and Safety (SDG 8)	Safety and security of property and people (SDG 3 and 12)
Responsible purchasing and responsible supplier relationship (SDG 8)	Circular economy and resource management (SDG 12 and 15)	–	–	Human rights and diversity management (SDG 5 and 8)	Stakeholder dialogue (SDG 17)

The objective of the materiality matrix is to identify and rank the CSR aspects of Le Groupe La Poste to feed into and continuously update its societal commitment policy.

The policy is defined according to the status of each aspect across three dimensions:

- importance of the issues for the stakeholders surveyed in June/July 2019 based on a questionnaire with 20 questions each relating to a priority area or issue and gauging their expectations;
- impact of these various issues on the financial and extrafinancial performance of the Company and the Group's transformation priorities;
- the Group's maturity level regarding these 20 aspects (as determined by extrafinancial rating agencies).

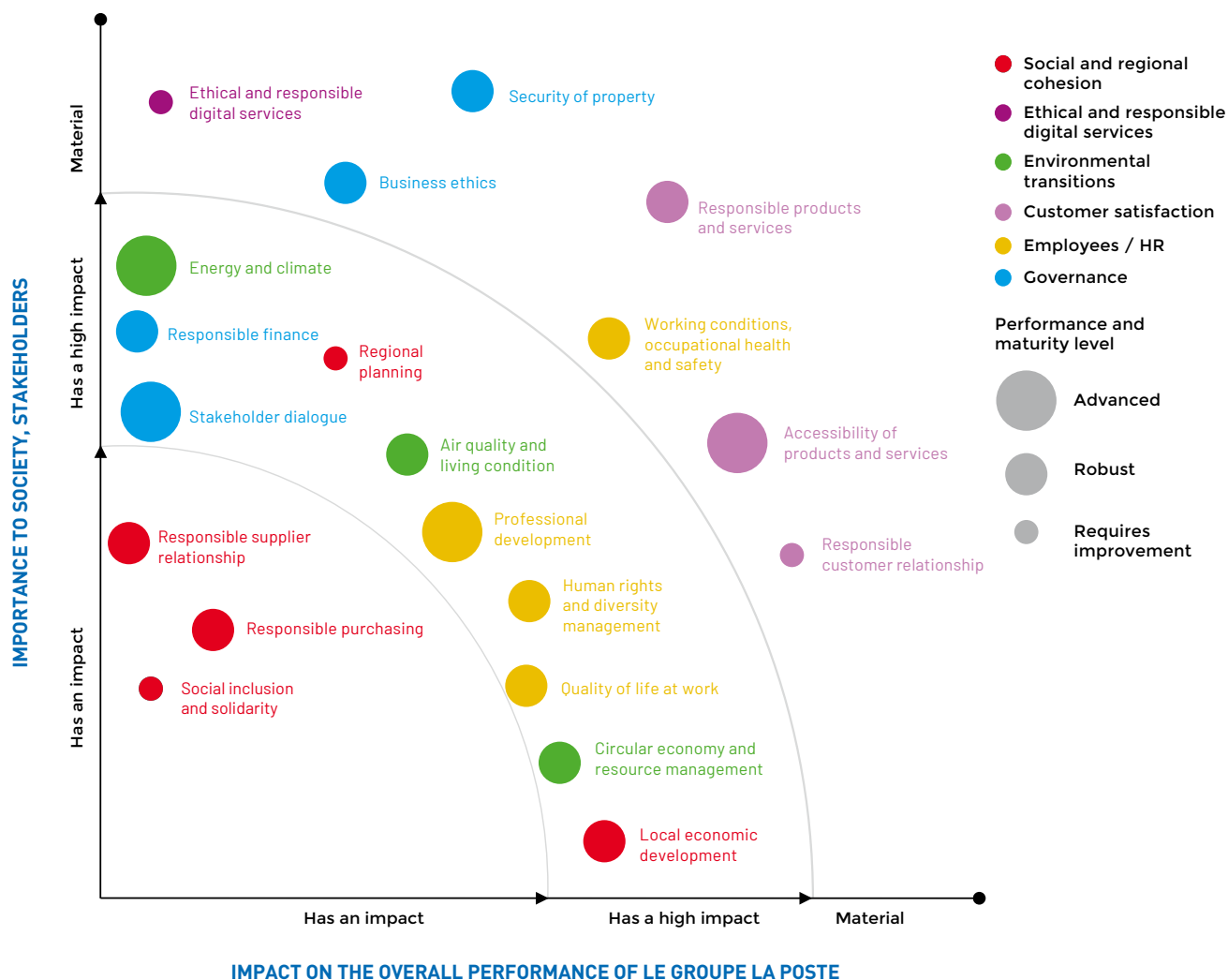
This study has enabled Le Groupe La Poste to update its materiality matrix as shown below.

In sum, the growing importance of environmental and societal issues has been confirmed: all of the aspects/issues were deemed important by the stakeholders questioned, and scores were higher than in the previous questionnaire which took place in 2017.

In line with the risk analysis, social issues are valued highly by stakeholders and have an impact on the Company's performance and its ability to transform. Stakeholders placed a firm emphasis on issues relating to business ethics and corporate governance, particularly in areas such as the security of property and responsible data use, in particular, which is becoming increasingly important. Finally, as regards the environment, the climate is a major priority both from the point of view of the stakeholders and as regards the impact on the Company.

The results of this new materiality matrix, particularly the areas for improvement identified, are taken into account when defining the Group's priority areas and action plans under its societal commitment policy.

Materiality matrix

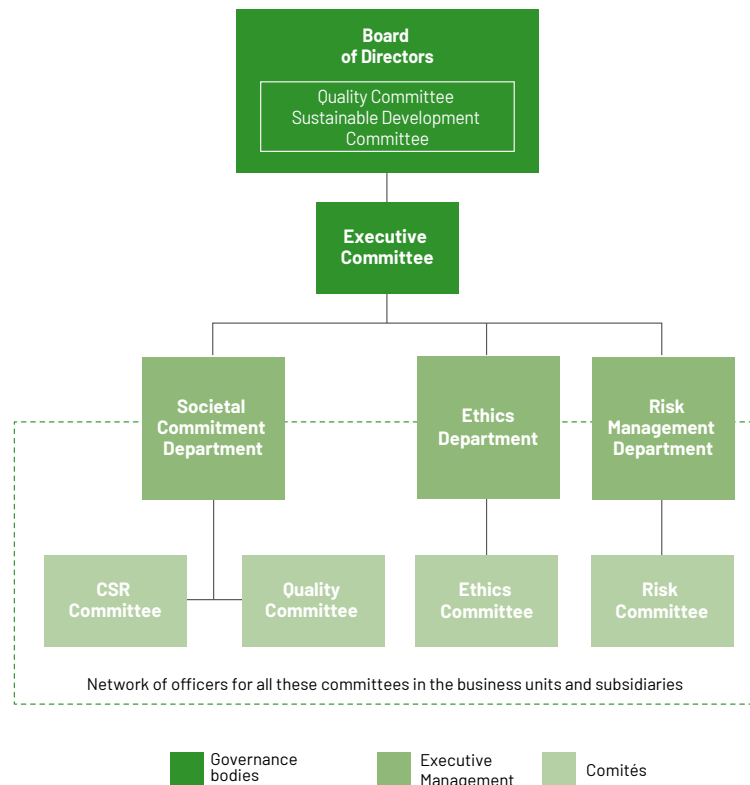


3.2.2 CSR GOVERNANCE PRACTICES OF THE GROUP

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.

Organisation of the CSR governance

The CSR governance, which has been in place within the Group for more than 14 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 practice in the services provided to the customers of Le Groupe La Poste;
- review best practice 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 of the Group's business units and departments, 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. In terms

of expertise and operational proficiency, the Group has around 30 ethics and professional conduct professionals spread out between the Group parent company, the business units and the first-level subsidiaries. These professionals deploy the defined policy with the assistance of a network of local officers which they train and lead.

The binding protocol signed by the French State, *Caisse des Dépôts*, La Poste and La Banque Postale on 31 July 2019 provides for the introduction of a Stakeholders Committee. This committee, which is not a specialized committee of the Board of Directors, will mainly consist of people from outside La Poste. Will enable La Poste to qualify as a mission-based company as required by the PACTE Act. It will be set up during the first half of 2020 and its mission will be to:

- propose a definition of the *raison d'être* of Le Groupe La Poste to the management so that it can be put to the Board of Directors as part of the strategic plan;
- monitor the mission using the appropriate indicators.

Mobilising employees around CSR matters

Employee mobilisation, around many of the Group's transformation priorities and environmental changes, is based on a range of factors:

- 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 extrafinancial 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' compensation. Furthermore, CSR objectives other than quality of life at work are set for managers as soon as their roles lend themselves;
- in training, including:
 - the introduction of specific CSR training in the business units,
 - 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;
- 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;
- in regular information circulated *via* diverse internal communication channels and *via* tools to make their daily implementation easier.

3.2.3 PROMOTING SOCIAL AND REGIONAL COHESION

Ambitions

The positioning of La Poste in the regions is embodied in its ability to adapt and respond to the four major upcoming transitions: digital transition and the place of human interactions, social transition and an ageing population, environmental transition, and regional transition towards balanced modes of living in step with new lifestyles.

Its history and its public service missions have made La Poste a privileged partner of the French regions. It implies close contact with economic stakeholders, detailed knowledge of local dynamics and attention to the changing needs of regions and citizens, from the most fragile to the most enterprising.

Consultation with elected representatives, 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.

As a key player in the local economic landscape, La Poste is working to preserve social and regional cohesion, to boost the appeal of the regions, improve social interaction and innovate for the benefit of regional eco-systems.

Contributing to regional appeal

- La Poste uses its involvement and exceptional local network to make the regions more dynamic.

- La Poste is also a major player in the economic appeal of the regions via its socioeconomic impact.

- Developing added value services in response to the ageing population and regional isolation.

Improving social interaction

- Ensuring that products and services are accessible to all of its customers, including its most financially vulnerable customers. By fulfilling its public service missions, La Poste helps to reduce the vulnerability caused by different forms of exclusion (banking, digital, social).

Innovating for the benefit of regional eco-systems

- Forming local alliances to be able to offer integrated solutions that meet the specific needs of each region.

Material aspect	Goals for 2020	Progress as at 31/12/2019
Regional planning	■ For 90% of the population to be less than 5km or less than 20 minutes by car from a La Poste retail outlet ■ Increase postal coverage methods ■ Roll out 500 public service areas (Maisons de Services au Public)	■ 95.6% of the population ■ 17,033 La Poste retail outlets^(a) ■ 501 public service areas (504 in 2018)
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	■ Revenue from New Services: €209 million (€115 million in 2018) ■ 968,101 written driving licence tests taken at La Poste (835,324 in 2018)

(a) Excluding the 26 special status La Poste retail outlets.

Actions

Contributing to regional appeal

Thanks to the combination of its physical and digital channels, La Poste boosts regional dynamism

Thanks to its different forms of postal coverage in urban and rural areas, La Poste relies, in accordance with its regional planning mission, on a local network made up of 17,000 La Poste retail outlets, thereby contributing to the vitality of social interactions and the dynamism of local life.

This coverage is complemented by the network of 75,000 postmen, who make deliveries six days a week to the homes of all residents and to businesses to which they provide local services using the Facteo mobile app.

La Poste, France's first people-centred company with a local focus is in physical contact with over 3 million customers every day.

The web site www.laposte.fr (20 million visitors per month) provides access to most of the Group's products and services at any time and from anywhere in France.

By combining human proximity and technological maturity, La Poste helps tackling regional inequality.

It gives local authorities the resources to act, enables retailers and companies to grow and gives citizens more freedom.

La Poste is also a major player in the economic appeal of the regions via its socioeconomic impact linked to its triple role as an employer, purchaser and local investor

As an employer and purchaser, La Poste contributes to maintaining over 460,000 jobs in France⁽¹⁾.

La Poste supports SMEs in the regions: 81% of the Group's suppliers are SMEs benefiting from allocations of contracts and simplified process for responding to invitations to tender, facilitation of financing for SMEs via the specialised professional credit fund for SMEs.

Via its subsidiary, La Banque Postale, La Poste is the leading provider of financing to local authorities. In 2019, it awarded €14.6 billion in financing for over 3,000 regional bodies – local authorities, social housing associations, local public sector companies and healthcare establishments.

Improving social interaction

La Poste ensures that products and services are accessible to all of its customers, including its most financially vulnerable customers

As a socially-engaged, citizens' bank, La Banque Postale has developed a specific customer policy to help the increasing number of customers encountering financial difficulties (1.6 million La Banque Postale customers, i.e. almost 50% of the 3.4 million banking customers at the end of 2018 according to the French Banking Inclusion Observatory (*Observatoire de l'inclusion bancaire*). For many years, La Banque Postale has been offering a specific range of products and services to encourage these customers to use banking solutions: the Simplicité account has a cap on charges (€20/month), debit cards that can only be used if there are sufficient

⁽¹⁾ In 2018, La Poste updated the study to objectively and independently quantify, using the Local Footprint® tool, its annual impact in terms of employment of La Poste's purchases in the French economy, which amounted to more than 100,000 employees per year in France.

funds in the account, and comes with a cheque book. This account has been heavily promoted, leading to a 41% increase in the number of Simplicité account holders over the last two years.

La Banque Postale takes its commitment to improving banking inclusion seriously and, as such, is taking specific initiatives, such as:

- receiving these customers every day in post offices;
- providing remote banking and budget support and referring these customers to relevant social actors and non-profit organisations via l'Appui, the dedicated telephone platform;
- developing a network of non-profit partnerships; the Club to Reduce Banking Exclusion, set up by La Banque Postale in 2012, which brings together the main non-profit organisations supporting social action and financial solidarity (Emmaus, Restos du Cœur, Crésus for the prevention of excessive debt, Créa-Sol for micro-finance, etc.).

Le Groupe La Poste is committed to the French government's PAQTE.fr initiative (*Pacte avec les quartiers pour toutes les entreprises* – agreement with disadvantaged areas for all companies). In particular, the Group has been working on social issues and responsible purchasing:

- developing high school pupils' business skills, through observational placements (750 pupils welcomed in 2019 and 2,500 expected in 2020);
- supporting economic development of urban priority neighbourhoods (*quartiers prioritaires de la ville* – QPV) by facilitating purchases from entrepreneurs in these areas. Over 160 mediation partnerships in post offices have been concluded with entrepreneurs and SSE structures located in such neighbourhoods (see Section 3.4 for the value of purchases made in the SSE).

Results

	Le Groupe La Poste	
	2019	2018
Proportion of the population which is less than 5km or less than 20 minutes by car from a La Poste retail outlet	95,6%	95.7%
Revenue from New Services (in €m)	209	115
Number of candidates for the driving licence written test	968,101	835,324

3.2.4 SUPPORTING RESPONSIBLE AND ETHICAL DIGITAL SERVICES

Ambitions

La Poste has positioned itself as a trusted third party in the digital world and embodies traditional values of proximity, universality, sustainability and neutrality to ensure access to Digital Services for all.

In November 2019, Le Groupe La Poste signed a community service framework agreement, in line with the objective of the French Ministry of Justice to develop and diversify community service provision across France.

La Poste is developing added value services in response to the ageing population and regional isolation

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.

Because driving is a differentiating factor for access to employment for a large part of the population, especially for those residing outside cities, La Poste is responding to the challenges of modernising public service activities in the regions through the French written driver's licence exam, via its 638 exam centres.

Innovating for the benefit of regional eco-systems

In 2014 La Poste created the Dynamic Alliance, a cooperative approach with social and solidarity-based economy actors. Having deep roots in local communities, the Dynamic Alliance, made up of around fifty national networks, can carry out innovative experiments in the field of social action and innovation.

La Poste is much more able to provide coherent and integrated products and services using its own assets alone.

Drawing upon all eco-systems, including the business world and its networks, the new economy and the SSE will be key to success: complementing rather than competing with each other.

Forming local alliances to offer integrated solutions that meet the specific needs of each region will be a major focus in the coming years.

13 million French people currently experience difficulty with Digital Services; half of them are “digitally excluded” and have no Internet, while others use it only rarely. These groups need support to be able to use Digital Services independently.

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).

As a committed player in digital inclusion within an eco-system of players (Face, Pimms, Mednum, We take care), La Poste works in close collaboration with its institutional and non-profit sector partners via detection, support and provision initiatives.

Actions

Through its initiatives, Le Groupe La Poste intends to contribute to the emergence of an inclusive digital society and the modernisation of public service activities. It also aims to make life easier for public service users.

Mobilising La Poste’s networks to boost detection

- In public service areas (*Maisons de Services au Public* - MSAP): 80,000 users detected and supported in the 501 public service areas by La Poste customer service managers.
- In post offices: a questionnaire on digital know-how was conducted in the first half of 2019 in 300 post offices all over France by intermediaries or specially-trained La Poste customer service managers. These questionnaires are essential to provide effective guidance to the groups concerned and make customers aware of the digital tools provided by La Poste.
- At home: on the request of public operators, postmen visit people’s homes and use a questionnaire to assess their level of digital independence. Initial digital support can also be provided immediately, via a video module on the postman’s Smartphone or tablet.

A people-centred approach to provide support and guidance

- The 501 public service areas provide immediate support in carrying out procedures and, if needed, can refer customers to a digital mediation site or training.
- In post offices: in 2017, La Banque Postale launched a digital banking inclusion action plan as part of its citizen’s bank policy in two pilot offices. The action plan has made it possible to test

an approach that combines assessment, immediate support and referral to a training workshop. This trial contributed to the network designing an ambitious social and digital inclusion programme, which it has been rolling out since April 2019 in 300 post offices. In due course, it will be introduced in more offices.

- At home: in 2018, La Poste piloted a tax declaration support service by postmen in conjunction with the Local Public Finances Department of Moselle. Other initiatives may be tested.

Citizen provision: a key factor in user service

La Poste offers basic digital tools to enable customers to live confident digital lives every day. La Poste provides digital tablets in over 4,100 local postal agencies, digital facilities in the 501 public service areas, and public digital desks in some post offices which provide free, secure access to the most useful administrative procedures, and provides assistants/ombudsman in 500 post offices with tablets.

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.

La Poste also offers the Ardoiz tablet, which is adapted for senior users. Group workshops are organised, led by La Poste employees or partners, to give users confidence in using these new digital tools.

Digital inclusion also means secure access to documents, from any location, every day. The Digiposte digital safe makes it easier for 3,6 million users to store and access administrative documents. To enable everyone to access these tools, irrespective of them being free of charge, La Poste is working with social action organisations to tackle exclusion by making its digital safe available to financially vulnerable groups. Partnerships with Paris Public Hospitals and the Directorate General for Social Cohesion to enable vulnerable populations store their declarations, documents and information in Digiposte. Moreover, a digital identity has become an essential component of daily life. La Poste provides an easy way for all citizens to have a digital identity, which is verified in person by a postman or a post office counter clerk. This initiative has simplified administrative procedures for 210,000 people to date.

Personal data protection (GDPR)

For Le Groupe La Poste, the main digital risk is failure to protect the security and confidentiality of employee, supplier, service provider and customer data.

Le Groupe La Poste has specific measures in place to respond to this risk:

- the introduction of the Group’s Data Charter guaranteeing responsible use of customer data; 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. Indicators for its commitments are also being defined and products and services to simplify personal administrative tasks are being developed (Digiposte);

- the oath-taking, committing all La Poste employees to respecting the integrity of the digital data entrusted to them. 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*. Rollout of the *Data Charter* to all La Poste employees in the last quarter of 2019;
- implementing the European Data Management Regulation using a risk-based approach.

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 La Poste employees (e.g. 100% of the managers in 2018).

The measures implemented by Le Groupe La Poste enable it to work towards a robust data protection procedure.

Work to implement the General Data Protection Regulation⁽¹⁾ (GDPR) started in 2016 and continued in 2019. The Group continued to make its personal data processing compliant. The compliance programme 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.

A commitment to developing ethical Digital Services

Over and above compliance with laws and regulations, Le Groupe La Poste has committed to a range of initiatives to contribute to ethical Digital Services with a host of players.

On 4 June 2019, it was one of the first signatories of the Responsible Digital Services Charter of the Institute for Responsible Digital Services. Le Groupe La Poste is a member of the institute's large

companies group. This Charter has several aspects relating to the environmental impact of Digital Services, including eco-sociodesign of apps, value creation, digital innovation, digital auditability and digital ethics. Regarding this last point, the Charter's commitments include digital usage that is transparent and reassuring for all, data collection and usage via Artificial Intelligence and recruitment and working conditions for digital employees.

During 2019, the Group was involved in various digital ethics projects:

- involvement in the work of CIGREF (association of Information Systems Directors of large French companies) on digital ethics;
- participation of the La Banque Postale and Digital Services business units and the Societal Commitment Department in the Ethics working group of AI HUB France, to devise a joint response to the request by the European Commission's high-level expert group with a view to finalising a text incorporating an operational assessment grid for a "trustworthy AI";
- work completed on strategies for capturing attention in partnership with FING (Foundation for a New Generation Internet);
- involvement in FING's RESET programme which aims to define a new digital vision and its contribution to society. This work began in early 2019 with the publication of an opinion column in the press of which the Group was one of the signatories.

Finally, at the end of 2019, Le Groupe La Poste's Responsible Digital Services Committee set up a working group involving all business units to define a shared approach to ethical Digital Services and to determine how they should be governed within the Group.

Le Groupe La Poste, a stakeholder in the creation of ethical and responsible Digital Services

The Group aims to support societal transformation by fostering the ethical and responsible use of digital technology while reducing environmental impacts.

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.

(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.

Material aspect	Goals for 2020	Progress as at 31/12/2019
Employee training	■ Training in the protection of personal data (implementation of an e-learning module in 2018) ■ Implementation of the Data Charter: distribution to all employees (monitoring by the Digital Services business unit and communication divisions)	■ 13,600 people trained in 2019, compared to 4,900 in 2018 and 360 in 2017 ■ 100% of managers trained in 2019
Equipment	■ Facticeo equipment for postmen	■ 90,000 Facticeo ■ 100% of the 501 Maisons de services au public (public service areas) equipped
Digital inclusion	■ 300 post offices on the digital inclusion programme in 2019	■ 327 active post offices ■ 6,500 people detected/assisted
Winning customers digital vault service	■ Promote Digiposte (assistant coupled with a digital safe) ■ Customer account target included in the Chairman's roadmap	■ 3.6 million Digiposte used ■ 16.8 million Single Customer Accounts

* Public service area (multi-partner service point).

3.2.5 ACCELERATING ENVIRONMENTAL TRANSITIONS

Le Groupe La Poste has a long-standing commitment in the field of environmental transitions:

- it joined the carbon neutrality programme in 2012;
- it has been investing in the circular economy for over six years.

In response to the crisis caused by global warming and dwindling resources, the Group is stepping up its ambitions in the two key areas of its environment policy: Energy and the Circular Economy. In the context of its real estate assets, managed by its Poste Immo subsidiary, the Group is implementing initiatives for the protection of biodiversity.

Energy transition

Ambitions

As proof of its commitment to the energy transition, major objectives have been set as part of the Group's strategic plan for 2015-2020. As reports from the end of 2019 show that some targets have been met ahead of schedule, the Group has set new ambitious trajectories for 2025. The new ambitions combine climate and air quality commitments in a unique way:

Commitment to reduce emissions

- With a new La Poste emissions plan, approved by the Science Based Targets Initiative (SBTi) in 2019. Declared scientifically compliant with the Paris Agreement which aims to limit global warming to 2°C, it envisages a 30% reduction in emissions at La Poste by 2025 compared to 2013 levels. La Banque Postale, for its part, is working on producing a SBTi methodology for the financial sector with the secretariat of SBTi.

Use only electricity from 100% renewable sources, across the Group.

Carbon neutrality

- Le Groupe La Poste is a pioneer and European leader in the voluntary offsetting market with 7% of the carbon credits purchased in Europe. It became the world's first fully carbon-neutral postal operator in 2019.

Air quality commitment

- The commitment has two main components: the monitoring and reduction of local atmospheric pollutants and implementation of the urban logistics strategy in the regions (URBY), and the announcement by GeoPost that it will be extending its air quality measurements to 20 European cities via the delivery network or installations, after Lisbon, Madrid and Paris.

Goals for 2020	Progress as at 31/12/2019
■ Reduce La Poste's greenhouse gas (GHG) emissions from its operations by 20% compared to 2013 ⁽¹⁾	■ Cut by 21.8% since 2013
■ Own one of the very first global fleets of electric vehicles, including 10,000 electric light commercial vehicles	■ 7,180 light electric commercial vehicles owned
■ 100% SRI banking offer in 2020	■ 60% of total assets under management at LBPAM are ESG-integrated
■ Supply 100% renewable energy by 2020 to the buildings managed by Poste Immo	■ All electricity consumption at Poste Immo is covered as of 1 May 2016 ■ New commitment at Le Groupe La Poste level by 2025
■ New services for a low-carbon economy	■ €62 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	■ 44% reduction of nitrogen oxide (NOx) emissions ■ 46% reduction in particulate emissions

(1) See the methodological note in Appendix 3 which specifies the scope of this commitment.

La Poste has formalised a carbon policy based on four aspects to embody its commitments:

- design of products and services with a reduced carbon footprint, to avoid greenhouse gas emissions;
- 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, to be 100% carbon neutral.

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.

Actions

Anticipating regulatory changes

As it operates within fast-changing legislative frameworks (both French and European), Le Groupe La Poste endeavours to anticipate as much as possible the impacts of regulatory changes on its activities and their compliance:

- Mobility Guidance Act (LOM) stipulating the end of internal combustion vehicles by 2040, the option for local authorities to implement low-emission zones and the introduction of an ambitious bicycle plan confirm and speed up the impact on La Poste's regional logistics activities. It also opens up new fields of activity;
- ELAN Act Decree on the energy performance of service-sector buildings: this decree, approved in 2019, has set energy reduction targets of 40% by 2030, 50% by 2040 and 60% by 2050 for service-sector buildings of over 1,000 square metres (affecting around 800 La Poste buildings). This obligation is part of the continuity of the Service-Sector Charter, which La Poste signed in 2012.

2019 was also the second year of obligatory energy audits (transposition of the 2013 European directive via the DADU Act). Compliance affected around 20 Group entities.

Following the TCFD recommendations

Le Groupe La Poste sustainable development strategy aims to reduce the Group's environmental impacts, improve resilience to climate change and respond to the expectations of customers and wider society. The climate risks and opportunities analysis, conducted within the Group, meets the recommendations of the Task Force For Climate-related Financial Disclosures (TCFD). Le Groupe La Poste has been a 'TCFD supporter' since summer 2019.

This risk analysis has two baseline scenarios: less than 2°C and more than 2°C in 2100. This analysis is not a forecast, but a means for designing a resilience strategy. It makes it possible to examine the Group's risks and opportunities in this regard:

- the under 2°C scenario is the result of a transition to the low-carbon economy. In this case, the impact of stricter regulations and technological changes on the business model would need to be examined;
- the over 2°C scenario is the result of insufficient reduction efforts. In this case, the business model would be mostly impacted by extreme climate and physical events.

Climate risk analysis has two phases, the mitigation phase and the adaptation phase, with the associated risks. The risks linked to the energy transition call into question the sustainability of the Group's business model and could result in:

- during the emissions reduction phase, an increase in costs, a negative impact on image and the loss of financing opportunities;
- during the climate change adaptation phase, service interruptions or complete cut-offs, revenue losses and asset impairments.

The table below summarises the many impact areas and management plans drawn up within the Group to remedy them.

Risks - Transition phase

Types of risk	Description	La Poste risk management plan
Laws and regulations	Restricted access to towns and cities (LOM) for polluting vehicles Improved energy performance for buildings (ELAN Act)	■ La Poste has a large fleet of electric vehicles (16,503). ■ La Poste is developing its "URBY" urban logistics brand in 22 French cities and GeoPost is setting up "Low Emissions micro-depots" in European cities. ■ Improved governance via the creation of the Strategic Energy Committee, meeting twice a year and chaired jointly by two members of the Executive Committee (the Group's general secretariat and the Chief Operating Officer of the Services-Mail-Parcels business unit) to steer the Group's energy transition efforts. In 2018, it approved the introduction of an Energy Management System (196 sites in 2019).
Technology	Major technological breakthroughs in transport will only be available in the short- or medium-term Major technological breakthroughs in energy production	■ La Poste has already anticipated the technological transition of electric vehicles. ■ Being a leading 'clean logistics' operator, La Poste has piloted alternative vehicles and introduced natural gas vehicles. ■ 100% of supply has been from renewable-source electricity since 2016; 10 renewable energy self-consumption pilots launched.
Markets	Difficulties in securing financing on the financial market without being a SRI asset Sensitivity of asset portfolios to climate risk	■ Launch of a Green Bond in 2018 by La Poste to finance €500 million over five years and launch of a Green Bond in 2019 by La Banque Postale to finance €750 million ■ Regular measurements of the carbon intensity of the portfolios of the BFI (corporate and investment banking) activity and the asset management activity at La Banque Postale.
Reputation	Customers: Selection criterion in the consultations of corporate customers and in the decisions of individual customers Suppliers/subcontractors	■ Le Groupe La Poste scored on the "A- list" by CDP Climate Change. ■ Commitment entered into by Le Groupe La Poste (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. ■ Carbon neutrality in Mail/Parcels/Express/Digital Services/Banking and for 100% of the Group in 2019. ■ Invitations to tender for delivery services include information relating to environmentally-friendly behaviour (the traceability of fuel consumption, fleet of alternative vehicles, knowledge of regulatory changes) and specific initiatives planned by service providers to adapt to these changes.

Risks - Physical adaptation phase

Types of risk	Description	La Poste risk management plan
Acute	Coastal submersion, inland flooding, etc.	■ Implementation by La Poste of BCP and BRP systems in response to force majeure events, which it is already activating and which it updates after each major acute climate event. ■ Measurement of the level of exposure to the physical risks of outstanding home loans at La Banque Postale planned in 2020
Chronic	Regular climate events such as storms, snowy episodes, heatwaves, etc.	■ The mail shipping and delivery network is able to organise itself in real time depending on constraints to ensure that a temporary inability to provide the service is resolved by a system of mutual assistance and diversion of goods flows.

At the end of 2019, the CO₂ emissions of Le Groupe La Poste were 1,660,647 tonnes, a decrease of 4% compared to 2018.

This progress is thanks to a twofold strategy:

- 1) reduced energy consumption; and
- 2) moving the energy mix towards less carbon-intensive energy sources.

Le Groupe La Poste		
	2018	2019
Energy consumption (in GWh) ⁽¹⁾	6,606	6,119
o/w transport:	1,082	1,102
o/w subcontracted transport (road and air):	4,123	3,703
o/w buildings:	1,401	1,314
Carbon footprint (metric tonnes CO ₂ eq)	1,733,333	1,660,647
Scope 1	373,445	376,528
Scope 2	49,535	46,929
Scope 3	1,310,353	1,237,190
Intensity (GHG/consolidated revenue) (metric tonnes CO ₂ /million in revenue)	70.2	63.9
Distance travelled by the Le Groupe La Poste fleet (billions of kilometres)	1.0	1.1

(1) Inclusion in our presentation, for the first time in 2019, of consumption linked to subcontracted transport (road and air). The 2018 figures for total energy consumption have been modified accordingly, compared to the 2018 Registration Document.

Group's action on the Habitat

La Poste is accelerating its energy renovation work, a focus area of its diversification and development policy by taking a majority equity investment in the group *Économie d'Énergie* EDE, a European leader in energy efficiency. Since 2017, it has been supporting local authorities in their communication and awareness-raising efforts, via postmen, groups potentially affected by energy renovation work.

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.

The development by La Banque Postale of energy transition financing products and services and a complete platform for customers completes this system to support energy renovations to homes.

Making a commitment to carbon neutrality

Le Groupe La Poste wants to set an example in the field of offsetting. The objective was shared within the Group to fully offset its footprint, by injecting the equivalent of its emissions into projects which will bring about reduced emissions and carbon sequestration. The Group was a pioneer in this approach.

In addition to carbon offsetting projects financing operations in third countries, mainly developing countries, in 2015 La Poste and La Banque Postale launched an innovative, pioneering initiative (*Climat+Territoires* programme) to support and develop local offsetting projects in France. La Poste financed the first six emblematic projects in France, enabling the guidelines and methods for the "Low-Carbon Label" to be built. Since April 2019, this local offsetting scheme has been acknowledged by the French State and the first "Low-Carbon Label" project was implemented as part of the carbon neutrality commitment made by the G7 in Biarritz, in which La Poste was a partner.

URBY: promoting sustainable urban logistics

La Poste actively contributes to the development of sustainable urban logistics throughout France by co-constructing innovative solutions with local authorities and local economic actors. Through open partnerships, shared delivery 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. In parallel, La Poste is working on an urban logistics offering: goods traffic is responsible for 40% of traffic jams, 30% of pollutant emissions and 20% of greenhouse gases, while the predicted growth in e-commerce, between 11% and 15% per year, points towards a worsening of these indicators. Furthermore, towns are never organised with goods transport in mind rather than the circulation of people. Therefore, for towns to operate sustainably, effective urban logistics is necessary. With this in mind, La Poste is in the process of signing agreements with around fifteen towns in France which have a strong regional impact to promote less polluting urban logistics solutions. Of course the Group's actions concern it, but they also affect its customers. Decarbonising the Group's products and services has positive repercussions on the entire ecosystem and enable the Group to benefit from it.

Circular economy

Ambitions

The commitment to the transition to a circular economy is an essential component of Le Groupe La Poste's environmental and societal policy. The Group has committed to environmental transitions for itself and its customers (companies, local authorities, private individuals) and is developing a range of solutions to help them with repairs, reuse, recycling, pooling of assets and short circuits.

Material aspect	Goals for 2020	Progress as at 31/12/2019
Circular economy and resource management	■ Develop offers promoting recycling and reuse ■ Develop the consumption of materials resulting from recycling and reuse	■ 629,000 users of the Recygo offer ■ A total of 117,780 metric tonnes of material collected by Recygo and Nouvelle Attitude (vs 85,000 metric tonnes in 2018), 99% of which was sent for recycling and reuse*

* Paper products made up most of these flows.

Actions

Anticipating regulatory changes

The Group complies with the legal framework on corporate waste management (office waste, activities with the "5 flows" regulation, waste from electrical and electronic equipment, construction waste and food waste).

Anticipating the upcoming waste diagnostic obligation (Circular Economy Act), Poste Immo has extended this approach to all its sites, irrespective of their nature and surface area. In its standard procedures for the prevention and recovery of project waste, Poste Immo prioritises reuse in its processing options.

Playing a role in the transition to the circular economy

Aware of the consequences of dwindling resources on all its points of operation and all its business activities, Le Groupe La Poste is committed to a circular economy policy which aims to:

- use fewer resources and generate less waste;
- rely more on repairs, reuse and recycling.

The Company recognises that improving waste recovery is necessary but insufficient to ensure the resilience of the systems: restraint and an efficient use of resources are crucial.

All Group companies are moving towards "zero waste" in their operations and activities, by reducing waste, finding alternatives to disposable products, optimising consumption, extending the life span of equipment, composting and recycling.

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. Some 116,000 metric tonnes of materials were reused or recycled, thanks to the services of the Recygo and Nouvelle Attitude subsidiaries in 2019.

Le Groupe La Poste plays an active role in achieving better management of resources and a more circular economy. It is involved in developing recycling, reuse and repair channels. It does so by setting an example in its operation, offering a range of products and services to its customers, and supporting societal projects.

- In July 2019, Recygo renewed its agreement with Copacel, the French papermakers' association. The agreement entails, inter alia, fostering long-term partnerships with local recycling papermakers and ensuring sufficient supply volumes, to boost the paper recycling and recovery industry in France.
- Le Groupe La Poste's industrial facilities and the reach of its network enable it to capture a wide range of resource deposits. Therefore, a new logistics device which relies on the Group's postmen has been introduced.

Being virtuous/innovative in managing resources

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. La Poste Immo has set the target of recycling

85% of the inert waste and 80% of the 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.

A natural partner in the circular economy

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 eco-systems of its customers *via* its service offerings and the broader eco-system of its partners. In particular, it supports start-ups and social and solidarity-based economy actors *via* innovative mechanisms, such as the Paris&Co incubator and Le Groupe La Poste's *Élanceurs* competition.

	La Poste		
	2017	2018	2019
La Poste WEEE ^(a) recovery rate	96%	94%	94%
Disposals ^(b) of electrical and electronic equipment (in metric tonnes)	708	824	901
Weight of materials collected for recycling or reuse ^(e) (in metric tonnes)	76,274	84,817	116,182
Number of people supported in integration by Nouvelle Attitude, and rate of "dynamic" departure ^(c)	Not supplied	Not supplied	124 78%
Paper consumption (in metric tonnes) of which % of sustainable paper – from sustainably-managed forests, eco-certified or recycled	20,896 (87.1%)	Not supplied ^(d)	12,961 91.4%

(a) WEEE: waste from electrical and electronic equipment, excluding donations and sales. The data collected in 2019 include two new service providers and the data for the Digital Services business unit and for La Banque Postale. 2018 was marked by a significant rise caused by substantial equipment renewals.

(b) Disposals: the disposal by the Company of equipment that it can no longer use.

(c) Rate of "dynamic" departure: people given support in their transition into long-term work or qualifying training.

(d) The 2018 data are confined to La Poste's Purchasing Department.

(e) Data from the "Solutions for the circular economy" business unit – (Recygo + Nouvelle attitude).

Preventing food waste

The cafeteria offering, which includes cafeterias and cafeteria vouchers, affects an average of 104,756 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 412 company restaurants. In 2018 and 2019, a focus was placed on the fight against food waste, following a successful experiment in 2017. As part of the European Week for Waste Reduction, the service provider Elio 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.

On a very operational basis, during major renovations and new construction projects, biodiversity is automatically taken into account (feasibility study for planted roofs, rainwater collection, permeability of the ground).

At the same time and before even beginning offsetting actions, a policy is in place to measure and estimate CO₂ emissions, approved by an independent third party, then implement the impact reduction actions via solutions for transport, buildings and customers.

Alongside CDC Biodiversité, which is heading up the Nature 2050 national programme, La Poste (Services-Mail-Parcels and Network business units) signed in early November a partnership with CDC Biodiversité (a subsidiary of Caisse des Dépôts dedicated to promoting biodiversity) to contribute to and finance new projects. This "Programme", developed and managed up to 2050 by CDC Biodiversité, aims to promote and finance nature-based solutions which will contribute to attaining the following objectives:

- preserving and restoring biodiversity;
- mitigating the impacts of climate change by reducing greenhouse gas emissions and boosting CO₂ storage and capture capacities;
- adapting regions to these changes, by limiting their effects (examples: heat island in towns) and natural risks (erosion, flooding, drought, fires, etc.).

For La Poste, this commitment is a strong indicator of its long-standing regional stance on biodiversity preservation and the fight against climate change and enriches its exemplary approach to carbon neutrality. La Poste has embedded its commitment to Nature 2050 within its carbon neutrality strategy by supporting forestry and agroforestry projects across France which aim to enhance the carbon storage capacity. One of the aims of this partnership is to make the "Low-Carbon Label" part of a dual ambition to quantify the CO₂ stored and preserve biodiversity.

Preserving biodiversity

In addition to the policies on environmental transitions (energy and circular economy), Le Groupe La Poste is also committed to preserving biodiversity.

The CSR policy has a buildings and biodiversity aspect which underlines the Company's desire to raise awareness among all of its employees, as well as the occupants of the buildings, on protecting biodiversity and respect for living things. This policy is the result of collective reflections within Planning, Buildings and Biodiversity (Urbanisme Bâtiment et Biodiversité – U2B) and the French Bird Protection League.

To ensure that biodiversity factors are taken into account, some 12,000 sites managed by the Group's property management subsidiary Poste Immo were mapped using the areas of environmental interest (Zones d'Intérêt Écologique) methodology (Natura 2000, PNR, APPB, Ramsar sites, nature reserves and green and blue areas (*trames vertes et bleues*). Moreover, during each BREEAM (Building Research Establishment Environmental Assessment Method) certification procedure, environmental assessments are carried out.

3.3 Business ethics and compliance

ETHICS AND PROFESSIONAL CONDUCT FRAMEWORK

Ethics and professional conduct are deeply rooted in the history of Le Groupe La Poste; employees have had to take an oath since 1790. In 2011, the Group reinforced its approach by creating an Ethics Department.

The Ethics and Professional Conduct Department reports to the Group's General Secretary, member of the Executive Committee, a strategic choice that is in line with the history and values of the Group. The Ethics Department is represented within the business units and subsidiaries by ethics and anti-corruption officers, who, since December 2018, have reported to the Group ethics officer. Further, a new nationwide network of ambassadors support local awareness and local operational communication.

Several bodies have been set up by the senior body, to examine or lead the approach:

- the Quality and Sustainable Development Committee of the Board of Directors which examines the work of the Ethics Department twice a year;
- the Group's Executive Committee for the Group's risk management strategy which monitors major and operational risks and assesses the progress of the risk management plans, including the corruption prevention plan;
- several operational bodies: the Ethics Committee chaired by the Group's General Secretary, the Ethics Committee which brings together every two months the ethics and corruption prevention officers of the business units and subsidiaries. Moreover, depending on the issues raised, recurring working groups are organised to implement the appropriate tools.

Finally, in 2019, the Group ethics officer also spoke to participants in the "Tour de France" by the Group General Secretary across ten regions. A specific workshop on conflicts of interest, high-risk situations and corruption prevention were also added to the programme.

Le Groupe La Poste is one of very few companies in France to measure the awareness levels of employees of ethics and professional conduct matters. The annual ethics climate survey was conducted by Kantar-TNS for the eighth consecutive year in November 2019. Its results confirm a stable perception of ethics within the Group.

Almost three quarters of employees have received ethics training over the year, mostly within teams or with their manager, during team meeting or during a discussion with their manager. 88% in 2019 (vs 84% in 2018) say that they know (very well or fairly well) the rules on ethics and professional conduct. Further, with 91% positive responses (vs 87% in 2018), employees reaffirmed the importance of having an ethics officer; they did so more strongly than in other large companies (82%).

La Poste employees also see a link between ethics and professional conduct and the economic benefit for the Company: 81% think that these factors help improve the economic results (compared to 80% for the employees of other large companies).

Finally, awareness of the whistle-blowing system is improving, as is access to information when needed (63% and 40% respectively in 2019 compared to 53% and 31% in 2018). 91% (stable compared to 2018) of Group employees would be willing to report an incident, confirming their trust in the system.

WHISTLE-BLOWING PROCEDURE

The whistle-blowing procedure, in place since 2011, makes it possible to report ethics incidents and breaches of the internal guidelines, charters and the ethics and corruption prevention codes. Since September 2019, the system for sending secure emails directly to the ethics officers was replaced by a single reporting channel *via* an address supplied by an external partner, WhistleB. This outsourced solution better protects the confidentiality of employees who want to report an incident and improves security and accessibility: full web system, accessible 24/7. The reporting process is encrypted and password-protected. The team of ethics officers and expert officers are responsible for processing reports.

As regards the duty of due diligence, jointly managed by the HR Department and the Societal Commitment Department, a specific WhistleB interface was opened in 2019 to stakeholders (suppliers, service providers and subcontractors). These reports are

processed by the DHA who may request input from experts within the departments or operational entities. At the same time, an IT platform was introduced by the Purchasing Department to which all suppliers must register. Upon their registration, the suppliers acknowledge having received and read various documents, such as the Group's Ethical and Responsible Purchasing Charter, which summarises the Group's ethics commitment, including the whistle-blowing system, and they agree to circulate this information to their own employees. At the end of 2019, all suppliers with which a contract was in place also received an email, for the attention of their employees, reminding them of the whistleblowing procedure.

THE CORRUPTION PREVENTION PROGRAMME

The anti-corruption policy at Le Groupe La Poste has historically been part of the continuity of its business ethics policy. 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, defining a Gifts and Invitations Policy and the representation of interest Charter.

With the new regulatory obligations arising from the Sapin II Act of 9 December 2016, the Group is working to complete its existing system with a corruption risk prevention plan. The executive body reaffirmed its commitment to the three principles of the corruption prevention policy: Zero tolerance, Everyone committed, Everyone vigilant. In practice, this commitment consists of:

- in February 2019, the Ethics and Corruption Prevention Code was updated and signed by all members of the Executive Committee. A copy, attached to the internal rules of procedure, was displayed at the 12,000 postal sites;
- furthermore, a presentation of the main corruption prevention measures was sent in November 2019 to the homes of 210,000 employees in the "HR Info" document attached to payslips;
- in October 2019, a letter of commitment from the Group's Chairman and Chief Executive Officer, who renewed his request that all Executive Vice Presidents in the Group's Executive Committee commit to complying with and enforcing the compliance programmes, including corruption prevention.

Based on the individual commitment of the members of the Executive Committee and a dedicated comitology, 2019 saw continued implementation of the measures defined in the corruption prevention plan. Therefore, La Poste updated the corruption risk mapping for all of its business activities. A new methodology was defined and the mapping application scope was extended.

2019 saw major definition and integration work as part of procedures specific to corruption prevention (clauses in employment contracts or purchasing contracts for suppliers or service providers, prior due diligence procedures in the event of external growth, accounting audits, etc.).

The Group's corruption prevention plan is based on a major information, awareness-raising and training initiative for employees: specific training for target populations such as the legal division or the managerial line with a dedicated e-learning module, 5th edition of the ethics day, employee presentation support via the managerial line, etc. The "MyEtic" smartphone app is being gradually installed on the employees' work phones.

The whole programme is the subject of an annual self-evaluation campaign which includes a specific questionnaire, co-led by the Ethics Department and the Internal Control Department. Third-level checks or internal audits are carried out by the Group's Audit Department, with one evaluation carried out in 2019 for the Poste Immo subsidiary.

3

	Le Groupe La Poste	
	2018	2019
Number of people trained in anti-corruption	2,400	38,401
Rate of trust in the Company to provide protection if the Group's early warning system is used (external survey)	74%	70%

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, GeoPost, La Banque Postale, Poste Immo and Véhiposte business units, as well as their main subsidiaries.

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 programme is governed by *La Poste Solutions Juridiques*, the Audit Committee of the Board of Directors, the Executive Committee, the Group's Risks Committee, the competition compliance officers, grouped within the Competition Compliance Committee;
- Le Groupe La Poste has formalised its policy by drafting several framework documents: competition law guidelines, a Competition Code (appended to the internal rules of procedure) and a guide to participating in workplace associations. These documents formed the foundations of a major awareness-raising campaign and were sent to all Group employees who may encounter problems relating to competition law and they are available at all times on the traditional communication methods;

- a large-scale training campaign with many face-to-face training sessions and the design and provision of e-learning modules. To date almost 4,000 employees have received training on competition law;
- the introduction of pricing control procedures;
- the introduction of a whistle-blowing procedure to report issues relating to competition law;
- inclusion of the competition compliance programme within the internal control system via specific self-evaluation campaigns;

- an internal audit 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, sent to the French Competition Authority (*Autorité de la concurrence*).

At the end of 2019, this programme was fully deployed. The Group will ensure that the programme is maintained over the coming years and adapt it in response to new industry requirements, to effectively protect itself and its employees from competition law risks.

TACKLING TAX EVASION

Although the Group does not consider the fight against tax evasion to be a major risk, this risk will be dealt with in 2019 (Anti-fraud Act - Act No. 2018-898, published on 24 October 2018).

Le Groupe La Poste strives to be a responsible corporate citizen 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.

No entity of Le Groupe La Poste is located in a country which is on the French or European list of Non-Cooperative Countries or Territories (NCCT). Le Groupe La Poste applies a compliance and tax transparency policy, more specifically:

- the Group applies the principles developed by the OECD on transfer pricing. As such, intra-group transactions are based on the arm's-length principle. Intra-group transactions between companies resident in different countries are relatively limited, as the Group conducts most of its business activities in France;
- the Group is committed to not setting up artificial or fraudulent tax arrangements, or tax arrangements that are disconnected from operational reality which could lead to tax evasion;
- the Group carries out Country-by-Country Reporting (CBCR) which ensures transparency with the tax authorities;

- the Group cooperates constructively with the tax authorities, notably by forwarding the information they need within a reasonable timeframe.

The Group recognises that fiscal risk management is an integral part of good governance. The Group's tax affairs and the management of tax risks are the responsibility of a team of qualified and appropriately-trained tax experts, who work under the supervision of the Group's Chief Financial Officer. The management of tax risk involves limiting tax risks via fiscal oversight and closely monitoring tax audits and tax disputes.

In the event of a dispute, the Group may decide to dispute rectifications by the tax authorities and use remedies to ensure its defence and assert its position.

On 7 June 2017, the IFRS IC published the IFRIC 23 interpretation, which must be applied as of 1 January 2019. This interpretation contains provisions on accounting methods for recognition of the tax consequences relating to the uncertain nature of income tax. The application of this interpretation in 2019 did not result in any greater tax risks for the Group.

In 2019, Le Groupe La Poste was not a party in any tax dispute.

3.4 Purchasing and corporate social responsibility performance

THE RESPONSIBLE PURCHASING POLICY

La Poste worked on refining its responsible purchasing policy to ensure that it feeds in to the three pillars of its societal commitment policy. Therefore, the Responsible Purchasing approach is based on three requirement levels:

- ensure Purchasing Compliance, notably the duty of vigilance;
- formalise the requirements and selection criteria in the standard operating procedures, notably as regards the environmental impact of purchases;
- attain the ambitions relating to purchases from the social and solidarity-based economy, and SMEs.

This purchasing policy is part of a specific regulatory compliance framework (GDPR, anti-competition, duty of vigilance, vigilance obligation pursuant to the French Labour Code, payment terms). It is based on ethical principles (rules of professional conduct):

- fight against corruption, confidentiality commitment, absence of conflict of interest signature by buyers: declaration of ethical and responsible commitment by buyers;
- vigilance on respect of human rights by suppliers (see the vigilance plan in Appendix 1);
- transparency of the information given;
- equal treatment of suppliers;
- supplier commitment via a Responsible and Ethical Purchasing Charter.

The objective of the Group's Purchasing Department is to apply the commitments entered into at Group level to purchasing processes and in the course of relations with its suppliers:

- 14% reduction in scope 3 GHG emissions by 2025 (compared to 2013);
- spend €30 million per year in 2020 in the SSE.

Actions

Build a special relationship with suppliers

The Group's approach is part of its intention to have a relationship of trust with all suppliers.

Several surveys have been conducted to evaluate the quality of the day-to-day relationships that La Poste has with its suppliers. Knowing its suppliers better is a way to support the Group's growth, notably through innovation.

Improved governance and professionalism

Since 2018, the Purchasing division has undergone a major overhaul. Now organised into Operational Purchasing divisions by area (and no longer according to the Group's organisation), this organisation ensures a more general, cross-entity and uniform vision. It also entails local operational application, ensuring access to all consultations in the regions.

Category managers define the purchasing strategy of their portfolios for La Poste. Each month, their heads of purchasing meet to approve the purchasing strategy for the current projects. They are supported by the Performance Support and Management Department, particularly the Purchasing Compliance division. A La Poste Purchasing Committee (CALP) ensures that the La Poste purchasing rules are adhered to, particularly as regards equal treatment. It submits an annual report to the Group's Board of Directors, taking sustainable development criteria into account. The diverse composition of the Committee reflects the focus on transparency and the independence of the members. The purchasing and CSR compliance management system was completed in 2019 to improve appropriation by all buyers, suppliers and operational entities.

For example, workshops with delivery companies on supporting them in their CSR efforts have jointly identified areas for potential collaboration, such as the use of less polluting vehicles.

To support this commitment and meet expectations, 2019 saw:

- a supplier portal, a single entry point, which simplifies the purchase file process and ensures real-time traceability of actions;
- the roll-out of a supplier evaluation platform, and a free self-evaluation system to ensure strong take-up;
- responsible Purchasing policies posted on the Intranet;
- continuity of the partnership signed with Handeco and involvement in the first online solidarity purchasing fair;
- setting up events to meet suppliers in the regions.

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To prevent and limit the environmental and social impacts of its purchasing, the Group's Purchasing Department maintains a map of segment risks, which includes an overview by geographic area. This mapping is applied to each supplier in six areas (financial risks, corruption and competition, IS and data, regulatory compliance, CSR maturity in social and environmental matters and quality). This tool enables buyers to control and manage CSR risks on a day-to-day basis in liaison with their suppliers.

Prevention actions include:

- the inclusion of social requirements in the standard operating procedures, consultation files, and associated selection criteria. Therefore, by way of illustration:
 - invitations to tender for delivery services include items on eco-driving, the traceability of fuel consumption, vehicles powered by diesel alternatives (electric, natural gas, hydrogen) knowledge of regulatory changes (particularly restrictions on access to urban centres, for diesel/petrol vehicles) and

specific initiatives planned by service providers to adapt to these changes. The Services-Mail-Parcels business unit is also implementing a progress approach with delivery service providers,

- 100% of contracts relating to the data centre contain environmental requirements;
- the signature by suppliers of the Le Groupe La Poste Responsible and Ethical Purchasing Charter and a clause on the duty of vigilance. Suppliers agree to fight corruption, identify human rights risks, risks to personal health and safety, and fundamental freedoms and the environment in their value chain, to take the necessary steps to prevent them and, if they materialise, to mitigate them. They also agree to notify their employees of the La Poste whistle-blowing system;
- automatic management meeting with suppliers on CSR matters and implementation of a CSR progress plan if required.

	2019	2018
Value of purchases from the workforce integration sector	€14.1 m	€7.6 m
Number of workforce reintegration suppliers	197	259
Value of purchases from the disabled and sheltered sector	€12.1 m	€14.3 m
Number of suppliers in the disabled and sheltered sector	959	585
Weight of VSE-SME-mid-market companies ^(*)	81 %	80%

(*) Number of VSE-SME-mid-market companies out of the total number of suppliers.

3.5 Commitment to customer service

The commitment to customer service is a major component of the strategy of Le Groupe La Poste and of each business unit and subsidiary. Given the diverse range of activities of its different entities, Le Groupe La Poste addresses all customer segments and local authorities and local government. Depending on the activities and customer segments, the products and services and the relationship are part of the appropriate value creation models: BtoB, BtoBtoC and BtoC. In light of changes in the market and new customer expectations, the end customer "C" has taken on heightened importance in value creation and in the

customer relationship. On this last point, although each business unit defines its customer relationship policy bearing in mind the specific features of its activity, cross-unit projects and programmes are also being developed; these constitute the cornerstones of a real customer relationship common to Le Groupe La Poste. Three major components characterise the Group's customer policy and its application by the business units: commitment to service excellence, support for the most financially vulnerable groups and, as part of a proactive response to new expectations, the development of a responsible customer relationship.

3.5.1 CUSTOMERS OF LE GROUPE LA POSTE

The entities of Le Groupe La Poste address different types of customers (private individuals, professional customers, corporate customers and local authorities).

Private individuals	Professional customers	Corporate customers	Local authorities and local government
■ 91% of French people say that they have bought La Poste services^(a) ■ Mail Parcels: 16 million Accounts in the Group customers knowledge base, including 15.5 million individual customers and 500,000 professional customers ■ Banking: 10.5 million customers ■ LPM: 1.5 million customers	2.4 million customers (referenced)	365,000 legal entity and local government authority customers ^(b)	Different types of local authorities/targets: ■ 35,000 local authorities, classified by the number of inhabitants (fewer than 5,000 to more than 100,000) ■ Elected representatives, non-profit organisations, parliamentarians (577), public establishments for inter-municipality cooperation – EPCI (1,258) social housing associations, public hospital sector, homes for the elderly (EHPAD) (7,800)

(a) (U&A PPC study on customer knowledge – representative national sample)

(b) (Full scope of products and services marketed by the Sales Department of the Services-Mail-Parcels business unit: mail/media, new services, inter, Parcels, Chronopost, Viapost, Docaposte, LBP)

The Le Groupe La Poste customer approach is organised by business unit: each business unit manages its knowledge base and organises the relationship with its customers in the course of its activity.

Nevertheless, many synergies and shared projects have been developed to form a Group customer vision and data community; research projects and results are now shared between business units. The deployment by the Digital Services business unit of a shared infrastructure bringing together and sharing all customer data enables all business units to use the Group's customer knowledge base. This represents a major pre-requisite for improving convergence and alignment around a complete customer vision common to all.

The initiatives introduced as part of the various projects and new organisations, such as the Market Areas, also accelerate alignment around the customer in a Group approach.

Of course, given the legislative and regulatory framework, there is a "Chinese wall" between the customer knowledge of La Banque Postale and that of the rest of the Group.

Customer-centred value creation models

At Group level, the main revenue driver is B (BtoB or toBtoC) which represents around 70% of total revenue. The "large B customer" revenue model mostly applies to the traditional mail activities.

The BtoBtoC business share is mostly driven by Parcels and Express (Colissimo, GeoPost), via websites (Veepee, Amazon, Zalando, Yves Rocher, FTL/Alì express (Chinese), Showroomprivé, Nespresso, Fnac, Darty, Otto Group, Cdiscount, Hopps, Viapost, Blancheposte, La Redoute).

In the last ten years, the value model around toC has gained ground with La Banque Postale and La Poste Mobile. It now accounts for almost 30% of Group revenue and is mainly driven by the network. These two activities are in highly competitive segments with high expectations in terms of quality of service, customer relationship and multichannel processes.

For the Services-Mail-Parcels activity, the creation of the Retail Customers business unit intends to grow revenue and the margin by treating individual customers more like customers than recipients. It has identified opportunities offered by the recent development of exchange platforms between private individuals, such as leboncoin, Vinted, etc.

A customer framework partially regulated by the French Authority for Regulation of the Electronic Communications and Postal Sectors*

La Poste interacts with its customers within a framework partially defined by the law which ensures equal treatment for all customers:

- universal service (daily delivery to any part of the country, with a certain level of quality 85% next-day delivery, 95% two-day delivery and identical pricing for mail sent by private individuals and SMEs);
- regional planning mission (17,000 La Poste retail outlets and 95% of the population less than 5 km or 20 minutes from a La Poste retail outlet);
- banking accessibility mission (a Livret A savings account provided to anybody who requests one).

* (Autorité de régulation des communications électroniques et des postes – Arcep)

3.5.2 COMMITMENT TO SERVICE EXCELLENCE

Irrespective of the value models, the end customer has become crucial across all markets. La Poste has begun to integrate the importance of the end customer and their usage both on the banking side (where a toC model has traditionally dominated) and on the Services-Mail-Parcels logistics side (where a toB and toBtoC model predominates).

For five years, La Poste has been implementing a raft of programmes to better serve end customers: customer knowledge, the customer relationship and taking satisfaction into account.

As regards customer knowledge

Several programmes have been introduced to improve customer knowledge.

The Shared Customer Knowledge Priority Programme (PPC *Connaissance Client*), led by the Digital Services business unit, initiated the creation of a single customer account, a customer sheet shared among the business units (except La Banque Postale) and a datalake to collect and consolidate data around a Group customer knowledge base consolidating the data of Individual and Professional customers (for which www.laposte.fr is the leading creator of accounts).

The introduction and use of this database meets two major needs:

- enable each business unit to better understand customer behaviour, irrespective of channel used, within its scope of activity;
- understand a customer's overall behaviour in his or her relationship with Le Groupe La Poste, thus making it possible to align players from different business units.

The Group's PPC *Connaissance Client* team produces an Individual and Professional segmentation based on all usages of known customers, analyses of customer experiences irrespective of the La Poste retail outlet, Customer Indicators and a yearly Study bringing together all uses by customers of the Group's products and services. As a result, the business units (with the exception of La Banque Postale) are now able to introduce their own more refined business-orientated segmentations (e.g. segmentation of individual customers for the Retail Customers business unit, as a result of the Usages & Attitudes Mail-Parcels study).

Within La Banque Postale and the network, the knowledge about banking customers is being improved and commercial transformation is taking place via the CAP Clients 3.0. programme.

As regards the customer relationship

Although each business unit is developing customer experience programmes specific to its activity, the increasingly multi-channel dimension of customer experiences leads the units to create shared

approaches. The "Individual and professional customer experience contract" programme of the Services-Mail-Parcels business unit and the "Customer Priority" programme of La Banque Postale and the network present strong synergies. For instance, the Short Loop project plays a major role in implementing a customer relationship across the business units.

In this system, the post office teams, alongside the dedicated teams, process customer claims. When claims directly relate to a specific area, the local representatives call customers within 24 hours and commit to a timescale for fully resolving the problem within 24-48 hours.

Customers and employees of the Services-Mail-Parcels and Network business units "voted" unanimously for the widespread introduction of the "Short Loop". Widespread implementation of this system is scheduled for 2020.

In addition to its impact on stakeholder satisfaction, the Short Loop system is a powerful way of quickly achieving transformation of the organisation. Based on a highly operational approach, it enables a cross-business unit approach and a Group customer relationship, highlights business units that have customer contact and drives a profound change towards a focus on the customer.

Furthermore, the call centres of the 3631 network, created under the auspices of the Ministry of Employment and in partnership with the French Association for Customer Relations, the union of contact centre professionals and trade unions, were awarded the "Human for client" label from the National Institute for Customer Relations. This label acknowledges the quality of governance of the 3631 number, its human resources practices, social dialogue, societal commitment and environmental action.

A new www.laposte.fr site has been implemented. It is focused on customer use and is more intuitive, simple and better suited to customer needs. It has an innovative postage service comparison tool that customers can use to find the most suitable postage solutions in just three clicks.

Artificial intelligence is being used to improve the customer experience. The 3631 number offers customers a voice bot and a fully automated system for making claims relating to postal rounds. On www.laposte.fr, there is a bot to help customers in the online store and boost their independence in the digital experience. www.chronopost.fr has a bot called Léonard for the automated monitoring of items.

Finally, the Consumer Ombudsman intervenes at the request of customers to seek an outcome for unresolved disputes between a Le Groupe La Poste entity and its customers in the field of mail, Parcels, express, banking services and post office network.

His area of competence includes all products and services of Le Groupe La Poste, including new services (except La Poste Mobile). After analysing the cases acceptable for mediation, the Ombudsman sends proposed solutions to the parties which they are free to accept or not.

The Consumer Ombudsman is an independent third party seeking out-of-court settlement of disputes. Appointed on the proposal of the Group's Chairman by a joint collegiate body, the Ombudsman is independent of the business units and subsidiaries. In June 2019, the French Commission for Evaluation and Oversight of Consumer Mediation (CECMC), an independent authority created by law, which references consumer ombudsmen and monitors their work, registered the new La Poste Ombudsman on the list of ombudsmen provided for in Article L.615-1 of the French Consumer Code, and notified this listing to the European Commission, in line with the directive in force.

For matters concerning banking products and services, he acts as an ombudsman for La Banque Postale.

His work is governed by the provisions of the French Consumer Code and the principles stated in the Le Groupe La Poste Ombudsman's Charter.

Further, each year, the Ombudsman looks at the experience gained from processing consumer complaints, to make recommendations for improving the services on offer or the claims processing procedures. He sends these recommendations to the relevant business units and subsidiaries of the Group.

Taking customer satisfaction into account

Le Groupe La Poste has introduced many tools to measure customer satisfaction in each of its business units and subsidiaries.

Some strategic indicators have been on the Chairman and Chief Executive Officer's roadmap since 2017. These indicators are as follows:

- satisfaction measured when customers leave a post office;
- the net promoter score (NPS) for the Services-Mail-Parcels business unit.

Likewise, in the Group's transformation monitoring dashboard, customer satisfaction is included via the NPS of the business units and main subsidiaries.

In 2019, the Services-Mail-Parcels business unit extended the NPS measurement to all mail and parcel services to individual customers and introduced new NPS measurements for professional customers (in coordination with the network to measure professional customer satisfaction following an appointment in a post office or at a mail site).

The network and La Banque Postale have also completed their customer satisfaction measurement system, and have introduced satisfaction surveys:

- for all forms of La Poste retail outlets (local postal agencies, rural and urban retailers acting as "La Poste Relais" outlets, public service areas);
- on the processing of banking claims by financial centres;
- for customers who have taken out a home loan.

The satisfaction measurements, particularly the NPS, are applied up to the local team level, both in post offices, Services-Mail-Parcels business unit sites and call centres.

3.5.3 SUPPORTING THE MOST 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 works every day to:

- facilitate access to basic services, savings and loans for moderate-income households and to support vulnerable people;
- fight against excessive debt, and implement financial education initiatives;
- boost the accessibility of vulnerable customers to sites and interfaces (automated counter, websites, etc.).

The banking inclusion plan through digital means at La Banque Postale (launched during the first Citizens' Bank Conference (*Assises de La Banque Citoyenne*) in March 2017) aims to enable its customers to be more independent in accessing essential online banking services.

The plan put forward by La Banque Postale consists of three key initiatives:

- offer people excluded from digital banking the option to retain a human contact person in the post office or via telephone, wherever possible;
- offer digitally vulnerable people short training modules to use banking apps;
- develop Digital Services that are easy to use for the digitally vulnerable.

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.

3.5.4 DEVELOPING A RESPONSIBLE CUSTOMER RELATIONSHIP

Responsibility, a new, differentiating expectation

Ongoing societal changes are resulting in new customer expectations, with a focus on greater responsibility.

In the international Salesforce 2019 State of the Connected Customer report, 66% of French consumers said they placed more importance than the previous year on the ethical stance of companies. 85% of customers (Kantar-BearingPoint, 2019) believe it is important for the Company to behave responsibly and 47% say this approach has a bearing on their decision to buy from that Company.

A response based initially on the Company's societal commitment

The societal commitment of the Group itself is one of the expectations of the "responsible" customer:

- the 100% SRI offering and the KKBB crowdfunding are part of this;
- the products and services of the Services-Mail-Parcels business unit (particularly for corporate customers) are also relevant here, notably regarding the impact on the environmental and energy transition, from which its customers can benefit;

- likewise, the service provided by La Poste Mobile to recycle old phones with Recommerce enables customers to be players in the circular economy when purchasing a new smartphone;
- eco-sociodesign of parcel-mail-digital products and services (GeoPost: carbon calculator), Ecologic marking and carbon neutrality certificate (mainly corporate customers);
- two-thirds of items are now Lettres Vertes (green mail). Two-day delivery is sufficient for most customers and has a smaller environmental impact.

In terms of image, the societal commitment brings powerful and differentiating image benefits:

- La Banque Postale is now capitalising on a major asset with consumers which is reflected in its excellent customer survey rankings, such as the Save Life On Earth survey, in which La Banque Postale came third in the general ranking of a large panel of French companies and first among the banks. La Banque Postale also came second place in the banking sector on the www.moralscore.org website which asks web users to score companies on their responsible commitment;
- the Services-Mail-Parcels business unit was recognised for its many offerings and achievements in reducing greenhouse gases.

3.6 Risks and management plan

METHODOLOGY

The main risks identified in terms of Le Groupe La Poste's main extrafinancial commitments are in part a medium- and long-term extrapolation of problems that may arise in the focus areas highlighted in the Group's overall mapping of major risks.

Note that the Group's mapping of major risks includes a major risk of failure by the Group to adapt to environmental and societal issues. This means that any decisive component which would hinder attainment of the commitments in this area would fall within the Group's Risk Committee alerts system.

GOVERNANCE OF RISK MANAGEMENT

The subject of extrafinancial risks is increasingly embedded in the governance in place to monitor strategic and operational risks. The Group Risk Committee, which brings together representatives of the risk and control divisions of all business units and cross-entity activities, sets aside at least once a year a time to discuss CSR problems (notably the duty of vigilance and the fight against corruption).

As a result of the drive to better control operational risks (project structure introduced in June 2019 aiming for an improved system to manage operational risk for Le Groupe La Poste from mid-2020), extrafinancial commitments will be monitored more systematically and more in-depth. Twice-yearly reporting from 2020 on the main indicators for achieving these commitments will help monitor the risk of failing to honour these commitments.

RISKS IDENTIFIED (IN THE STATEMENT ON EXTRAFINANCIAL PERFORMANCE)

The identification and assessment work has resulted in a list of major extrafinancial risks generated by the activities of Le Groupe La Poste. In accordance with Article 225-102-1 of the French Commercial Code, the description of the risk, the policies and measures implemented to prevent the risk and the results obtained are summarised in the table below.

Risks arising from the Group's mapping of major risks	CSR issues	Management plan
Risks linked to health and safety at work	Acting as a responsible employer	See Section 3.1.1
Risks linked to the need to adapt jobs and skills to the Group's transformation priorities	Building the Group's future with employees	See Section 3.1.2
Physical risks linked to climate change and natural disasters	Responding to crisis situations, being useful to citizens	See Section 3.2.5
Risks relating to environmental transition	Adapting the physical resources used by the Group to protect the environment and provide products and services to facilitate the energy transition	See Section 3.2
Risks linked to the legal compliance of the Group's practices as regards personal data protection	Being a trustworthy digital operator	See Section 3.3
Risks linked to the legal compliance of the Group's practices as regards prevention of corruption	Exemplarity in ethics, the fight against corruption and respect for competition law	See Section 3.3
Risk of customer dissatisfaction	Improve the way that customers are listened to and how their satisfaction is monitored to better consider their changing expectations.	See Section 3.5
Risks linked to the transformation of the Group's networks that do not sufficiently meet stakeholder expectations	Support social and regional cohesion.	See Section 3.2

Therefore, the following risks, although they are not risks identified as major for Le Groupe La Poste, have been outlined as follows:

- risks linked to the duty of vigilance, risk of a potential human rights infringement not being detected or reported (see Section 3.1 and Appendix 1);
- risks linked to tax evasion (see Section 3.3).

The following issues, expected by law, are considered as immaterial for Le Groupe La Poste in view of its business model and activities:

- fight against food insecurity;
- food waste (see Section 3.2 on the circular economy);
- animal well-being;
- responsible, fair and sustainable nutrition.



4

CORPORATE GOVERNANCE

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4.1 Administrative bodies and Executive Management

4.1.1 BOARD OF DIRECTORS

Composition of the Board of Directors until 4 March 2020

In accordance with the provisions of Act No. 90-568 of 2 July 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, director appointed by decree;
- 11 directors appointed by the General Shareholders' Meeting upon a proposal by the French State and/or Caisse des Dépôts (CDC):
 - Chairman and Chief Executive Officer, Philippe Wahl, 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 and Serge Morvan,
 - 3 directors appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts: 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 and Annette Rivard.

The term of office for the members of the Board of Directors is five years. 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 Section 4.2.

Composition of the Board of Directors from 4 March 2020

In accordance with Article 10 of Act No. 90-568 of 2 July on the organisation of the public services of La Poste and France Télécom, as modified by Act No. 2019-486 of 22 May 2019 relating to the French Act for Business Growth and Transformation (PACTE):

- 11 directors appointed by the General Shareholders' Meeting upon a proposal by CDC: Marie-Pierre de Baillencourt, Virginie Chapron-du Jeu, Virginie Fernandes, Corinne Lejbowicz, Philippe Lemoine, Eric Lombard, Françoise Malrieu, Olivier Mareuse, Catherine Mayenobe, Olivier Sichel and Claire Waysand;
- 1 representative of the French State under the terms of Article 4 of Order No. 2014-948 of 20 August 2014 relating to governance and transactions on the share capital of state-owned companies: Charles Sarrazin;
- 2 directors appointed by the General Shareholders' Meeting upon a proposal by the French State on the basis of Article 6 of Order 2014-948, including the Chairman and Chief Executive Officer (as specified in Article 6.1.2 below): Franck Gervais and Philippe Wahl;
- 7 staff-elected directors: Alain Bard, Brigitte Jonon, Anette Rivard, Jean-Yves Lautridou, Hugo Reis, Yves Renaud and Jacques Dumans;
- 2 members representing the municipalities and their groups and one member representing users, both appointed by decree by the Minister of Economic and Financial Affairs, who attend Board of Directors meetings in a non-voting capacity: Agnès Le Brun, Mohamed Gnabaly and Martine Duriez.

The term of office for the members of the Board of Directors is five years. 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 Section 4.2.

FIVE 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, and 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 in 2019 / 9 in 2020
Number of meetings in 2019: 13
Attendance rate: 83.7%

Audit Committee

The role of the Audit Committee is to assist the Board of Directors in its analysis, for La Poste and the 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 the internal control procedures.

Number of members:
6 in 2019 / 5 in 2020
Number of meetings in 2019: 5
Attendance rate: 75%

Appointments, 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 in 2019 / 4 in 2020
Number of meetings in 2019: 2
Attendance rate: 87.5%

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 practice in this regard.

Number of members:
7 in 2019 / 7 in 2020
Number of meetings in 2019: 3
Attendance rate: 66.7%

Public Service Mission Committee

The Public Service Mission Committee is tasked with preparing the work of the Board of Directors and with making any recommendations to the Board of Directors on any issue concerning La Poste's public service missions, as defined by law and specified in the Public Service Agreement, namely:

- universal postal service;
- contribution to regional planning;
- press transport and delivery;
- banking accessibility.

In addition, the Public Service Mission Committee monitors the implementation of "La Poste's voluntary citizen commitments".

Number of members: 6
Created on 4 March 2020

Until 4 March 2020, the composition of the Board of Directors was as follows:

First name, last name	Gender parity	Age*	Appointment date	Appointment end date	Attendance	Committee
The French State represented by Mr Charles Sarrazin		46	08/09/2017	20/01/2021	100 %	  
M. Philippe Wahl		64	21/12/2015 ⁽¹⁾	20/01/2021	100 %	
			21/01/2016 ⁽²⁾	20/01/2021	100 %	
Mr Martin Ajdari		51	21/12/2015	20/01/2021	62.5 %	
Ms Marie-Pierre de Baillencourt		50	21/12/2015	20/01/2021	100 %	
Ms Corinne Lejbowicz		59	23/02/2016	20/01/2021	100 %	
Mr Philippe Lemoine		70	21/12/2015	20/01/2021	87.5 %	 
Ms Françoise Malrieu		74	21/12/2015	20/01/2021	100 %	
Ms Sophie Mantel		54	21/12/2015	20/01/2021	75 %	
Mr Serge Morvan		60	21/06/2018	20/01/2021	40 %	
Mr Eric Lombard Permanent representative of Caisse des Dépôts		61	13/12/2017	20/01/2021	87.5 %	
Ms Virginie Chapron-du Jeu		58	14/11/2017	20/01/2021	100 %	 
Mr Olivier Sichel		52	22/02/2018	20/01/2021	75 %	 
Ms Hélène Carnet		68	21/12/2015	20/01/2021	75 %	
Ms Agnès Le Brun		58	07/11/2017	20/01/2021	37.5 %	
Mr Alain Bard		58	21/12/2015	20/01/2021	87.5 %	
Mr Jacques Dumans		65	21/12/2015	20/01/2021	100 %	 
Ms Brigitte Jonon		59	21/12/2015	20/01/2021	87.5 %	 
Mr Jean-Yves Lautridou		57	21/12/2015	20/01/2021	100 %	
Mr Hugo Reis		47	30/06/2018	20/01/2021	100 %	
Mr Yves Renaud		64	21/12/2015	20/01/2021		
Ms Annette Rivard		52	21/12/2015	20/01/2021	87.5 %	

* Age at the date of publication of the document  Audit Committee  Appointments, Compensation and Governance Committee

 Strategy and Investment Committee  Quality and Sustainable Development Committee  Chairman of the committee

(1) Appointed by the Combined General Meeting/Director proposed by the shareholders.

(2) Appointed Chairman and Chief Executive Officer by decree.

* Age at the date of publication of the document.

As of 4 March 2020, the composition of the Board of Directors is as follows:

First name, last name	Gender parity	Age*	Appointment date	Appointment end date	Committee
Mr Charles Sarrazin		46	04/03/2020	30/06/2025	  
Mr Philippe Wahl		64	04/03/2020	30/06/2025	
Mr Franck Gervais		43	04/03/2020	30/06/2025	 
Ms Marie-Pierre de Baillencourt		50	04/03/2020	30/06/2025	 
Ms Virginie Chapron-du Jeu		59	04/03/2020	30/06/2025	 
Ms Virginie Fernandes		46	04/03/2020	30/06/2025	
Ms Corinne Lejbowicz		60	04/03/2020	30/06/2025	
Mr Philippe Lemoine		71	04/03/2020	30/06/2025	 
Mr Eric Lombard		62	04/03/2020	30/06/2025	
Ms Françoise Malrieu		74	04/03/2020	30/06/2025	
Mr Olivier Mareuse		57	04/03/2020	30/06/2025	
Ms Catherine Mayenobe		56	04/03/2020	30/06/2025	
Mr Olivier Sichel		53	04/03/2020	30/06/2025	
Ms Claire Waysand		51	04/03/2020	30/06/2025	
Mr Alain Bard		58	21/12/2015	20/01/2021	 
Mr Jacques Dumans		65	21/12/2015	20/01/2021	 
Ms Brigitte Jonon		59	21/12/2015	20/01/2021	  
Mr Jean-Yves Lautridou		57	21/12/2015	20/01/2021	
Mr Hugo Reis		47	30/06/2018	20/01/2021	
Mr Yves Renaud		64	21/12/2015	20/01/2021	
Ms Annette Rivard		52	21/12/2015	20/01/2021	

* Age at the date of publication of the document  Audit Committee  Appointments, Compensation and Governance Committee
 Strategy and Investment Committee  Quality and Sustainable Development Committee  Chairman of the committee

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 2019, are described in Section 4.2 Operation of the administrative bodies.

Profiles of the members of the Board of Directors

The bios below indicate the names of the directors appointed to the Board of Directors on 4 March 2020 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



CHARLES SARRAZIN

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.

Director

Chairman 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:

30/06/2025

Attendance rate at 2019 Board meetings: 100%

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
- ARTE GEIE member of the French delegation to the General Shareholders' Meeting

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

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. 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.

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:

30/06/2025

Attendance rate at 2019 Board meetings: 100%

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
- Chief Executive Officer 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

Director appointed by the General Shareholders' Meeting upon a proposal by the French State



FRANCK GERVAIS

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Chief Operating Officer for Europe of the Accor group.

Franck Gervais is a graduate of École Polytechnique and a civil engineer from École des Ponts et Chaussées (France's national school of bridges and highways). He started his career in 2001 at Direction Départementale de l'Équipement des Alpes-Maritimes (the Alpes-Maritimes Regional Equipment Department) where he was in charge of air bases. In 2004, he was appointed Advisor to the French Minister of Equipment, Transport and Tourism. He joined SNCF (the French national railway company) in 2006 as director of the Chairman's Office, before heading up Line H of the Transilien regional railway service.

Chief Executive Officer of Thalys from 2011 to 2014, he led the transformation of Thalys into a full-function railway company, and was appointed CEO of voyages-sncf.com from 2014 to 2017 where, in particular, he carried out the Group's key projects in the fields of customer experience and internationalisation.

He joined Accor's Executive Committee in November 2017.

Director
Chairman of the Public Service Mission Committee
Member of the Quality and Sustainable Development Committee

Date of birth: 17/12/1977

Business address:

Accor
Tour Sequana
82 rue Henri Farman
CS 20077
92445 Issy-les-Moulineaux Cedex

Date of first appointment:

04/03/2020

Term of office expiry date:

30/06/2025

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

- Permanent representative of SOPARFI 1, itself a member of the Supervisory Board of Société d'Exploitation des Résidences Hôtelières Rail (SERHR)
- Supervisory Board of Orbis

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



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 Committee of the Financing and Investment Bank – BNP Paribas (1999-2002), manager of Corporate and Institution Relations – BNP Paribas (2002-2004), Chief Operating Officer of BNP Paribas Cardif (2004-2006), Chairman and Chief Executive Officer of BNP Paribas Cardif (2006-2013), Chief Operating 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 Appointments, 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:

30/06/2025

Attendance rate at 2019 Board meetings: 70%

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" Fund
- Chairman of the Management Board of the Fonds de réserve pour les retraites

Listed companies

- Director of CNP Assurances
- Member of the Appointments and Compensation 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 Fédération Française de l'Assurance

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



MARIE-PIERRE DE BAILLIENCOURT

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 multibrand 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.

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: 30/06/2025

Attendance rate at 2019 Board meetings: 90%

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 Gaztransport & Technigaz
- Member of the Audit and Risks Committee of Gaztransport & Technigaz
- Member of the Appointments and Compensation Committee of Gaztransport & Technigaz
- Executive Vice-President of Development at DCNS Group
- Member and Chairwoman of the Board of Directors of DCNS Coopération
- Chairwoman of the Board of Directors of DCNS Australia
- Member of the Supervisory Board of La Banque Postale and of the Supervisory Board's Special Committees
- Member of the Strategic Committee of La Banque Postale
- Chairwoman of the Board of Directors of DCNS Malaysia

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



VIRGINIE CHAPRON-DU JEU

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Ms Chapron-du Jeu successively served as Head of the IXIS-CIB Risk Management and Control Department, Head of the Strategy, Financing and General Affairs 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

Member 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:
30/06/2025

Attendance rate at 2019 Board meetings: 100%

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 SA
- Director of CDC GPI SA and CDC GPII
- Chairwoman of Novethic
- Director of RTE and CTE (Electricity transport joint-venture)
- Chairwoman of Alter-Egales
- Director of La Poste

Listed companies

- Director of CNP Assurances

Terms of office expired in the last five years

- CDC Placement
- AEW Europe
- Director of Humanis-Retraite Arrco

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



VIRGINIE FERNANDES

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Since January 2017, Virginie Fernandes has been the Head of Management of Strategic Equity Investments at Caisse des Dépôts.

A graduate of École Supérieure de Commerce de Rouen and of Société Française des Analystes Financiers, Virginie Fernandes began her career in 1998 at Ernst & Young as a financial auditor

In 2000, she became a financial analyst, first at Oddo Securities, then at Crédit Agricole Cheuvreux.

She joined the Caisse des Dépôts Group in 2010 within the Finance Department of the Strategic Investment Fund. In 2012, she joined the Group's Finances, Strategy and Equity Investments Division, where she in 2013 became Head of the Real Estate, Housing and Tourism Unit.

Director

Member of the Strategy and Investment Committee

Date of birth: 30/09/1974

Business address:
Caisse des Dépôts
56, rue de Lille
75356 Paris 07 SP

Date of first appointment:

04/03/2020

Term of office expiry date:

30/06/2025

LIST OF TERMS OF OFFICE AND OTHER FUNCTIONS IN FRENCH AND/OR FOREIGN COMPANIES

Current terms of office

Non-listed companies

- BPI France Investissement
- BPI France Participations
- Transdev Group
- SFIL

Listed companies

- Compagnie des Alpes
- Icade

Terms of office expired in the last five years

- CDC Elan PME
- SCET
- Foncière Publique Solidaire
- CDC Habitat/SNI
- Santoline
- BPI France SA
- Holdco SIIC (Chairman)

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



CORINNE LEJBOWICZ

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 startup. 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 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.

Director

Member of the Strategy and Investment Committee

Date of birth: 17/04/1960

Business address: NA

Date of first appointment: 23/02/2016

Term of office expiry date: 30/06/2025

Attendance rate at 2019 Board meetings: 90%

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

- Director of La Française des Jeux

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

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



PHILIPPE LEMOINE

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 GDFSuez, 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.

Director

Chairman of the Appointments, 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:
30/06/2025

Attendance rate at 2019 Board
meetings: 100%

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
- Chairman of Forum d'Action Modernités
- Co-Chairman of the Supervisory Board of GS1 France
- Member of the Prospective Committee of CNIL
- Chairman of Nouvelle Origine

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
- Director of the ADIE Foundation
- Member of the Board of CNIL and CADA

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



FRANÇOISE MALRIEU

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 Head 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 and acquisitions at Lazard Frères (1987-2001), where she was a director

and led the Mergers and Acquisitions team, first as a manager, later as a partner-manager, 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).

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: 30/06/2025

Attendance rate at 2019 Board meetings: 100%

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

- 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

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



OLIVIER MAREUSE

BIOGRAPHY – PROFESSIONAL EXPERIENCE

After serving as the Technical and Financial Director of the Collective Insurance Department of CNP Assurances from 1989 to 1990, he became a Special Advisor to the Chief Executive Officer of CNP Assurances in 1991. In 1993, he was appointed Director of Strategy, Cost Accounting and Shareholder Relations, in charge of the initial public offering of CNP Assurances. In 1998, he became the Chief Investment Officer of CNP Assurances.

From 2010 to 2016, Olivier Mareuse was the Finance Director of Caisse des Dépôts group.

Olivier Mareuse has been the Director of Savings Funds at Caisse des Dépôts since September 2016 and the Director of Asset Management since June 2018. He is also a member of the Executive Committee of Caisse des Dépôts group.

Director

Member of the Audit Committee

Date of birth: 24/10/1963

Business address:
Caisse des Dépôts
56, rue de Lille
75356 Paris 07 SP

Date of first appointment:
04/03/2020

Term of office expiry date:
30/06/2025

LIST OF TERMS OF OFFICE AND OTHER FUNCTIONS IN FRENCH AND/OR FOREIGN COMPANIES

Current terms of office

Non-listed companies

- AF2i (French Association of Institutional Investors), Director, Vice Chairman and member of the Executive Committee
- Société Forestière de la Caisse des Dépôts (SA), Director
- CDC Investissement Immobilier, Director
- CDC Croissance, Director

Listed companies

- Icade, Director and member of the Audit and Risks Committee
- Veolia Environnement, permanent representative of Caisse des Dépôts, Director

Terms of office expired in the last five years

- AEW Europe (SA), Director (end of term of office in July 2016)
- CDC Infrastructure (SA), Director (end of term of office in August 2017)
- CDC International Capital (SA), Director, member of the Investment Committee and the Audit and Accounts Committee (end of term of office in December 2018)
- Qualium Investissement (SAS), Permanent representative of Caisse des Dépôts, Director (end of term of office in November 2017)

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



CATHERINE MAYENOBE

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Graduate of École Nationale d'Administration (Class of 1990) and of the Program for Senior Managers in Government of the Kennedy School at Harvard university (1993), Auditor at the French Court of Auditors (Cour des comptes), then Project Leader for its First Presidents (1990-1996), Financial and Administrative Director, then Deputy Chief Executive Officer at Compagnie nationale du Rhône (1996-2003), Public Auditor at the French Court of Auditors (Cour des comptes), Deputy Reporter for the Commission for Transparency in Politics and Deputy Reporter for the French Constitutional Council (2003-2007).

Master Auditor, Delegate Secretary General at the French Court of Auditors (Cour des comptes) (2007-2011). Deputy Regional and Local Development and Network Director at Caisse des Dépôts and Director of the Programme d'investissements d'avenir mission at Caisse des Dépôts and Director of the Paris capitale numérique préfiguration mission (2011). Director of the Office of the Chairman and CEO of Caisse des Dépôts (2013), General Secretary of Caisse des Dépôts group, member of the Executive Committee since 2014, in charge of the functional coordination of the Risk Department, the Permanent Control and Compliance Department, the Legal Department, and the associated divisions since 2018.

Director

Members of the Public Service Mission Committee

Date of birth: 13/10/1964

Business address:
Caisse des Dépôts
56, rue de Lille
75356 Paris 07 SP

Date of first appointment:

04/03/2020

Term of office expiry date:

30/06/2025

LIST OF TERMS OF OFFICE AND OTHER FUNCTIONS IN FRENCH AND/OR FOREIGN COMPANIES

Current terms of office

Non-listed companies

- BPI participation et investissements
- Société Immobilière du Théâtre des Champs Élysées
- RTE
- Chairwoman of the Board of Directors of the Cité de la Céramique de Sèvres et de Limoges

Listed companies

- None

Terms of office expired in the last five years

- Director of Transdev (resigned on 20 December 2018)
- Member of the Supervisory Board of Compagnie nationale du Rhône (resigned on 28 June 2016)

Director appointed by the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



OLIVIER SICHEL

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, of which 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.

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

Date of first appointment:
22/02/2018

Term of office expiry date:
30/06/2025

Attendance rate at 2019 Board meetings: 80%

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 the General Shareholders' Meeting upon a proposal by Caisse des Dépôts



CLAIRE WAYSAND

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Claire Waysand has been an Executive Vice-President and the General Secretary of the Engie group since October 2019. Inspector General of Finance since 2016, Director of Radio France (2017-2019), Claire Waysand was previously Director of the Office of Michel Sapin, Minister of Finance and Public Accounts (2014-2016), Deputy Director of the Office of Jean-Marc Ayrault, Prime Minister, and Deputy Director of the Treasury. Claire Waysand began her career at the French National Institute of Statistics and Economic Studies (INSEE), before holding various positions within the French Treasury Department, acquiring an extensive experience in Europe – she served as a member of the European Economic and Financial Committee and was a director of the European Investment Bank (EIB) – and internationally, including in the International Monetary Fund, where she worked for three years.

Claire Waysand is a former student of École Polytechnique and a graduate of École Nationale de la Statistique et de l'Administration Économique and of the London School of Economics (master's of science in economics). She also holds a PhD in economics.

Director

Date of birth: 04/07/1969

Business address:

ENGIE

1 place Samuel de Champlain
Faubourg de l'Arche
92930 Paris La Défense Cedex

Date of first appointment:

04/03/2020

Term of office expiry date:

30/06/2025

LIST OF TERMS OF OFFICE AND OTHER FUNCTIONS IN FRENCH AND/OR FOREIGN COMPANIES

Current terms of office

Non-listed companies

- None

Terms of office expired in the last five years

- Director of Société nationale de programme Radio France as of 7 March 2017, until: October 2019
- Director of Consortium de réalisation (CDR) as of 23 March 2017, until: October 2019

Staff-elected director



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

Member of the Public Service Mission 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 2019 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

Non-listed companies

- Director of La Poste

Listed companies

- None

Terms of office expired in the last five years

- None

Staff-elected director



JACQUES DUMANS

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.

Director**Member of the Strategy and Investment 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 2019 Board

meetings: 80%

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**Non-listed companies**

■ Director of La Poste

Listed companies

■ None

Terms of office expired in the last five years

■ None

Staff-elected director



BRIGITTE JONON

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).

Director

Member of the Audit Committee

Member of the Quality and Sustainable Development Committee

Member of the Appointments, Compensation and Governance Committee

Date of birth: 10/08/1960

Business address:
La Banque Postale
Operations Department
Project manager
Case postale O 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 2019 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

- Director of La Poste

- None

Listed companies

- None

Staff-elected director



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 2019 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

Listed companies

■ None

Staff-elected director



HUGO REIS

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 and 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.

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

Date of first appointment:
30/06/2018

Term of office expiry date:
20/01/2021

Sponsored by SUD

Attendance rate at 2019 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

Listed companies

■ None

Staff-elected director



YVES RENAUD

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 Communication 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 (Île-de-France).

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 councillor 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).

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 2019 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

Listed companies

■ None

Staff-elected director



ANNETTE RIVARD

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.

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 2019 Board meetings: 80%

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

Listed companies

■ None

Three non-voting members were appointed by decree on 3 March 2020.

One represents consumers, the other two represent the municipalities of France and their groups.

Non-voting members nominated by decree



MOHAMED GNABALY

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Aged 35, married, father of three children, non-profit activist, founding director of a social-economy company, Mayor of L'Île-Saint-Denis and Vice-Chairman of the French Mayors' Association. A native of L'Île-Saint-Denis (93), Mohamed Gnabaly holds a master's degree in finance from a business school and is an Auditor for the Institute of Higher Studies in Spatial Planning and Development in Europe.

After several work experiences in investment banking, he co-founded the Novaedia insertion cooperative in the heart of Seine-Saint-Denis in 2012, which develops an organic, local and solidarity-based food loop and provides training to individuals for future professions in urban agriculture, catering and logistics. At the same time, he is the Mayor in the municipality of L'Île-Saint-Denis, where he still resides, as well as a Vice-Chairman of the French Mayors' Association.

Non-voting member Member of the Public Service Mission Committee

Date of birth: 04/03/1985

Business address:
Mairie de L'Île-Saint-Denis
1, rue Méchin
93450 L'Île-Saint-Denis

Mandats:

Date of first appointment:
04/03/2020

Term of office expiry date:
30/06/2025

LIST OF TERMS OF OFFICE AND OTHER FUNCTIONS IN FRENCH AND/OR FOREIGN COMPANIES

Current terms of office

Non-listed companies

- Mayor of L'Île-Saint-Denis, General Secretary of the Mayors' Association of Department 93, Vice-Chairman of the French Mayors' Association
- Chairman of the local MIJ mission, Director of the French Committee for the Environment and Sustainable Development (Comité 21)
- Chief Executive Officer of SCIC SA NOVAEDIA
- Director of La Poste

Terms of office expired in the last five years

- None

Non-voting members nominated by decree



AGNÈS LE BRUN

BIOGRAPHY – PROFESSIONAL EXPERIENCE

A classics graduate, Agnès Le Brun 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.

Non-voting member Member of the Public Service Mission Committee

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:
30/06/2025

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

- Director of La Poste

- None

Listed companies

- None

Non-voting members nominated by decree



MARTINE DURIEZ

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Degree in educational sciences in 1971; school teacher from 1972 to 2001. In 2002, graduate in design and management of professional training; from 2002 to 2010, professional trainer for adults.

Chairman of the Federation of Rural Families in Pas-de-Calais.

**Non-voting member
Member of the Public Service
Mission Committee and
the Quality and Sustainable
Development Committee**

Date of birth: 05/07/1949

Business address:

Familles Rurales
7 Cité d'Antin
75009 Paris

Date of first appointment:

04/03/2020

Term of office expiry date:

30/06/2025

LIST OF TERMS OF OFFICE AND OTHER FUNCTIONS IN FRENCH AND/OR FOREIGN COMPANIES

Current terms of office

Non-listed companies

- Member of the Board of Directors and member of the Executive Office of Fédération Nationale Familles Rurales
- Member of the Board of Directors of UROC Hauts-de-France (Regional Union of the Consumers' Organisation)
- Member of the Regional Committee of France Asso Santé Hauts-de-France
- Member of the Board of Directors of Institut Régional Éducation et Prévention Santé (IREPS)

Terms of office expired in the last five years

- Chairman of Fédération Régionale Hauts-de-France Familles from 2016 to 2019
- Chairman of Fédération Familles Rurales du Pas-de-Calais
- Member of the Board of Directors of CPAM Artois Pas-de-Calais (local health insurance fund) from 2010 to 2018
- Alternate member of the Board of Directors of CAF Pas-de-Calais (family allowance fund) from 2009 to 2014
- Member of the Board of Directors of Union Départementales des Associations Familiales du Pas-de-Calais
- User representative to Hospitalisation à Domicile Artois Ternois (home hospital care) (2009-2014)

Government representative



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 the Chief of Staff of the Director of Aeronautic Programmes. 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 Chief of Staff 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 representative

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

4

Head of the French State's Economic and Financial Control Unit for La Poste



EMMANUEL CHARRON

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Elève-administrateur de la Ville de Paris at École Nationale d'Administration (ENA) (class of 1985-1987), Head of the Paris Social Services and Transport Budget Offices (1987-1990), Head of the Budget Summary Office (1990-1992) at the Directorate of Finance and Economic Affairs (DFEA) of the City of Paris, Deputy General Secretary of the City of Nice (1992-1995), Deputy Director of Management Control (1996-1997), Deputy Director of Finance (1997-2001), Director of Finance and Economic Affairs (2001-2002) at the City of Paris DFEA, General Inspector of the City of Paris (2002), Technical Adviser in the office of Jean-Pierre Raffarin (prime Minister) (2002-2005), President of the Interministerial Mission for Repatriates (MIR) (2005-2007), Controller General for Economic and Financial Affairs (2007-2010),

Member (2007-2010) of the Mission du Service du Contrôle Général Économique et Financier (CGEFI), Social Security and Social Action, then the Social Security Financing and Social Cohesion Mission, General Secretary of the Conseil de l'Immobilier de l'État (2010), Head of the Economic and Financial Control Mission (since 2016), Government representative to Crédit Foncier de France (2016-2017) and to Societies for the Financing of the Film and Audiovisual Industry (SOFICA) (since 2017), Head of the Mission for the Control of Financial Activities (since 2017), General Secretary of the Regulated Savings Observatory (since 2017).

Head of the French State's Economic and Financial Control Unit for La Poste

Date of birth: 20/10/1962

Business address:
La Poste
9, rue du Colonel-Pierre-Avia
Case postale A 506
75757 Paris Cedex 15

4.1.2 EXECUTIVE MANAGEMENT

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 Act 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.

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 and asset disposals (including financial and 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 b), 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.

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
Boris Winkelmann	Executive Vice-President Chairman of GeoPost
Nathalie Collin	Executive Vice-President in charge of Digital Services and Communication
Valérie Decaux	Executive Vice-President Head of Group 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



Chairman and Chief Executive Officer

Date of birth: 11/03/1956

PHILIPPE WAHL

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.



**Executive Vice-President
General Secretary of Le Groupe
La Poste
Chairman of Poste Immo**

Date of birth: 09/09/1958

PHILIPPE BAJOU

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 and 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.



**Executive Vice-President
Chief Operating Officer of La
Poste Network**

Date of birth: 13/10/1962

ANNE-LAURE BOURN

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.



**Executive Vice-President
in charge of Finance and
Development**

Date of birth: 25/08/1960

YVES BRASSART

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 and 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.



**Executive Vice-President
Chairman of GeoPost**

Born in 1970

BORIS WINKELMANN

BIOGRAPHY – PROFESSIONAL EXPERIENCE

Boris Winkelmann has been the Chairman and CEO of DPD Germany since March 2014. Before that, as Chief Operating Officer (COO), he had been responsible for the operational management of DPD Germany since March 2013. Boris Winkelmann has 20 years' experience in the express parcel and mail industry. From 1994, he first occupied a number of management positions at the head office of the TNT Express group before joining GeoPost in 1999.

In this wholly-owned subsidiary of La Poste, Mr Winkelmann coordinated the acquisition of a majority stake in DPD in Germany through to the completion of the process in 2001. At group level he was also partially responsible for the international expansion of the majority shareholder of DPD. Boris Winkelmann then went on to set up and manage the online shipping service LetMeShip, the market research and information service CEP-Research, and the mergers and acquisitions consultancy service ITA Consulting. Boris Winkelmann has particularly close links with France where he undertook most of his studies. After studying management at École Supérieure de Commerce de Bordeaux, he completed his studies with a Master of Finance degree from Pontificia Comillas University of Madrid. He speaks fluent French, Spanish, English and German.



**Executive Vice-President in
charge of Digital Services and
Communication**

Date of birth: 26/09/1964

NATHALIE COLLIN

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 Financial Director in 1990. In 1993, Nathalie Collin became the Financial Director 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 Communication for Le Groupe La Poste. On 9 February 2015, she became Executive Vice-President in charge of Digital Services and Communication.



VALÉRIE DECAUX

BIOGRAPHY – PROFESSIONAL EXPERIENCE

A graduate of Sup de Co Le Havre, Valérie Decaux joined the Human Resources Department of Nouvelles Messageries de la Presse Parisienne (Presstalis) in 1990, where she held various responsibilities for 10 years. In 2001, she joined Vediorbis/Randstad where she became Head of Human Resources and a member of the Management Committee in 2003.

In 2008, she was appointed Group Head of Human Resources and member of the Executive Committee of the Saur group. In 2014, Valérie Decaux joined the Monoprix retail chain (Casino group) to become Group Head of Human Resources, Communication and CSR and a member of the Executive Committee. She joined La Poste in September 2019 as a Group Executive Vice-President and member of the Executive Committee, in charge of human resources and labour relations.

**Executive Vice-President
Head of Group Human Resources**

Date of birth: 07/07/1967



PHILIPPE DORGE

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.

**Executive Vice-President
Chief Operating Officer of the
Services-Mail-Parcels business
unit**

Date of birth: 06/04/1966



Executive Vice-President in charge of Institutional Strategy and Regulatory Affairs

Date of birth: 07/03/1963

NICOLAS ROUTIER

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) and 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, Nicolas Routier 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 regulatory affairs 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.



**Executive Vice-President
Chairman of the Management
Board of La Banque Postale**

Date of birth: 18/11/1957

RÉMY WEBER

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.

4.1.3 ABSENCE OF FAMILY TIES, CONVICTIONS AND CONFLICTS OF INTEREST

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.

Absence of convictions for fraud handed down to the members of the 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.

Conflicts of interest within the administrative bodies and Executive Management

To La Poste's knowledge, and as at the date of filing of this universal 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."

4.2 Operation of the administrative bodies

4.2.1 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 the Group's website, the Board of Directors sets out La Poste's general policies and business priorities of La Poste and its Group. The latter includes, under these rules, the 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 activities and monitors their implementation.

Any significant Group transaction outside the stated strategy, or which 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 La Poste's draft annual and consolidated financial statements, forecasts and results in terms of the objectives set out in the Public Service Agreement between the French State and La Poste and in its strategic plan. The Chairman informs the Board whether the defined objectives have been achieved and, as applicable, presents suitable measures to reduce the actual or expected shortfall.

The strategic progress made by the Group and its business units, in terms particularly of the multi-annual Business Plan (as defined below), is examined at least once a year by the Board of Directors. The Board of Directors approves the Business Plan, the Group's annual budget, the related financing plan and the dividend-paying capacity, as well as the key objectives of the Group's financial framework.

For the purposes of these internal rules of procedure, the term "Business Plan" refers to the rolling consolidated business plan drawn up by La Poste and the subsidiaries included in La Poste's scope of consolidation, over five (5) years, the first year corresponding to the budget of the calendar year following the year in which Le Groupe La Poste's medium-term plan is submitted to La Poste's Board of Directors, which reflects the strategic priorities and financial objectives of La Poste and its subsidiaries over the period in question, as presented each year to La Poste's Board of Directors in accordance with these internal rules of procedure.

Each quarter, the Chairman reports to the Board of Directors on the monitoring of the Group's business activities and the key operating performance indicators.

Twice a year, the Board of Directors reviews a report on the Group's main 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 in accordance with Article 1.4 of these internal rules.

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 and its consolidated subsidiaries.

The following transactions must be referred to the Board of Directors for prior approval:

- a) the proposed appointment of the Chairman and Chief Executive Officer of La Poste, in accordance with Article 11 of the Act of 1990 as modified by Act No. 2019-486 of 22 May 2019 relating to the French Act for Business Growth and Transformation (PACTE) and the provisions of La Poste's Articles of Association;
- b) the formulation of a proposal to dismiss or oppose the dismissal of La Poste's Chairman and Chief Executive Officer, subject to the provisions of La Poste's Articles of Association;
- c) the adoption of the Business Plan, Le Groupe La Poste's consolidated annual budget and the related financing plan and the dividend-paying capacity, including any material change thereto;
- d) any transaction (including any material change thereto), carried out by La Poste or any of its consolidated subsidiaries (or to which La Poste or any of its consolidated subsidiaries is party), 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 and its consolidated subsidiaries as part of their investment policy), capital restructuring (in particular mergers, spin-offs or asset transfers, with the exception of operations within Le Groupe La Poste and which do not involve the transfer of an economic interest in favour of third parties or additional investment by Le Groupe La Poste which fall within the scope of (vi) below) for a unit amount exceeding €100,000,000 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 consolidated subsidiaries and any off-balance sheet commitments;

- e) any transaction (including any material change thereto) involving a business combination or disposal, carried out by La Poste or any of its consolidated subsidiaries (or to which La Poste or any of its consolidated subsidiaries is party), for a unit amount exceeding €100,000,000 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 its consolidated subsidiaries and any off-balance sheet commitments; any strategic partnership, any transaction (including any material change thereto) involving the issue of equity securities or financial instruments convertible to equity carried out by La Poste or any of its consolidated subsidiaries (or to which La Poste or any of its consolidated subsidiaries is party), for a unit amount exceeding €75,000,000 per transaction;
- f) any investment or divestment transaction (including any material change thereto) not covered by the decisions provided for in paragraphs (iv) and (v) above, carried out by La Poste or any of its consolidated subsidiaries (or to which La Poste or any of its consolidated subsidiaries is party) for a unit amount exceeding €200,000,000 per transaction; this threshold including, as the case may be, any off-balance sheet commitments;
- g) any transaction (including any material change thereto) involving cash or hedging management carried out by La Poste or any of its consolidated subsidiaries that has a material impact on Le Groupe La Poste's consolidated balance sheet (and in particular if it involves a cumulative amount over a period of 12 consecutive months exceeding €700,000,000), excluding:
 - any cash or hedging transactions made by La Banque Postale or its consolidated subsidiaries as part of the normal course of business in connection with their banking and insurance activities, and
 - any cash management or hedging transactions made by La Poste and its consolidated subsidiaries (other than La Banque Postale and its own consolidated subsidiaries) falling within the scope of their day-to-day management;
- h) with regard to long-term borrowings, the setting, when voting on the budget, of a maximum amount for the coming year, excluding La Banque Postale and its consolidated subsidiaries;
- i) any transaction (including any material change thereto) involving the securitisation of financial or commercial assets carried out by La Poste or any of its consolidated subsidiaries (excluding La Banque Postale and its own consolidated subsidiaries) for a unit amount exceeding €100,000,000 per transaction;
- j) any loan or debt management transaction carried out by La Poste or its consolidated subsidiaries that has a significant impact on Le Groupe La Poste's consolidated balance sheet (and in particular if it involves a cumulative amount over a period of 12 consecutive months exceeding €1,000,000,000), or any issue of debt securities or hybrid share capital by La Banque Postale or its own consolidated subsidiaries that qualifies as Tier 1 or Tier 2 share capital (additional equity capital) for an amount exceeding €500,000,000, with the exception of any debt issue or debt management transaction made by La Banque Postale or its consolidated subsidiaries as part of the normal course of business in connection with their banking and insurance activities;
- k) any new direction for the business activities of La Poste or any of its consolidated 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 consolidated subsidiaries;
- l) the setting of the dividend payment policy of La Poste or any of its consolidated subsidiaries and any change to or development in the dividend payment policy;
- m) any decision to bring legal (including arbitration), regulatory or administrative proceedings by La Poste or any of its consolidated 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 consolidated subsidiaries is party, for a unit amount exceeding €50,000,000, 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, and with the exception of litigation arising in the normal course of business of La Banque Postale or its consolidated subsidiaries in connection with their banking and insurance activities;
- n) setting of a maximum amount for the coming year, when voting on the budget, as well as the provision by La Poste or any of its consolidated 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, for a unit amount exceeding €100,000,000 per transaction, excluding transactions by La Banque Postale with its customers or those involving customer commitments, and excluding transactions carried out by CNP Caution;
- o) any decision to carry out a public offering of financial instruments issued by La Poste or any of its consolidated subsidiaries, excluding programmes already approved as part of the budget approval by the Board of Directors;
- p) any material change or planned material change to Le Groupe La Poste's accounting practices, it being specified that, in the event of changes which fall within the scope of a legal or regulatory obligation, the consultation would relate to the means of implementation of this legal or regulatory obligation by La Poste;
- q) any decision made by La Poste (or, where applicable, one of its subsidiaries which could come to hold control of La Banque Postale) at a General Shareholders' Meeting of La Banque Postale in the event of a disagreement between La Banque Postale's Management Board and La Banque Postale's Supervisory Board concerning the meaning of the votes that the latter or its consolidated subsidiaries intend to exercise at the General Shareholders' Meetings of CNP Assurances; any amendment to the provisions of La Banque Postale's Articles of Association concerning (i) the procedure applicable to the exercise of voting rights by La Banque Postale or its consolidated subsidiaries at the General Shareholders' Meetings of CNP Assurances, and (ii) the presence on La Banque Postale's Supervisory Board of a member of La Poste's Board of Directors appointed on the proposal of Caisse des Dépôts (CDC) by the General Shareholders' Meeting of La Banque Postale.

4.2.2 ACTIVITY OF THE BOARD OF DIRECTORS IN 2019

The Board of Directors meets as often as Company interests require, and at least six times a year. It may also meet if more than one third of its members request to convene a meeting and present an agenda.

The Board met ten times in 2019. Board members' average attendance at these meetings was 80%. Three half-day strategy seminars were also organised during the year.

In 2019, the Board of Directors issued opinions on the below items in particular:

- the annual and half-year consolidated financial statements;
- the 2020 budget;
- various 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 strategic equity alliance project concerning Caisse des Dépôts and Le Groupe La Poste.

4.2.3 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 26 June 2019 based on the results of a questionnaire answered by all directors.

4.2.4 BOARD COMMITTEES WITHIN THE BOARD OF DIRECTORS

To fulfil its duties, the Board of Directors has set up five 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 the 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, Strategy and Investment Committee, Quality and Sustainable Development Committee, Compensation and Governance Committee and Public Service Mission Committee. Furthermore, an ad hoc committee meets to prepare for Board of Directors' meetings a day or two before they take place.

Audit Committee

The Audit Committee is composed of:

- Chairman: Charles Sarrazin (French State)
- Virginie Chapron Du Jeu (CDC)

- Olivier Mareuse (CDC)
- Brigitte Jonon
- Jean-Yves Lautridou

The Audit Committee:

- (a) 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;
- (b) 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;
- (c) reviews La Poste's financial disclosure policy and the main aspects of this disclosure;

- (d) carries out a prior review of the 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 and management reports and their supporting documents;
- (e) with the help of the Finance 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; approves the provision by the Statutory Auditors of services other than the certification of the accounts and other than prohibited services;
- (f) periodically reviews the progress of the Statutory Auditors' work and their recommendations;
- (g) reviews the Chairman's report on the internal control procedures and risk management;
- (h) assesses the effectiveness of the internal control and risk management systems and, in relation to this, the 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;
- (i) reviews the annual management report of La Poste's Purchases Commission;
- (j) carries out a periodic review of the major unresolved disputes and any other issues of a financial, accounting, legal or any other nature that could generate risks or threats;
- (k) reviews the nature and scope of material off-balance sheet commitments;
- (l) makes any recommendations to the Board of Directors on the matters above;
- (m) and more generally, reports any significant issues that could require the Board's special attention to the Board of Directors.

The Board of Directors may also ask the Audit Committee to carry out any other regular or ad hoc assignments; in addition, the committee may suggest that the Board of Directors consult it on any specific issue that it considers necessary or relevant.

The Audit Committee met five times in 2019; the average Board member attendance was 75%. During 2019, in addition to recurring matters, such as examination of the annual and half-year financial statements, risk mapping, scheduling of audits and the annual report by the purchasing committee, the committee examined: the management of credit risks by la Banque Postale; management of la Banque Postale's prudential ratios, regulatory changes (IFR16), application of the GDPR. The accounting implications of the strategic equity alliance between CDC and la Poste were also discussed.

Strategy and Investment Committee

The Strategy and Investment Committee is composed of:

- Chairman: Françoise Malrieu (CDC)
- Corinne Lejbowicz (CDC)
- Olivier Sichel (CDC)
- Virginie Fernandes (CDC)
- Charles Sarrazin (French State)
- Alain Bard
- Jacques Dumans
- Hugo Reis
- Yves Renaud

With a view to preparing the work of the Board of Directors and offering any useful opinion or recommendations, the Strategy and Investment 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 thirteen times in 2019; the average Board member attendance was 83.7%. In 2019, the committee focused on the acquisition and disposal projects of the Services Mail Parcels business unit, GeoPost, the Digital Services business unit and la Banque Postale. It also examined the strategic aspects of the strategic equity alliance between CDC and la Poste.

Quality and Sustainable Development Committee

The Quality and Sustainable Development Committee is composed of:

- Chairman : Marie-Pierre de Baillencourt (CDC)
- Philippe Lemoine (CDC)
- Virginie Chapron Du Jeu (CDC)
- Franck Gervais (French State)
- Brigitte Jonon
- Annette Rivard
- Martine Duriez

The Quality and Sustainable Development Committee's role is to prepare the Board of Directors' work and send to it any useful recommendations on any issue concerning the quality of the relations between La Poste or Group companies and its customers, as well as on sustainable development and well-being, especially regarding the following:

- the customer satisfaction survey for La Poste and the Group;
- the assessment of the quality of service provided to the customers of La Poste and the Group;
- the review of best practice in the services provided to the customers of La Poste and the Group;
- the review of best practice in terms of sustainable development and corporate social responsibility;
- the review of the well-being of those working at La Poste as well as best practice in this regard.

The Board of Directors may also ask the Quality and Sustainable Development Committee to carry out any other work relating to its area of expertise; in addition, the committee may suggest that the Board of Directors consult it on any specific issue that it considers necessary or relevant.

The Quality and Sustainable Development Committee met three times in 2019; the average Board member attendance was 66.67%. In 2019, the committee examined: the Group's CSR policy, introduction of a system to improve claims processing, the quality of mail and parcel delivery, the annual report by the La Poste ombudsman.

Appointments, Compensation and Governance Committee

The Appointments, Compensation and Governance Committee is composed of:

- Chairman: Philippe Lemoine (CDC)
- Eric Lombard (CDC)
- Charles Sarrazin (French State)
- Jacques Dumans
- Brigitte Jonon
- Martine Duriez

With a view to preparing the work of the Board of Directors, the committee:

- (a) issues recommendations on the appointment and compensation of La Poste's corporate officers;
- (b) formulates an opinion on any proposal pertaining to the general principles of the appointment and compensation policy excluding the salary or base salary of the senior executives of La Poste and the main subsidiaries;

- (c) makes any recommendation concerning the total amount of directors' fees to be allocated annually to certain members of the Board of Directors and propose to the Board of Directors rules for their allocation, taking into account, in particular, attendance at the meetings of the Board of Directors and Board Committees;
- (d) issues an opinion on any planned capital increase reserved for employees or free share awards pursuant to Articles 32 and 32-3 of Act No. 90-568 of 2 July 1990, as amended, relating to the organisation of the public service provided by La Poste and France Télécom;
- (e) coordinates the annual assessment of the Board of Directors;
- (f) more generally, reports to the Board of Directors and brings to its attention any significant issues that could require the Board's special deliberation on matters within the committee's remit.

The Appointment Committee is informed by the Chairman and Chief Executive Officer of the appointment, compensation and planned replacement of the senior executives of La Poste and its main subsidiaries. Where appropriate, the committee passes on its observations to the Board of Directors.

The committee may also be asked to carry out any other regular or ad hoc work given to it by its Chairman, the Board of Directors or the Chairman and Chief Executive Officer of La Poste. Moreover, the committee may suggest that the Board of Directors consult it on any specific issue that it considers necessary or relevant.

The Compensation and Governance Committee met twice in 2019; the average Board member attendance was 87.5%. During 2019, 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.

Public Service Mission Committee

The Public Service Mission Committee is composed of:

- Chairman: Franck Gervais
- Catherine Mayenobe (CDC)
- Alain Bard
- Mohamed Gnabaly
- Agnès Le Brun
- Martine Duriez

The Public Service Mission Committee is tasked with preparing the work of the Board of Directors and with making any useful recommendations to the Board of Directors on any issue concerning La Poste's public service missions, as defined by law and specified in the Public Service Agreement, namely:

- universal postal service;
- contribution to regional planning;

- press transport and delivery;
- banking accessibility.

In addition, the Public Service Mission Committee monitors the implementation of “La Poste’s voluntary citizen commitments”.

To this end, the Public Service Mission Committee:

- reviews once a year the assessment of the execution of each of the four public service missions as defined by law and the Public Service Agreement in force;

- verifies the appropriateness of the means implemented by the Company, the compensation allocated to it in respect of those missions and the results expected in this regard;

- makes any useful suggestions on how to improve mission performance.

The Board of Directors may also ask the Public Service Mission Committee to carry out any other work relating to its area of expertise; moreover, the committee may suggest that the Board of Directors consult it on any specific issue that it considers necessary or relevant.

4.2.5 STAKEHOLDERS COMMITTEE

A committee of La Poste stakeholders will be introduced in the first half of 2020. It will mainly consist of members (directors or non-voting members) representing the French State, CDC, users, municipalities and their associations. This committee will be chaired by the Chairman and Chief Executive Officer of La Poste. It will also consist of qualified people from outside the company.

4.2.6 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 the specific legal and regulatory provisions to which it is subject.

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 Act 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 January 2020, which are not applied by the Company, with the corresponding explanations:

Number of the recommendation Afep-Medef 2020 version	Principles of the Code	Situation of the Company and comments
1	The missions of the Board of Directors:	
1.3	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 Act of 2 July 1990, as modified by Act No. 2019-486 (Pacte Act of 22 May 2019), 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 on the basis of Article 6 of Order No. 2014-948 of 20 August 2014, by a decree by the President of the French Republic 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 Act of 2 July 1990, as amended by Act No. 2019-486 (Pacte Act of 22 May 2019) and of Title II of Order No. 2014-948 of 20 August 2014, included in Article 13 of the Articles of Association.
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.
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.

Number of the recommendation Afep-Medef 2020 version	Principles of the Code	Situation of the Company and comments
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.
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 CDC, 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 Act of 1990 reserves the ownership of La Poste's share capital to the French State and CDC, 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 include one or more corporate social responsibility criteria."	The compensation (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.

Number of the recommendation Afp-Medef 2020 version	Principles of the Code	Situation of the Company and comments
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."	For the 2019 fiscal year, the Board of Directors set 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).

4.3 Compensation and benefits

4.3.1 COMPENSATION OF CORPORATE OFFICERS

Total compensation of the Chairman and Chief Executive Officer

Rules for determining the compensation of the Chairman and Chief Executive Officer

La Poste currently has one 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 the 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 2019 by the Board of Directors on 16 April 2019, which also approved the roadmap setting Mr Wahl's objectives for 2019, 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 2019 was approved, like every year, via a Ministerial Decision dated 29 July 2019.

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 2018 and 2019.

As indicated in Sections 4.3.1 and 4.3.3 respectively, the Chairman and Chief Executive Officer does not receive special compensation or compensation for his participation in the governing bodies of La Poste or companies controlled by La Poste, nor does he receive stock options or free shares.

Summary of the compensation awarded to the Chairman and Chief Executive Officer

Philippe Wahl, Chairman and Chief Executive Officer	2019	2018
Compensation due for the year (including benefits in kind)	€454,212	€454,212
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	€454,212
TOTAL (EXCLUDING BENEFITS IN KIND)	€450,000	€450,000

Gross amounts, in euros, before tax.

Detailed summary of the compensation awarded to the Chairman and Chief Executive Officer

	2019		2018	
	Amounts due ^(b) for the fiscal year	Amounts paid ^(b) during the fiscal year	Amounts due ^(b) for the fiscal year	Amounts paid ^(b) 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
Compensation allocated for participation in governing bodies	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)	€4,212 ^(a)	€4,212 ^(a)
TOTAL (INCLUDING BENEFITS IN KIND)	€454,212	€454,212	€454,212	€454,212

(a) Company vehicle (€3,852 in 2019) and communication bonus paid to all employees (€360).

(b) Gross amounts, in euros, before tax.

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 the 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.

Compensation allocated for participation in governing bodies

The Chairman and Chief Executive Officer of La Poste receives no compensation for his participation in the governing bodies as Chairman of the Board of Directors and Director of La Poste. Nor does he receive any compensation for positions held in companies controlled by La Poste.

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

Total compensation of the Directors

Compensation allocated for participation in governing bodies

The members of the Board of Directors appointed by the General Shareholders' Meeting receive compensation for their participation

in the governing bodies according to the following principles, adopted by the General Shareholders' Meeting of 27 April 2011:

- the annual budget represents a gross total of €230,000;
- 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, the aggregate amounts allocated to the Directors on the basis of the above scale were to exceed the allocated amount of €230,000 (because of a large number of additional meetings), these amounts would be reduced accordingly, so as to distribute a gross total of €230,000.

For 2019, the total compensation allocated to the Directors for their participation in governance bodies amounted to €207,200 gross.

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.

Since 2016, Directors appointed by the General Shareholders' Meeting upon a proposal of the French State transfer to the State, in the following proportions, the amounts allocated to them for their participation in governing bodies: up to 100% if they are public employees and a minimum threshold of 15% set by decree if they are not public employees. This follows the entry into force at La Poste of Title II of Order No. 2014-948 of 20 August 2014.

The amounts allocated to the Directors appointed by the General Shareholders' Meeting upon a proposal of Caisse des Dépôts (CDC) are paid to CDC in compliance with its Code of Ethics.

Directors appointed by the General Shareholders' Meeting ^(a)		Gross amounts allocated for 2019	Gross amounts allocated for 2018
As proposed by the French State	Martin Ajdari	€1,300	€9,100
	Marie-Pierre de Bailliencourt	€17,700	€16,400
	Corinne Lejbowicz	€27,300	€19,500
	Philippe Lemoine	€20,900	€13,700
	Françoise Malrieu	€39,000	€22,400
	Sophie Mantel	€9,100	€9,100
	Serge Morvan	€1,300	€2,600
	The French State, represented by Charles Sarrazin	€36,400	€26,000
As proposed by Caisse des Dépôts	Virginie Chapron-du Jeu	€25,600	€21,000
	Olivier Sichel	€16,900	€14,300
	Éric Lombard, permanent representative of CDC	€11,700	€9,100
Former Directors appointed by the General Shareholders' Meeting			
As proposed by the French State	Jean-Benoît Albertini	ND ^(b)	€1,300
TOTAL (IN €)		€207,200	€164,500

(a) Including the Directors appointed via co-optation by the Board of Directors subject to ratification by the General Shareholders' Meeting.

(b) NR: not relevant for the year 2019.

Other compensation paid to the Directors

At its meeting on 31 July 2019, the Board of Directors authorised two regulated agreements entrusting Corinne Lejbowicz and Philippe Lemoine, due to the special expertise they have acquired during their careers in the field of digital services and new technologies, with an independent consulting assignment consisting of participating in the updating of the strategic plan of the Digital

Services business unit. These agreements entered into force on 1 August 2019 for a term expiring no later than 31 December 2020. In return for the performance of their mission, each of the interested parties receives fees of €7,800, excluding tax, paid pro rata over 2019 and 2020.

No other compensation was allocated or paid to the Directors during the 2019 fiscal year, either for their term of office or on an exceptional basis.

4.3.2 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.

4.3.3 STOCK SUBSCRIPTION OR STOCK PURCHASE OPTIONS AND FREE SHARES

La Poste has not implemented any system for granting performance shares or stock options to any of its employees, regardless of category.



5

CONSOLIDATED FINANCIAL STATEMENTS

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5.1 Review of the financial position and operating profit

5.1.1 HIGHLIGHTS

5.1.1.1 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 and its principal neighbouring European countries. Oil prices and exchange rates, in particular in relation to the US dollar, pound sterling, rouble, Brazilian real and zloty, also have a significant impact on the Group's logistics and international business (in light of GeoPost's strong international presence). Lastly, because the Group also provides banking services, it is sensitive to changes in interest rates and, to a lesser extent, to changes in the financial markets.

A complex international economic environment

The uncertainties which defined 2018 extended into 2019 and intensified. The trade war between China and the United States continued, marked by alternating periods of calm and escalating tensions. Washington and Beijing clashed with one another through successive tariff hikes. Negotiations between the two powers nevertheless resulted in a partial agreement at the end of the year which was signed on 15 January 2020. 2019 was also marked by the *Brexit* saga, the likelihood of the British and Europeans reaching an agreement was low for much of the year. Boris Johnson finally made good on his gamble by holding early parliamentary elections in December. The clear victory of the Conservatives enabled him to get the British Parliament to validate the separation agreement reached at the end of October with EU negotiators, leading to the United Kingdom's exit on 31 January 2020. Finally, geopolitical tensions in the Middle East remained high throughout the year.

The slowdown in global growth that began in 2018 continued in 2019. The deterioration in the international economic environment has weighed on world trade, which has stalled, and industrial production has fallen sharply since the autumn of 2018. Growth in the United States declined slightly but held up rather well despite significant difficulties in the manufacturing sector. The Chinese economy has suffered a sharp slowdown, due in part to the trade tensions with the United States, which are hampering trade, but also to weaker domestic demand. In Russia, the oil boom has faded and activity is anaemic. The demographic situation continues to deteriorate, putting pressure on private consumption. In India, the economic outlook deteriorated markedly during the year, due in particular

to very low industrial production. In Brazil, president Bolsonaro's government succeeded in pushing through pension reform, keeping the country's short-term debt from ballooning. Brazilian growth strengthened throughout the year.

Faced with the increased risk of a marked slowdown in activity, central banks adopted a significantly different tone in 2019 and their monetary policies took a resolutely accommodating turn. Interest rates on 10-year government bonds reached extremely low or even negative levels in many European countries during the summer before rising slightly. In this climate of uncertainty, share prices followed an upward trend almost throughout the year. This movement was partly a correction of the excessive pessimism that prevailed at the end of 2018. It is also due to the easing of monetary policies by the major central banks, and investor optimism about the outcome of the trade dispute between Beijing and Washington. Volatility was nonetheless high, with prices moving in step with the intensity of Sino-American trade tensions.

Weakening in growth in the Euro zone

Euro zone growth weakened in 2019 and is expected to be close to 1% on annual average. Business and consumer surveys remained sluggish throughout the year, particularly in the manufacturing industry. Activity in the services sector held up better, but gradually lost resilience towards the end of the year in the face of the downturn in industrial activity. The main support for growth was household consumption. Equipment expenditure remained robust, despite the uncertain economic and political environment.

German industry was marked by an impressive air pocket. The German economy, which is very open, suffered greatly from the downturn in world trade but also faced structural weaknesses: declining competitiveness gains, questions about the automotive sector and demographic decline. In Spain, economic activity decelerated slightly, while still growing at a higher rate than the average growth rate in the Euro zone. The complicated Spanish political context led to an erosion of household confidence and activity in industry was affected, with delay, by the decline in the international environment. In Italy, growth remained very weak throughout the year, with sluggish domestic demand in particular.

In regard to the labour market, the unemployment rate in the Euro zone has almost returned to its pre-crisis level (slightly above 7%). Wages remained relatively buoyant with compensation growth in excess of 2% per annum, leading to a recovery in unit labour costs.

Outside the Euro zone, Poland continued to experience strong growth in 2019, with a 5% increase in quarterly GDP over one year⁽¹⁾. It remained buoyed by consumption and investment, with the support of the European structural funds. However, the growth in wages (above 6% year-on-year in 2019) reflects an extremely tight labour market. Companies are facing major recruitment difficulties and, more generally, the ageing of the population represents a major challenge for Poland.

In the United Kingdom, the very uncertain political environment weighed on activity in 2019, but elements of support remained. Household consumption accelerated and job creation continued. The unemployment rate is at a very low level (below 4%), leading to sustained wage growth. On the other hand, in the face of very high uncertainty, companies have been cutting back on investment over the past year and a half. Following a further parliamentary rejection of the *Brexit* agreement with the European Union (EU), the British returned to the polls in early December for early elections. Boris Johnson finally won his bet as the Conservative Party obtained an absolute majority in the British Parliament and thereby validated the exit agreement concluded at the end of October with the EU. The United Kingdom officially left the EU on 31 January 2020 and has entered a transitional phase during which future relations with the EU, including trade relations, remain to be determined.

Several impediments to French growth arose throughout 2019

Growth in the French economy slowed and stabilised at around 1% a year in 2019, after 1.5% in 2018. Despite a fairly steady increase in their after-tax income, the French have been cautious. Households did not consume all of the additional income stemming from the budgetary and fiscal measures adopted by the government at the end of 2018. As a result, the savings rate rebounded to 14.8% in the third quarter. Exports were weakened in 2019 by sluggish global demand. Companies benefited from the coexistence of the tax credit under the 2018 CICE (paid with a one-year time lag) and the reduction in employer social contributions. This led to an improvement in their financial position and dynamic investments in equipment (+5% year-on-year in the third quarter). Job creation continued at a relatively sustained pace, mainly in the service sector. In the third quarter of 2019, the unemployment rate stood at 8.3% (mainland France). Therefore, the labour market is managing relatively well despite moderate economic growth.

Oil prices remain moderate

The price of a barrel of oil rose sharply in the first part of the year after falling sharply at the end of 2018. The North Sea Brent price per barrel, which was worth less than \$54 at the end of December 2018, rose by approximately \$20 to a high of nearly \$75 in April. At the end of 2018, OPEC and around ten other countries, including Russia, decided to reduce the production quotas they had adopted at the end of 2016, to reduce the volume of oil extracted by 1.2 million barrels per day (MB/D) of a total of around 45 MB/D (which represents nearly 45% of global production). This supply limitation was partly offset by the increase in oil production in the

United States, the world's leading producer of black gold. Following renewed trade tensions between China and the United States in the spring, concerns about the development of world energy demand weighed on the price of crude oil and the price fluctuated around \$60/barrel for several months. Tensions remained high in the Middle East, however, with the attack on two oil installations in Saudi Arabia in September. At the end of the year, the announcement by OPEC and its allies of an intensification of the 0.5 MB/D supply cut led to an increase in the price of oil, which ended the year at \$66 per barrel.

Renewed inflation in the Euro zone due to higher energy prices

Inflation remained low in the Euro zone in 2019, at around 1% year-on-year. Underlying inflation (excluding energy and food), also remained low. However, it increased slightly at the end of the year (+1.3% year-on-year in December). This acceleration in prices was mainly due to a slightly higher rise in underlying inflation in Germany, where it reached 1.5% year-on-year. It gained around 0.5 points in a year and a half, in line with sustained wage growth in Germany. In France, inflation was slightly lower than in the Euro zone (1.1% year-on-year in December for underlying inflation).

Pronounced fall in interest rates

Whereas at the beginning of the year a large majority of central banks were either engaged in a phase of normalisation of their monetary policy or were waiting for an opportunity to initiate it, their tone changed significantly in the spring and their monetary policies took a resolutely accommodative turn. The Federal Reserve (FED) in the United States made three cuts in its key interest rate. In the Euro zone, the European Central Bank (ECB) also lowered one of its key rates in September and relaunched its asset buyback programme. Moreover, as a consequence of this very uncertain international environment, investors have taken refuge in the assets they consider to be the safest. Interest rates on 10-year government bonds reached extremely low or even negative levels in many European countries during the summer before rising slightly.

In the United States, the 10-year rate of benchmark government bonds (*T-Notes*) fell by 80 basis points over the year, to 1.9% in December. The French OAT 10-year rate for benchmark government bonds also declined by close to 60 basis points, whereas that of its German counterpart lost more than 40 basis points and has remained in negative territory since the beginning of May. In France, the OAT 10-year rate turned negative at the end of June, before returning to positive territory at the end of the year. It stood at around 0.05% at the end of 2019. This decline in long-term rates led to short- and long-term interest rates becoming increasingly aligned. Within the EU, interest rate differentials continued to reduce.

For their part, interbank interest rates in the Euro zone were down due to monetary policy decisions made by the ECB in September. The ECB dropped its interest rate 10 basis points (to -0.5%) on commercial bank deposits with the central bank, currently the

(1) Annualised quarterly growth rate: Quarterly growth rate raised to the power of 4, which indicates the hypothetical annual growth rate if the quarterly growth rate were to recur every quarter over one year.

true key rate for the Euro zone. Consequently, the Eonia declined 10 basis points to -0.45%. Meanwhile, the three-month Euribor (which the major banks use for a three-month period) fell to -0.40%.

Increase in stock market prices

The world's stock markets have seen a strong recovery at the beginning of 2019, peaking at the end of April, primarily due to progress made in China-US trade talks. The stalemate and rapid deterioration of the China-US relationship in May led investors to act first with caution and then suspicion. The summer was eventful and prices moved in line with announcements concerning trade tensions between Washington and Beijing. At the end of the year, the calmer relations between the two economic powers led to a renewed appetite for risk on the part of investors. In particular, U.S. indices reached record levels. Over one year, the CAC 40, close to 6,000 points, increased by more than 26%.

Increase in the US dollar, weakening of the pound

The dollar strengthened moderately against the euro and many other currencies in 2019. The change of tone of the FED weighed on the American currency. However, the climate of uncertainty caused by, among other things, the Sino-American trade tensions strengthened the dollar, which served as a safe haven. At the same time, the ECB's accommodative posture weighed on the euro. The European currency was penalised due to signs of weak economic activity (negative results of business outlook surveys). Having risen to more than \$1.15 in January, the euro fell to an average of \$1.11 in December.

The euro/sterling rate has fluctuated based on *Brexit* news. The British currency was reasonably successful initially in withstanding political turbulence. During the summer, the hypothesis of the United Kingdom's exit from the EU without agreement strengthened following Boris Johnson's accession to power and led to a depreciation of the pound, which reached 0.93 pounds sterling per euro (0.90 pounds sterling in December 2018). Forex traders were finally relieved by the progress of negotiations which led to a new agreement between the United Kingdom and the EU in October, even if the latter was not ratified in 2019 by the British Parliament. The pound strengthened during the autumn and ended the year at 0.85 pounds sterling for the euro on average in December.

The Brazilian real depreciated by almost 6% against the dollar, notably due to a deteriorated economic situation during the first part of the year and a complex political situation (difficulty of the Bolsonaro government in getting its pension reforms accepted, finally adopted in early November). The real/dollar rate stood at 4.11 reals to one dollar at the end of the year (average in December). Finally, the rouble increased in value by more than 7% against the dollar to 62.8 roubles to one dollar.

5.1.1.2 Regulatory environment

Banking environment trends

■ Change in the countercyclical capital buffer.

The countercyclical capital buffer - CCyB) is one of the macroprudential instruments defined by European Directive CRD IV. Defined as additional capital, its aim is to "protect the banking system from potential losses linked to the exacerbation of a systemic cyclical risk [...] to support the long-term availability of credit in the real economy throughout the entire financial cycle" (Recommendation No. CERS/2014/1, recommendation A, principle 1).

The countercyclical capital buffer in place in the event of excessive credit growth is between 0% and 2.5%, and is specific to each country. In France, this buffer is set by the French High Council for Financial Stability (Haut conseil de la stabilité financière - HCSF) and has been kept at 0% since 2014.

In Decision No. D-HCSF-2018-3 of 29 June 2018, HCSF decided to raise the buffer to 0.25% as of 1 July 2019 (confirmed by Decision No. D-HCSF-2018-5 of 8 October 2018). This buffer was set taking into account the guidelines for calculating capital calculated according to the guidelines of the Basel Committee on banking supervision and other quantitative and qualitative information, notably information on the dynamics of debt and credit to private non-financial agents and their financing conditions.

On 3 April 2019, HCSF published its decision to raise the countercyclical capital buffer to 0.5%, with effect from 2 April 2020. Between 1 July 2019 and 2 April 2020, the applicable rate remained at 0.25%, in line with the previous HCSF decisions. This was confirmed by Decisions No. D-HCSF-2019-3, D-HCSF-2019-6 and D-HCSF-2020-1 published on 11 July 2019, 7 October 2019 and 13 January 2020 respectively.

■ Change in management of the interest rate risk on the banking portfolio:

The European Banking Authority Guidelines (EBA/GL/201802) on the management of interest rate risk arising from non-trading book activities have set out a new framework for measuring banks' interest rate risk.

On 30 June 2019, the regulator therefore asked financial institutions to change how they calculate the interest rate risk of their portfolios.

This new framework incorporates two changes which have a significant impact on the management of banks' interest rate risk:

- the redefinition of eligible own equity: From total prudential equity to Tier 1 own equity only;
- the lowering of the interest rate floor for risk-free rates: The previous measure incorporated an interest rate floor of 0% for all rates, regardless of maturity. The new measure applies from 30 June 2019, and incorporates an interest rate floor of between -1% (short-term), and 0% (20-year rate).

Pricing adjustments for mail and parcels

Price increases for mainland, overseas and international mail and parcels took effect on 1 January 2019 following the opinion issued by the French Authority for regulation of the electronic communications and postal sectors (Autorité de régulation des communications électroniques et des postes – Arcep) on 10 July 2018 (No. 2018-0826). All of these changes comply with the price cap for the 2019-2022 period, as set by Decision No. 2017-1252 of 26 October 2017.

On 1 January 2019, La Poste increased its mail prices by an average of 4.7% ⁽¹⁾. The first weight tranche of "Lettre Verte" (green mail) rose from €0.80 to €0.88, while that of the first weight tranche of priority mail rose from €0.95 to €1.05. La Poste decided to strengthen the price advantage for "Lettre Verte", which was raised to 17 cents compared to priority mail (against 15 cents previously) to take into account the uses of its customers. In 2018, "Lettre Verte", which is delivered within 48 hours and is more economical and eco-friendly, was the most-used form of delivery with 122 million letters sent each month, compared to 97 million priority mail letters.

Within the scope of the universal postal service, prices for the business mail range have seen a moderate 2.3% rise, while advertising mail prices have risen by 1.8% to boost the competitiveness of mail as a medium.

Parcel prices for domestic shipments to private individuals have increased by an average of 1.4%, while the Colissimo France Retail Customers first weight tranche of 0-250g remains stable at €4.95. Items weighing less than 2 kg represented almost three quarters of the parcel volumes sent by retail customers.

Also in compliance with the abovementioned 2019-2022 price cap, price changes for mail and parcels took place on 1 January 2020 following Arcep's favourable Opinion No. 2019-0955 dated 11 July 2019. La Poste thus increased its prices by 4.7% on average on all mail products and by 2.0% on domestic parcels for private individuals ⁽²⁾. It increased the price advantage of the "Lettre Verte" to 19 cents (€0.97 in 2020 up to 20 g) in relation to priority mail (€1.16).

Non-pricing adjustments for mail and parcels

On 1 January 2019, in order to simplify international shipments for private individuals, La Poste merged the European Union and Rest of the World geographical areas into one pricing area known as "international". The price of an international letter weighing between 0 and 20 g is fixed at €1.30.

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 ⁽³⁾. It establishes monitoring procedures over this booming market. The text gives new powers to the national authorities. Arcep is 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 ⁽⁴⁾, 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 ⁽⁵⁾ establishing an evaluation methodology for these cross-border parcel delivery prices for universal service operators were published on 13 December 2018. The conditions for implementing this information collection were specified by Arcep Decision No. 2019-0289 of 12 March 2019 relating to the implementation of annual surveys in the postal sector. Le Groupe La Poste provided Arcep with the corresponding data as part of the implementation of this regulation.

Price changes for press services

On 15 November 2018, Arcep issued a favourable opinion (No. 2018-1395) on the 2019 price changes for press transport and delivery provided by La Poste as part of its public service mission. On 12 December 2018, these changes to the public press service were approved by the ministry of Economic and Financial Affairs (ministère de l'Économie et des Finances).

As noted in the 2018-2022 Public Service Agreement, the service pricing for postal press public service transportation are scheduled to undergo annual reassessments for the 2016-2020 period, before taking inflation into account -0% for daily newspapers with low advertising resources (QFRP), 1% for political and general information publications (PIPG) and 3% for other types of press eligible for the CPPAP scheme.

In application of this framework, the prices changed in 2019 by on average 4.3%, including 4.8% for general publications accepted by the Joint Commission for Publications and Press Agencies (Commission paritaire des publications et agences de presse – CPPAP), 2.8% for publications of political and general information (*publications d'information politique et générale* – PIPG) and 1.8% for daily publications with limited advertising resources (*quotidiens à faibles ressources publicitaires* – QFRP).

On 1 January 2020, following approval by the minister of the Economy and Finance on 9 December 2019, taken after Arcep Opinion No. 2019-1724, the prices increased by on average 3.5% with an average increase of 4.05% for general publications with a registration certificate from CPPAP, 2.03% for publications of political and general information (*publications d'information politique et générale* – PIPG) and 1.02% for daily publications with limited advertising resources (QFRP).

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(1) 5% on all universal postal service mail/parcels and 4.9% on average based on mail revenue giving rise to traffic.

(2) 5% on all universal service products (mail and parcel).

(3) Regulation (EU) No. 2018/644 of the European Parliament and of the Council of 18 April 2018 on cross-border parcel delivery services.

(4) Commission Implementing Regulation (EU) No. 2018/1263 of 20 September 2018 establishing the forms for the submission of information by parcel delivery service providers under Regulation (EU) No. 2018/644 of the European Parliament and Council.

(5) COM (2018) No. 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) No. 2018/644 and Commission Implementing Regulation (EU) No. 2018/1263.

Compensation of the press transport and delivery public service mission

On 22 March 2019, the European Commission published its decision stating that compensation for the press transport and delivery public service mission paid to La Poste by the French State for the 2018-2022 period was compatible with the internal market, as set out by the Public Service Agreement.

Compensation for the regional planning public service mission

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 the 2017-2019 period.

On 6 April 2018, the European Commission determined that, for the period 2018-2022, the tax allowance granted to La Poste to ensure a high level of postal coverage in France is an aid measure compatible with the internal market.

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 €231 million for 2018 (Decision No. 2019-0985 of 16 July 2019).

Following the referral to Arcep, the High Commission for Digital and Postal Services (CSNP) issued a favourable opinion ⁽¹⁾ on 25 July 2019 on the draft report submitted by Arcep to the French government and Parliament on the net cost of this mission in 2018.

Signing of the local postal coverage agreement for 2020-2022

To prepare the 2020-2022 local postal coverage agreement, a participatory approach was initiated and validated by the National Postal Coverage Observatory was set up between February and June 2019 with the Departmental Commissions on Local Postal Coverage (CDPPT). This consultation phase involved a large number of elected officials and departmental representatives of the French State.

At the end of this participatory approach, and in accordance with the amended Act of 2 July 1990 and its implementing legislation governing postal activities and their contribution to the general interest, La Poste sent the co-signatories (the French State and the French Association of Mayors and Presidents of Inter-Communal Consortia) its proposals, priorities and guidelines.

This new phase of exchanges between the signatories led to the signature on 5 February 2020 of the local postal coverage agreement for the period 2020-2022.

This agreement provides in particular for the consolidation of the right to innovation of the departmental governance bodies to define their action priorities as closely as possible to local needs and specificities, an increase in the offer and access to services in territories marked by a high level of economic and social

uncertainty, the continued adaptation of the postal network through new forms of shared postal coverage, as well as the strengthening of digital actions in line with the regional planning mission.

In addition, the agreement provides for the consolidation of the financing of regional planning mission and states that the postal equalisation fund will be able to benefit from a maximum national allocation of €177 million per year.

To help achieve this objective, an initial measure consisted in amending Article 1635 sexies of the French General Tax Code (CGI) in order to raise the ceiling of allowances enjoyed by La Poste on its direct local taxes paid to local authorities and various governmental establishments and bodies from 95% to 99% ⁽²⁾. This increase is intended to offset the decline in the added value, which serves as the tax base for the corporate added value tax.

5.1.1.3 Strategic equity alliance between Caisse de Dépôts and La Poste, and between La Banque Postale and CNP Assurances

As part of the project of a strategic equity alliance between La Poste and Caisse des Dépôts for the creation of a large public financial group, the French State, Caisse des Dépôts, La Poste and La Banque Postale signed a binding memorandum of understanding on 31 July 2019.

The creation of this public financial group aims to strengthen regional cohesion and combat regional divides in mainland France and the overseas territories through La Poste and Caisse des Dépôts.

This project was finalised at the La Poste General Shareholders' Meeting on 4 March 2020 by means of a contribution by the French State and Caisse des Dépôts to La Poste, and then from La Poste to La Banque Postale, of their respective 1.1% and 40.9% equity investments in CNP Assurances. The CNP Assurances group is a leading player in personal insurance in France, Europe and Brazil.

Following this transaction, Le Groupe La Poste, including La Banque Postale, will be fully consolidated by Caisse des Dépôts. The CNP Assurances group, previously an equity associate, will henceforth be fully consolidated at 62.1% by La Banque Postale.

5.1.1.4 Developments, partnerships and acquisitions

Services-Mail-Parcels

Consolidation of the Silver division around the activities of Asten and Diadom

Several external acquisitions are part of La Poste's diversification strategy, launched in 2016, into home healthcare services (*prestation de santé à domicile* - PSAD), marked by the acquisition

(1) Opinion No. 2019-03 of 25 July 2019.

(2) Article 1635 sexies amended by Act No. 2019-1479 of 28 December 2019 - Art. 47(V).v

of Asten Santé and Diadom. The aim is to ensure that patients in situations of dependency, disability or illness are provided with the services necessary for their medical or paramedical care at home. La Poste aims to lead this market, which is worth €3 billion in France and which has strong natural growth.

Home healthcare (PSAD) division:

DMC Santé: Acquisition (100%) in April by ASTEN. DMC Santé operates in the home healthcare services market as a home-based distributor of infusion, nutrition and insulin therapy equipment.

IM Santé: Acquisition (100%) in July. IM Santé operates on the same market as DMC Santé.

ETHIC Santé: Acquisition (100%) in July by DIADOM. ETHIC Santé operates on the same market as DIADOM (urological and stomatology equipment).

ALLIANCE Perf: Acquisition (100%) in December by ASTEN Est. ALLIANCE Perf operates on the same market as ASTEN.

Silver division

Axeo: Buyout of non-controlling interests (25%) in July. The subsidiary is now 76%-owned.

NEWCARD: Equity investment (27%) in November. NEWCARD is a leader on the market of remote medical monitoring of heart failure, and develops its activities on new chronic pathologies (respiratory failure, dialysis, etc.).

Asendia's acquisition of wnDirect

In January, Asendia acquired wnDirect from GeoPost, a company which specialises in international e-commerce delivery services. This deal consolidates Asendia's position as a major player on the international shipment market for documents, small goods, direct marketing and press. The complementarities between Asendia UK and wnDirect improve the Company's competitiveness, particularly in the UK market, which has been impacted by Brexit.

New momentum for the Advertising Mail division

ISOSKELE: Integration as of 1 January 2019 of six subsidiaries of the Digital Services business unit: Mediapost Publicité (now Isoskèle), Matching, Sogec Datamark Services, Cabestan, Vertical Mail and Mediapost Holding. ISOSKELE has become the new data marketing and precision communication brand.

CASSIOP: Buyout of non-controlling interests (25%) in October by SOGEC. The subsidiary is now wholly-owned.

OFERTIA: Acquisition (100%) in November by Mediapost Spain. OFERTIA is a European pioneer of Digital Leaflets. It digitises, geolocates and publishes printed advertising material online (Web and Mobile). Its online platform is the leader in Spain, Mexico and Colombia.

AD Breizh: Acquisition of a 15.2% stake in February by Mediapost France. AD Breizh is a local customer knowledge and customer marketing platform that allows points of sale to collect data from

their customers and prospects to create better targeted marketing campaigns.

La Poste has reaffirmed its ambitious strategy in the energy transition by taking a majority stake in the group Economie d'Énergie EDE

In October 2019 and after approval by the French Competition Authority, La Poste acquired 75% of the capital of EDE, an intermediation platform dedicated to supporting households in their residential thermal renovation projects. This leader in energy efficiency in Europe, of which La Poste is already a partner, is now one of its subsidiaries. EDE has 300 employees and revenue of €157 million in 2019. After a phase of awareness-raising by postmen, interested households can benefit from offers of work at negotiated prices, for which La Poste and EDE are responsible for putting together the project documents.

Disposal of Viapost Logistique Connectée

Sale in November of VLC, a subsidiary specialising in connected sales logistics and transport solutions.

Deployment of the industrial master plan

On 7 May, La Poste opened the first automated Mail Preparation and Delivery Centre (*plateforme de préparation et de distribution du courrier* - PPDC) in Poissy. Its stand-out feature is an automated new-generation sorter, which will cut preparation time and improve working conditions. In addition, three new Parcel platforms were opened in the fourth quarter, in advance of the peak period: PFC Alpes, PFC Haut de France and the Viapost Hub in Brive.

GeoPost/DPDgroup

Signature of an agreement to take control of the BRT group, leader in the Italian parcel market

In July, GeoPost and BRT signed an agreement that since January 2020 enables GeoPost to hold 85% of the capital of BRT, an Italian family-owned company in which it has held shares since 2017. BRT handled more than 184 million parcels in 2019, thanks to 180 branches throughout Italy and generated revenue of close to €1.5 billion in 2019.

Announcement of an agreement to acquire a majority stake in Lenton

In October GeoPost announced an agreement with Lenton which will allow GeoPost to take a majority stake of more than 64% in Lenton in 2020, confirming the already close cooperation between the two companies. By December 2009, GeoPost had acquired 25% of Lenton's capital. The Hong Kong-based company, which also has Japan Post as a shareholder, is active in cross-border services, economy or priority airmail lines, value-added logistics and logistics gateway solutions through its three subsidiaries: Linehaul Express, RPX and Wako. The Group is present in 39 countries and is known for its strategic partnerships, notably with DPD. In 2019, Lenton had a revenue of €159 million.

Acquisition of a stake in TIPSA

In September, Seur and TIPSA concluded an agreement to allow Seur to take a stake in the capital of the urgent transport company and in the agencies linked to its shareholders. TIPSA's revenue amounted to more than €65 million.

GeoPost has entered into an agreement with Geis

In November, GeoPost signed an agreement with Geis to acquire their parcel subsidiaries (Geis Parcel) in the Czech Republic and Slovakia, enabling DPD to strengthen its position in the last mile delivery market in these countries. In 2019, Geis Parcel had a revenue of around €65 million.

Acquisition of new SEUR franchises

GeoPost is continuing its consolidation of the Seur network with the January 2019 integration of new franchises located throughout Spain: Toledo and Cuenca in the centre of the country, Granada in the south, San Sebastian in the Basque Country and Ponferrada in the north-west.

At the end of December 2019, GeoPost held 94.32% of the franchisor Seur.

Merger of Seur and Chronopost in Portugal

The Portuguese entities of Seur, the Spanish express delivery company and subsidiary of GeoPost, and Chronopost announced in September that they were merging to become DPD Portugal. This new subsidiary now encompasses all the services and know-how of Chronopost and Seur, representing more than 22.5 million orders per year on the Portuguese market.

Chronopost ensures delivery throughout Paris using clean vehicles

Since September 2019, Chronopost has been delivering to the entire city of Paris using clean, electric or natural gas (NGV) vehicles, a first for a carrier of this scale in a world capital. This initiative made it possible to reduce CO₂ emissions by 87%, thus avoiding 560 metric tonnes of CO₂ (99% of fine particles). The objective is to deliver to most of France in decarbonated vehicles over time.

DPD Nederland – Opening of the Eindhoven hub

On 11 April, DPD Nederland opened the biggest parcel sorting and delivery hub in Europe. Thanks to its conveyor system and design, this "green" hub has a minimal carbon footprint and is at the cutting edge of new technology. It provides a wealth of opportunities both for the Netherlands and for the rest of Europe, as it can be used not only as a regional delivery depot but also as a global hub and forwarding point for major transport operations, providing 24-hour delivery services for European destinations located within a radius of 800 kilometres.

Delivery of parcels by drone

DPD France has been authorised to deliver parcels using drones on a second regular commercial line in Isère inaugurated in October 2019 (the first has been operated by DPDgroup in the Var since December 2016). This drone delivery is carried out from a mobile terminal installed in the delivery truck, developed in partnership with the French company Atechsys, which designed DPDgroup's first drone.

La Banque Postale

Acquisition of the 35% equity investment in La Banque Postale Financement held by Société Générale

On 1 March 2019, La Banque Postale purchased Société Générale's 35% equity investment in La Banque Postale Financement (after approvals were obtained from the relevant regulatory and competition authorities), and now holds a 100% stake. This transaction is the result of the end of the partnership entered into 10 years previously with the Société Générale group. The latter had purchased a 35% equity investment in the capital of this subsidiary in exchange for a contribution of all of its equity, totalling €400 million.

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.

Project to create a leading player in insurance management in Europe

The BPCE group, Natixis and La Banque Postale have taken a significant step together to deepen and extend their industrial partnership. The purpose of the partnership is to create around Natixis, which would hold the majority stake together with LBPAM, a management company and European specialist in insurance and euro rate management activities, in order to make it a player that fully complies with the principles of socially responsible investment (SRI).

In addition, the agreements concerning CNP Assurances have been signed and the main terms of the merger project for the asset management business have been defined.

Signing of a memorandum of understanding between La Banque Postale and the Groupama group concerning La Banque Postale Assurances IARD

La Banque Postale and the Groupama group have signed a non-binding memorandum of understanding for the acquisition, by La Banque Postale, of Groupama's 35% stake in La Banque Postale Assurances IARD, and the extension of their cooperation in the

areas of legal protection and assistance. This transaction, which will make La Banque Postale the sole shareholder of La Banque Postale Assurances IARD, is scheduled to take place during the first half of 2020, subject to obtaining the required authorisations from the competent regulatory authorities.

Innovation and banking inclusion

La Banque Postale is a committed bank that works in the best interests of the community at large and strives on a daily basis to enable as many people as possible to gain access to quality banking services.

- La Banque Postale (partner of ADIE for the past eight years) also participated in the first entrepreneurship week for all, held from 28 January to 2 February 2019, with the aim of promoting professional micro-credit.
- To help entrepreneurs get their businesses off the ground, in April La Banque Postale launched an account package for under 10 euros, which includes operating costs and an online banking service.
- In October 2019, La Banque Postale and Chambres de Métiers et de l'Artisanat (CMA) renewed their "CMA France Partners' Club" partnership agreement, enabling La Banque Postale to increase its visibility and become the bank for local tradespeople.
- On the occasion of the HLM Congress of the Union sociale pour l'habitat (Social Economy Union for Housing - UESL), La Banque Postale, a bank that works in the best interest of the community at large, reaffirms its support for social housing in a sector that is changing as a result of the Elan Act. La Banque Postale, the bank of reference for social housing associations, two-thirds of whom are customers of La Banque Postale, stands out with a comprehensive offer: short-term financing and rehabilitation aid, financing of social home ownership operations for social housing associations, financing of energy renovation.

Continuing digitisation of the offer

La Banque Postale is innovating in the means of payment field to provide the most suitable solutions to all its customer segments, while guaranteeing payment security. Therefore:

- La Banque Postale has adopted Apple Pay for simple, secure and confidential payments. Customers can therefore make payments without using their card, and a unique dynamic security code is assigned to each transaction;
- since April 2019, La Banque Postale has been offering its customers new customisation tools for their bank cards, based on their use, requirements and where they are. Customers therefore now have access to a complete range of features via their mobile app, including switching services on or off, changing limits and cancelling a card, providing independence and instant services which save time when managing their accounts;
- Ma French Bank, a 100% digital bank, has been available to retail customers since 22 July 2019. Ma French Bank is open to all, with no minimum account balance. It is designed to meet the needs of a new generation of customers, offering a broad selection of innovative, community-friendly services

including loans, overdrafts, savings products, crowdfunding with KissKissBankBank, and real-time account tracking. Ma French Bank passed the 100,000 customer milestone in four months, of which more than 60% are under the age of 38, and aims to reach more than one million customers by 2025.

Moreover, La Banque Postale Assurance Santé and +Simple.fr (an insurance tech firm specialising in insurance for SMEs and freelancers) have pooled their knowledge, and in March launched a digital platform for professional clients. The platform covers the regulatory obligation to set up supplementary health insurance for employees, through an online subscription. It provides a collective supplementary health insurance package for SMEs, and a collective health package specifically to cover the national collective agreement for design offices.

Measures to promote responsible financing

Conscious of climate and environmental issues, La Banque Postale is committed to supporting responsible and green financing: a Green Bond issue, supporting customers with their energy renovation actions, and developing green financing solutions. Therefore:

- La Banque Postale issued a Green Bond (its first green, social and sustainable bond) for €750 million last April. Through this issue, it contributes to the financing and/or refinancing of renewable energy installation projects (wind turbines and PV), and to the development of new financing solutions to make progress on environmental and social issues;
- La Banque Postale is broadening its responsible product and service range by offering green loans for local authorities, and loans refinanced by green bonds issued by public development bank SFIL;
- La Banque Postale has joined the "Collective Commitment to Climate Change." Through this collective approach, La Banque Postale is committed to launching concrete actions to strengthen its contribution to the Paris Agreement, i.e. limiting the rise in temperatures to below 2 degrees Celsius;
- La Banque Postale has adopted the "Equator Principles" in its project financing activity. They are an international benchmark for social and environmental risk management, requiring social, societal and environmental criteria to be taken into account in the financing of any project in excess of €10 million, regardless of the sector;
- La Banque Postale signed a framework agreement with the European Investment Bank (EIB) to promote the development of renewable energy (solar power plants and wind farms) and committed to reaching, by 2023, outstandings of €3 billion dedicated to financing the energy transition. La Banque Postale is financing a solar power plant by Voltaia in French Guiana.
- La Banque Postale has launched a number of measures to support customers with their energy renovation projects and to develop green financing solutions, by:
 - launching a new version of the digital platform developed with its partner EDE (Economie D'Energie), a subsidiary of Le Groupe La Poste, to advise and support La Banque Postale's customers in their energy renovation projects,

- the launch of "Eco PTZ Habiter Mieux" to finance energy performance improvements for the lowest - income customers,
- a partnership with Fédération SOLIHA, the operator of the French National Housing Agency (Agence nationale de l'habitat - ANAH) to provide social, financial and technical support to the most vulnerable customers for their renovations and works projects.

La Poste Network

Boosting the network of Maisons de services au public (public service areas)

At the end of April 2019, the government undertook to open a public service area (MSAP) in each canton by 2022 to counter the decline in public services, particularly in rural areas. La Poste validated the extension of its existing service offering (501 MSAPs) to meet the new requirements. It is currently working on obtaining the "France Service" certification in order to create, over the long term, a minimum of 250 new sites in partnership with eight operators including Pôle Emploi, the primary healthcare insurance fund (Caisse primaire d'assurance maladie - CPAM) and the family allowances fund (Caisse d'allocations familiales - CAF). Forty-two sites have already been certified.

Rolling out social and digital inclusion services

As part of its regional planning and banking accessibility public service missions, La Poste Network partnered with La Banque Postale to roll out an ambitious social and digital inclusion programme in 2019. Nearly 28,000 tests have already been carried out in post offices and 817 sites (including all MSAPs) are involved in this project. Mediators or customer service managers use tablets to assess customers' levels of independence. Based on the results, three support levels are offered. The customer who has been evaluated can receive information, be supported when using the ATMs or downloading the Online Banking application, or receive digital training in partnership with La Banque Postale, with the aim of creating a sustainable digital training service based on the network of associations already in place in the offices.

Changes to the CAP Client 3.0 project

This new banking advisory tool, which provides an overview of all products held by each customer, was launched in 2018 at post office level. It was rolled out to financial centres in 2019.

Extension of the Behaviour Incivility Initiative

The Incivil Behaviour Initiative (Démarche comportement incivilité - DCI), launched in 2014, was enhanced in January 2019 by setting up a central 24/7 security phone line to target the highest-risk behaviour, or by the presence of a security officer for the prevention of incivilities (ASPI) on certain sites. The initiative, after having been tested in some post offices, is now available to the most exposed post offices.

La Poste Mobile

Pro fixed service

La Poste Mobile added to its range with the launch of the ADSL box for professional customers on 15 April 2019.

New FTTH fibre to be launched in October

In October, in partnership with SFR, La Poste Mobile launched FTTH (Fibre to the Home), now the fastest Internet technology on the market, which will enable subscribers to benefit from the performance of fibre throughout the network.

Commercial offer in synergy with La Banque Postale

More than 10,000 customers have been won over for Ma French Bank and La Poste Mobile since the end of September, through a 60GB SIM-card bundle offer for €10, accompanied by the opening of a Ma French Bank account through a banking advisor.

Digital Services

Acquisition of Softeam group

In December 2019, Docaposte made its largest acquisition to date by acquiring Softeam group to become a leader in digital transformation in its four strategic markets: banking-insurance, e-health, the public sector and SMEs. The complementary nature of the two companies will enable Docaposte to offer one of the broadest consulting-services-solutions offers on the market. Softeam group has 1,400 employees and revenue of €150 million in 2019.

Acquisition of ARKHINEO

In November 2019, Docaposte acquired 100% of Arkhineo, a leader in electronic archiving for evidential purposes.

Acquisition of Icanopée in the e-health sector

In October 2019, Docaposte acquired 80% of Icanopée. As an expert in solutions for professionals and software publishers in the health field, Icanopée focuses on access to Shared Medical Records (SMD) and to Pharmaceutical Records (PD). In addition, in June 2019, Docaposte acquired 28% of Tactio, a world leader in mobile and connected healthcare solutions.

These acquisitions enhance the Digital Services business unit's range of services dedicated to healthcare and patient care pathways and consolidate its strategy as a digital trust third party.

The acquisition of Marketshot in the Digital Marketing segment

In February 2019, the Digital Services business unit acquired a majority equity interest in Marketshot, the publisher of the comparison website choisir.com. This acquisition forms part of Le Groupe La Poste's strategy to develop its digital services publishing business for private individuals while enhancing its data capital. In 2019, Marketshot had a revenue of €17 million.

Acquisition of Ametix's non-controlling interests

Docaposte, which acquired Ametix in April 2017, bought out all non-controlling interests in Ametix in April 2019, which it now owns in full. In two years, Ametix has nearly doubled its revenue.

Founded in 2011, Ametix is a digital services company specialising in technical web and marketing solutions. Its core business is to put in place tailored recruitment strategies to help its customers build their teams. Its 200+ customers include businesses, key accounts, SMEs and start-ups.

Acquisition of Brains in the digital consultancy segment

Two years after the acquisition of Ametix, Docaposte strengthened its position in digital consulting by acquiring 100% of the capital in Brains, a specialist consultancy firm which supports business digitisation. Revenue generated in 2019 was €42 million. In 2019 Brains merged with Ametix.

La Poste's Digital Identity service

In January 2020, the French National Cybersecurity Agency (Agence Nationale de la Sécurité des Systèmes d'Information - ANSSI) granted La Poste's "Digital Identity" service the first French certification for electronic identity for complying with the high security requirements of the European eIDAS Regulation, which establishes a European framework for electronic identification and trust services to facilitate the emergence of the digital single market.

Publication of the new version of the website laposte.fr

With more than 20 million unique visitors (including mobile visits) each month, the laposte.fr website has experienced sales growth of 7% over 2018 and continues to improve the quality of its customer experience and enrich its offer.

Artificial Intelligence

In 2019, the Group has been involved in multiple data science projects, supported by its AI-specialist subsidiary ProbaYes. A program designed to significantly improve the rate of automatic address reading on mail sorting platforms, as well as projects involving conversational chat bots, fraud detection and parcel flow forecasting have been deployed.

Real Estate

Reopening of Musée de La Poste (La Poste Museum)

Poste Immo, Le Groupe La Poste's real estate subsidiary, led the transformation of the museum as property manager. The reopening of the museum took place in November 2019.

Poste Immo plans to convert postal buildings into retirement homes

Poste Immo has a large number of property assets in medium-sized towns and cities, and is considering new uses for these buildings. With this in mind, in the first quarter of 2019 it called on operators to help shape the future of a 14-site portfolio. Finding new uses for buildings in town and city centres will help Poste Immo to reduce its vacant properties, add value to these remarkable assets and also contribute to the development of the Silver economy, which is in keeping with La Poste's diversification strategy. La Poste-branded services will also be incorporated into the services on offer wherever possible (e.g. Ardoiz, Axeo Services, Asten, Diadom, etc.).

A strategy based on calls for projects to drive innovation

Calls for projects provide an opportunity to attract innovative market approaches and to add value to the Group's property assets.

Currently, two major calls for projects are under way:

- Rennes Palais du Commerce: At the beginning of 2019, the Frey grouping was announced as the successful bidder for the "Renaissance" Project following a unanimous vote by the panel comprising representatives of La Poste, Rennes city and independent architects, with the aim of providing a new urban, architectural, commercial and environmental purpose for this iconic former postal building;
- 70s call for projects: At the end of 2018 this initiative was launched on two sites (Cergy and Amiens), followed by Grenoble in March 2019, to find new uses and identify the innovation potential of buildings with typically 70s architecture.

Lemnys D, 2nd site of the Group's registered office, Paris 15th

Starting in June 2019, certain La Poste employees moved into the new Lemnys D building, constructed as an extension to Lemnys (ABC). This extension of the Village La Poste (VLP) – the Group's registered office – now hosts nearly 1,100 of the Group's employees in addition to the 2,200 existing residents of the Village La Poste already located in Lemnys (ABC). The VLP Registered Office will therefore eventually house 4,600 employees spread between Lemnys and Brune.

With the new building, La Poste can ensure that teams are located close to others working within similar functional areas.

5.1.1.5 Bond issues

La Poste bond issues

In September 2019, La Poste successfully issued €1.5 billion in fixed-rate senior unsecured bonds. Two tranches, with maturities of 8 years (2027) and 15 years (2034), for €900 million and €600 million respectively, were sold to institutional investors.

This issue was complemented in October by two additional tranches of €100 million each, bringing the total issue to €1.7 billion.

The proceeds of this transaction were dedicated to the Company's general needs and also enable La Poste to pursue its active external growth strategy.

Issue by La Banque Postale of its first Additional Tier 1 bond

In November 2019, La Banque Postale successfully issued its first Additional Tier 1 bond for a total of €750 million. The purpose of this issue was to optimise its capital structure, by filling its AT1 sub-fund, and to diversify its investor base.

The issued instrument is a 7-year callable undated bond with a fixed semi-annual coupon of 3.875%.

At Le Groupe La Poste level, these securities are recognised under non-controlling interests in equity.

5.1.1.6 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;
- introducing ethical and responsible digital services;
- achieving environmental transitions.

Social and regional cohesion

Le Groupe La Poste is present in all regions and is solidifying its relations with local actors and its offering of local services for all, from the most enterprising to the most financially vulnerable:

- in 2019, La Poste reaffirmed its commitment to around some 50 social and solidarity-based economy (SSE) actors within the Dynamic Alliance with regard to co-development and societal innovation challenges. This commitment is now based on 50 projects conducted in the regions in collaboration between

La Poste and SSE stakeholders in eight business activities (home services, "La Poste Relais" outlets, digital inclusion, responsible purchasing, energy transition, urban logistics, circular economy);

- on 5 February 2020, Le Groupe La Poste, the French State and the French Rural Mayors' Association (AMRF) signed the new three-year local postal coverage agreement for 2020-2022 setting out reciprocal commitments related to the regional planning public service mission. By combining the power of digital technology, its 17,033 retail outlets and the human presence of its 70,000 postmen, La Poste intends to make life easier for citizens, offering solutions for reducing the regional, social and digital divide;
- demonstrating the Group's commitment to maintaining and developing useful services in every region, some 42 post offices became the first to offer "France Services" on 1 January 2020. They are helping to fully realise the government's ambition of bringing the French people closer to the services they need.

Ethical and responsible digital services

Le Groupe La Poste is developing its work on promoting digital technology that is useful, ethical, chosen and accessible to all:

- La Banque Postale and La Poste are continuing to implement measures in order to promote social, digital and banking inclusion. In line with the commitments made during the first Citizens' Bank Conference (*Assises de La Banque Citoyenne*), a national system to promote social, digital and banking inclusion was rolled out to 300 post offices in 2019, as well as to all MSAPs (public service areas), identifying some 25,000 people who are struggling with digital technologies. This ranges from ad-hoc support right through to training courses adapted to their needs, both at post offices and other locations through the network of partner associations;
- at GreenTech, organised in June 2019 by the Ministry of Ecological and Inclusive Transition (*Ministère de la Transition Ecologique et Solidaire*), Le Groupe La Poste signed the Responsible Digital Services Institute's (*Institut du numérique responsable*) Responsible Digital Services Charter. Given that the planetary impact of digital services is increasing, since 2011, Le Groupe La Poste has committed to reducing the environmental footprint of its information and communications systems. By signing this Charter, La Poste wished to confirm and reinforce its commitments to responsible digital services. La Poste is one of the founder members of the Responsible Digital Services Institute, the purpose of which is to take action in three key areas: reducing the economic, social and environmental footprint of digital services, sustainable value creation and responsible innovation using digital tools.

Environmental transition

There were new strong indicators of Le Groupe La Poste's commitment throughout 2019, confirming its long-standing regional stance on biodiversity preservation and the fight against climate change, its exemplary approach to carbon neutrality, use of reverse

logistics, development of the circular economy and preservation of biodiversity:

- on the back of its experience, La Poste has been a partner and major player in work to create the “Low carbon label” (*Label bas carbone*) launched by the French government in April 2019. The Low Carbon Label is an innovative tool for promoting the emergence of local initiatives to combat climate change. In 2015, La Poste launched an innovative, pioneering scheme (the “Climate+Regions” scheme [*Climat+Territoires*]). As such it has helped to develop the guidelines and methods that have become the standard for the voluntary offsetting of CO₂ emissions;
- Le Groupe La Poste is a pioneer and European leader in the voluntary offsetting market with 7% of the carbon credits purchased in Europe. The Group offsets 100% of its mail, parcels, express and digital services. Seven years ago, the Group became the world's first fully carbon-neutral postal operator. As a partner of the first environmentally-responsible G7 Le Groupe La Poste helped to ensure that all emissions from the G7 summit in Biarritz were offset, by supporting a low-carbon reforestation project in the Hergaraï valley in the Basque Country;
- Urby, an urban logistics network, was officially launched in February 2019. Urby uses a number of city centre sites to offer urban storage and delivery services to hauliers, couriers, merchants, tradespeople, local authorities, companies and private individuals, using low-emission vehicles and bicycles. As such, La Poste aims to be at the forefront of societal trends (e-commerce, need for local services, etc.), whilst offering solutions to traffic congestion problems in urban areas;
- in September, Chronopost announced the launch of a new “hypra-urban” concept, ChronoCity, which will help Le Groupe La Poste to meet its environmental objectives. These are sites with a footprint of under 500 m², in the heart of urban centres in the Greater Paris region (Ile de France), in order to be as close as possible to recipients and to guarantee an optimal customer experience. Green modes of transport will be used to make deliveries from these sites;
- DPDgroup, a leader in sustainable urban logistics, has introduced the BREATHE scheme. It involves using mobile sensors fitted to vehicles and pick-up points at sites in Paris, Lisbon and Madrid to measure air quality. The objective is to cover 20 cities in Europe by 2021;
- La Poste has reaffirmed its ambitious strategy for the energy transition and thermal renovation in homes by acquiring a controlling interest in Économie d'Énergie EDE in October 2019. This leader in energy efficiency in Europe, already one of La Poste's partners, is now one of its subsidiaries. EDE creates digital platforms and programmes for improving access to energy renovation for private homes and business properties. It has enabled over €175 million to be spent on over 600,000 renovation projects through the Energy-Saving Certificate (CEE) scheme, and its 80 digital platforms have been consulted by over 20 million visitors. Launched in 2011, Économie d'Énergie achieved €158million in revenue in 2019 and now has over 300 employees;

- in July 2019, Recygo, the Group's Solutions for the Circular Economy business unit, which specialises in the collection and recovery of office waste (paper, cardboard, bottles, cans, ink cartridges, etc.), renewed its agreement with COPACEL, the French papermakers' association. Nouvelle Attitude set up a 6th professional integration platform in Toulouse. 2,800 m², dedicated to recycling office paper from the South-West region, enabling it to offer extensive regional coverage;
- in early November, through its SCC and Network business units, La Poste signed a partnership agreement with CDC Biodiversité (a subsidiary of Caisse des Dépôts dedicated to action to promote biodiversity) in order to take part in the Nature 2050 programme. The aim of this “programme” is to promote and fund the implementation of nature-based solutions which will help meet the following objectives: preserving and restoring biodiversity; mitigating climate change by reducing greenhouse gas emissions and building CO₂ storage or capture capacity; adapting regions to these changes, particularly by limiting their effects (examples: heat islands in cities) and natural risks (erosion, flooding, drought, fire, etc.). CDC Biodiversité is committed to adapting to climate change, to restoring, then preserving an area of 1 m² pour for each €5 donation received until 2050;
- in November 2019, DPDgroup launched a unique programme for measuring air quality, following a successful pilot project in Lisbon, Madrid and Paris, which is set to be rolled out to some 20 European cities. At a time when air pollution is one of the biggest environmental risks according to the OECD, building on the novel commitments already made by La Poste SA since 2017, this new initiative builds capacity for innovation and the transformation of Le Groupe La Poste to achieve a positive impact. DPDgroup is pursuing its ambition to reduce its per parcel CO₂ emissions by 30% by 2025 compared with 2013, and, as such, is reaffirming its commitment to having a positive impact on communities, towns and cities, and on society in general;
- with the target of a 30% reduction in its CO₂ by 2025 compared with 2013, La Poste is stepping up the reduction of its environmental footprint. In November 2019, the “Science Based Targets” or “SBTI” initiative administered by four major international NGOs (the United Nations Global Compact, WWF, CDP and the World Resources Institute), endorsed this plan and recognised it as compatible with the Paris Agreement target of limiting the increase in global warming to 2 °C. As such, La Poste is one of 18 French companies (and 273 worldwide) recognised by four international NGOs for their climate action.

Commitment to customer service

As a response to changes in requirements in terms of the simplicity and increasingly responsible consumption patterns, Le Groupe La Poste is committed to deploying innovative services and a relationship with customers that is in line with the best industry standards:

- as a committed stakeholder and the leading bank lender for local authorities, at the end of May 2019 La Banque Postale broadened its responsible product and service range by offering green loans for local authorities. These loans are refinanced by green bonds

issued by the SFIL public development bank. Projects eligible for green loans include investments in projects covering clean mobility, water and sanitation, waste recovery, construction and energy renovation of public buildings and renewable energy production;

- following a pilot in Normandy in 2018, La Poste rolled out a new system for processing Mail-Parcels claims in a Short Loop to almost 1,300 post offices and over 500 mail and parcel sites in 2019. This new process began to be rolled out in early 2020. It is a response to new customer expectations in terms of speed – indeed immediacy, resulting from digital habits – and local services. Therefore, any customers wishing to discuss their claim at a post office will be able to talk to a customer service manager immediately. They will then be put into contact with the Mail and Parcels teams, who will contact them within 24 hours to agree on terms for the resumption of the service.

A recognised and rewarded societal commitment

Le Groupe La Poste's commitment to society continues to be recognised and rewarded. The 2019 financial year was marked by important new milestones in the evaluation of the Group's social and environmental performance:

- in terms of environmental performance, in January 2020 Le Groupe La Poste and La Banque Postale were given an A- rating by CDP;
- having been involved with the International Postal Council (IPC) for many years, Le Groupe La Poste is one of its biggest supporters in terms of sustainable development. As such, in 2019 La Poste ranked second among 19 postal operators worldwide analysed by IPC. The measures taken at La Poste have made a significant contribution to meeting the two initial objectives set by the IPC. As such, CO₂ emissions in the postal sector have seen a 20% reduction since 2014, resulting in total savings of €1.6 billion on fuel and electricity since 2008;
- in its most recent evaluation at the beginning of 2020, Vigéo Eiris gave Le Groupe La Poste a rating of 75/100, making it the highest-rated company in the world, all sectors combined;
- in January 2020, Ecovadis awarded La Poste the new "Platinum" (78/100) medal, a new award for the most committed and effective companies in terms of CSR, out of over 60,000 companies evaluated by Ecovadis worldwide, and once again gave "Gold" ratings to many Group subsidiaries including GeoPost (67/100) and Chronopost (68/100). Following in the footsteps of La Poste in 2018, in April 2019 La Banque Postale successfully issued its first Green Bond for €750 million. La Banque Postale is aiming to become a regular issuer on the market for green, social and sustainable bonds, thereby demonstrating its commitment to resolving environmental and societal issues.

5.1.1.7 La Poste, a responsible employer

Employment at La Poste

In 2019, some 7,799 people were hired by La Poste on permanent contracts, 38.9% of whom were under 25, as well as 4,739 work-study students.

Social dialogue

Following some 13 texts signed in 2018, 11 new agreements or amendments were signed in 2019, of which 10 were majority agreements. A detailed list of these agreements and their signatories is featured in Section 3.1 of the Universal registration document.

Two of these agreements are on promoting diversity and equal rights. As such, the disability agreement signed on 10 May 2019, included a target of hiring 650 people, of which 260 on permanent contracts, over the next four years, and reflects La Poste's priority of keeping all disabled employees in employment.

Moreover, building on the good gender equality index of 94%, La Poste wanted to make new commitments on gender equality. A 4th agreement on *gender equality in the workplace*, signed on 25 July 2019, includes a target for upper management to be made up of at least 45% women and strategic managers and for 40% of senior executives to be women by July 2022 and to do more to combat sexism and violence. A gender parity network aimed at strengthening equal rights within the Group was launched on 22 October.

Training and professional development

Five major training programmes continued to be rolled out in 2019: core business line training, individual training, digital training, qualifying training paths, and the managerial development programme. Moreover, "talent" programmes continued to be rolled out. Note that:

- the percentage of La Poste employees having received training in 2019 was 80.33% (compared to 80.35% in 2018);
- the number of qualifying training paths started since 2015 has reached 43,600 in 2019 (i.e. a 6,600 increase in one year), in line with the schedule showing 50,000 paths by the end of 2020;
- over 38,000 e-courses were taken by employees in 2019 to help them get to grips with digital technology;
- in 2019, the Institute of Management (IM, for managers) and the Institute of Development (ID, for support functions), provided training to 14,476 managers for IM and 30,505 employees for ID. These figures are up significantly (compared with 9,797 and 13,506 respectively in 2018);
- in 2019, the *Impacte!* course was launched for its second year and the *Rethink & Lead* course was held again to support the development of employees identified as "talent".

In terms of professional development:

- the volume of vacancies and applications on the job board was down slightly due to reduction in employee numbers at La Poste. Despite this reduction, the number of applications per vacancy increased by 9% in 2019;
- internal mobility fell slightly with 20,191 promotions in 2019. Finally, in the context of the end of the civil servant exemption and the decrease in the number of employees, the number of supported external mobilities remained unchanged in 2019 with, in particular, an increase in the secure voluntary mobility and mobility towards the social and solidarity-based economy;
- forward-planning of jobs and skills(GPEC) was developed in 2019 with a more precise approach to skills enabling the jobs of the future to be identified, particularly at regional level. Following a pilot in the first half of 2019, regional GPEC, which aims to develop fluidity and career paths between subsidiaries and business units on a regional scale, was officially launched at the end of October 2019.

Health and quality of life at work

The “*Feeling good at work*” programme, which aims to improve health and quality of life at work for employees, is continuing to reduce risks of absenteeism and accident numbers: reducing difficult working conditions, preventing psychosocial risks, support for employees during long-term absences and when resuming work (APALA programme) and roll-out of work-discussion encounters

(which give teams autonomy in resolving difficulties encountered at work).

The frequency rate of accidents at work was up slightly in 2019, by 0.9% following two years of decline. The severity rate of accidents at work was also up, by 3.9% compared to 2018.

The right of employees to disconnect has been reaffirmed.

At the end of 2019, La Poste had 4,350 remote workers. This number has practically doubled in one year, evidence of the success of this scheme which started in 2013 and was renewed in the 2018 agreement.

In October and November 2019 a survey was sent to all employees of the Services-Mail-Parcels business unit, Corporate, Poste Immo and the Digital Services business unit, managers in the Network, Financial and Banking Services and the top management of GeoPost, to measure the commitment and expectation of employees and their managers. The response rate was 57% across all employees and 85% for managers (respective targets 60% and 80%), i.e. 73,636 employees.

Social activity and housing services

In 2019, La Poste dedicated more than €203.8 million to its social activities offer.

11,572 employees were assisted (housed or supported) by La Poste's Housing Service, equivalent to an annual increase of 3.84% over 2018.

5.1.2 ALTERNATIVE PERFORMANCE INDICATORS FREE CASH FLOW

	31/12/2019	31/12/2018	Change				
			vs n-1 (Excluding IFRS 16)			Change at constant scope and exchange rates	
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	vs n-1	vs n-1	vs n-1
(€ million)			(in €m)	(in €m)	(in %)	(in €m)	(in %)
Group operating performance							
Operating income	25,983	24,699	-	+1,284	+5.2	+581	+2.4
Operating profit after share of net profit of jointly controlled entities	889	892	72	-75	-8.4	-96	-10.8
Operating margin	3.4%	3.6%	-	-	-0.5 pt	-	-0.5 pt
Net profit Group share	822	798	9	+15	+1.8	-29	-3.6
Net margin	3.2%	3.2%	-	-	-0.1 pt	-	-0.2 pt
Free cash flow ^(a)	223	9	-	+213	n.s.	-	-
Adjusted EBITDA	1,559	969	595	-4	-0.5	-	-
Key figures – La Banque Postale							
Net banking income	5,647	5,570	-	+77	+1.4	+77	+1.4
Cost income	83.8%	83.4%	-	-	0.3 pt	-	-

(a) Please refer to Section 5.1.5.

	31/12/2019	31/12/2018	Change		
			vs n-1 (Excluding IFRS 16)		
			IFRS 16 2019	(in €m)	(in %)
(€ million)					
Key financial indicators					
Net debt ^(a)	6,462	3,442	2,524	+496	+14.4
Adjusted EBITDA/Net Debt	24.1%	28.2%	-	-	-3.7 pt
Equity, Group share	12,624	12,014	-135	+746	+6.2
Net debt/equity	51.2%	28.7%	-	-	2.2 pt
Net profit/equity	6.5%	6.6%	-	-	-0.3 pt
Common Equity Tier 1 ^(b)	12.2%	11.7%	-	-	0.5 pt
Loan to deposit ratio	90%	86%	-	-	3.6 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.

The December 2018 data are presented proforma. This proforma data includes segment changes: The wnDirect entity, which was previously under the GeoPost business unit, was transferred to the Services-Mail-Parcel's business unit, while the Mediapost entities have also been transferred from the Digital Services business unit to the Services-Mail-Parcels business unit. This proforma therefore differs from that published in December 2018 regarding the Services-Mail-Parcels, GeoPost and Digital Services business units, and for the intersegments.

5.1.2.1 Operating income

Le Groupe La Poste's operating revenue amounted to €25,983 million at the end of December 2019, up €1,284 million compared to December 2018 (+5.2%). This increase was driven by consolidation of the subsidiary Asendia, the growth in the express activities of GeoPost and the Parcel business, as well as by the sustained activity of La Banque Postale in a difficult banking context and recent acquisitions in the fields of health, the energy transition and digital consultancy. Revenue from traditional mail, is still penalised by the fall in volumes.

(€ million)	31/12/2019	31/12/2018	Change				Change at constant scope and exchange rates	
			vs n-1		vs n-1			
			(in €m)	(in %)	(in €m)	(in %)		
		<i>proforma segment</i>						
Services-Mail-Parcels	12,376	11,699	+678	+5.8	+10	+0.1		
GeoPost	7,768	7,278	+491	+6.7	+471	+6.5		
La Banque Postale	5,647	5,570	+77	+1.4	+77	+1.4		
Digital services	697	656	+42	+6.4	+21	+3.2		
Other segments and intercompany	(506)	(503)	-4	+0.7	+1	-0.2		
OPERATING INCOME	25,983	24,699	+1,284	+5.2	+581	+2.4		

After adjustment for scope effects, i.e. an additional €685 million driven primarily by the Services-Mail-Parcels business unit (€665 million increase), Digital Services (€20 million increase) and an exchange rate gain of €18 million, including a €14 million gain on pound sterling, a €6million gain on the US dollar, a €5 million gain on the rouble, a €4million loss on the Polish zloty and a €3million loss on the Brazilian real, the Group's organic growth at the end of December 2019 was €581 million (+2.4%).

The operating revenue for 2019 was characterised by the following:

- an increase in revenue from the Services-Mail-Parcels business unit at €12,376 million, up €678 million representing a 5.8% rise, including €667 million of scope and exchange rate effects primarily due to the integration of Asendia and, to a lesser extent, DiaDom and EDE in the second half of 2018. The organic growth of the Services-Mail-Parcels business unit remains unchanged at €10 million, despite the structural decline in addressed mail volumes (-7.8% at equivalent working days). Organic revenue from Mail decreased by €191 million compared with December 2018. The price increase that took effect on 1 January 2019 (+€350 million), the May 2019 European elections with manifesto deliveries (+€31 million compared to December 2018) and international growth (+€32 million) and the development of new services (such as e-education tablets for +€51 million) partially offset the decrease in volumes. Within the business unit, the Parcel business continued to see organic growth in revenue of €102 million (+5.7%), supported by a favourable equivalent working-day traffic effect of €115 million (+8.7%), mainly thanks to national BtoC flows driven by the growth in e-commerce. The subsidiaries positioned in the logistics, e-logistics, direct marketing, energy transition, Silver economy and cross-border mail businesses recorded organic growth of €99 million, driven in particular by the growth in e-commerce and advertising mail;
- the growth of €491 million of GeoPost's revenue to €7,768 million, of which €4 million from the scope effect due to the acquisition of new SEUR franchises in 2019 and €16 million in exchange rate gains. Adjusted for scope and exchange rate effects, organic growth stood at €471 million (+6.5%), driven by organic growth in the volumes handled (+2.8%), driven by BtoC, pricing policies (€143 million) and by the growth of new urban services (+€36 million) of which Stuart in the United Kingdom;

- La Banque Postale's net banking income totalled €5,647 million. After restating the change in the home savings provision, NBI for La Banque Postale increased by €50 million, despite a backdrop of particularly low interest rates and the impact of government measures at the end of 2018. The Retail Banking division grew by €58 million, restated for the Home Savings provision. The receipt of €50 million in partial compensation from the State and active balance sheet management made it possible to absorb the effects of the declining rates and commission income reflecting the impact of government measures and low rates. The Insurance division is down €10 million compared with the end of December 2018 and the Asset Management division is up €3 million compared with the end of December 2018;

- the revenue of the Digital Services business unit, at €697 million, increased by €42 million (+6.4%). At constant scope and exchange rates, the increase was €21 million (+3.2%), to which the Transformation and Innovation division contributed €6 million in connection with the development of cross-entity projects and their rebilling. Apart from the impact of the €7 million scope effect related to the acquisitions made in 2018 (Voxaly) and 2019 (Brains), the earnings of the Docaposte division increased by €16.2 million, thanks to the digital activities, whereas the Mediapost Division decreased by €2 million (excluding the +€11 million scope effect from the 2019 Marketshot acquisition). Revenue from the laposte.fr site, primarily commissions resulting from the 6.6% growth in turnover, was up by €0.9 million.

5.1.2.2 Operating profit/(loss)

The Group's operating profit, after share of net profit of jointly controlled entities, totalled €889 million at the end of December 2019, down €75 million excluding the impact of IFRS 6. On an organic basis, and excluding the impact of IFRS 16⁽¹⁾, the operating profit decreased by €96 million (-10.8%), owing primarily to the significant fall in income from property disposals.

(1) At constant scope, exchange rates and methods.

	31/12/2019	31/12/2018	Change		Change at constant scope and exchange rates		
		proforma segment	IFRS 16 2019 (in €m)	vs n-1 (Excluding IFRS 16) (in €m)	vs n-1 (Excluding IFRS 16) (in %)	vs n-1 (Excluding IFRS 16) (in €m)	vs n-1 (Excluding IFRS 16) (in %)
(€ million)							
Services-Mail-Parcels	410	490	5	- 85	- 17,4	- 101	- 20.5
GeoPost	379	344	46	- 12	- 3,4	- 13	- 3.9
La Banque Postale	820	813	-	+ 7	+ 0,8	+ 7	+ 0.8
La Poste Network	(14)	(153)	-	+ 139	- 90,6	+ 139	- 90.6
Digital services	10	7	2	+ 2	+ 30,2	- 2	- 27.8
Real estate	142	232	19	- 109	- 47,0	- 109	- 47.0
Support and Structures	(191)	(216)	1	+ 24	- 11,3	+ 24	- 11.3
Unallocated and eliminations	(666)	(625)	0	- 41	+ 6,5	- 41	+ 6.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	889	892	72	- 75	- 8,4	- 96	- 10.8

Highlights of operating profit by business unit are as follows:

- Services-Mail-Parcels: Operating profit for the business unit totalled €410 million at the end of December 2019, down by €85 million (-17.4%) compared to the end of December 2018, excluding the impact of IFRS 16 (-€101 million or -20.5% at constant scope and exchange rate, and excluding the impact of IFRS 16). It is mainly due to the continued fall in mail traffic, the restatement in 2018 of €57 million in Asendia securities and the impact of the disposal of VLC in 2019;
- GeoPost posted an operating profit of €379 million, down €12 million (-3.4%) compared with the end of December 2018 excluding the impact of IFRS 16. Following the restatement of scope effects and exchange rate, and excluding the impact of IFRS 16, profits are down by €13 million (-3.9%), in the context of Brexit affecting the European market, international pressure on subcontracting and transport costs, and the development of urban services in the conquest phase;
- La Banque Postale business unit posted an operating profit of €820 million, representing a €7 million increase compared to December 2018, including provision for Home Savings, in a context of cost control efforts and the continued low cost of risk;
- The Network posted an operating loss of €14 million at the end of December 2019, up €139 million compared to December 2018, achieved through its adaptation plans and cost management;
- The Digital Services business unit recorded an operating profit of €10 million, down by €2million after restatement for scope and exchange rate effects and excluding the impact of IFRS 16, due to a decline in traditional activities (Docaposte), as well as development costs.

■ other business segments:

- Real Estate posted an operating profit of €142 million, down €109 million, reflecting the proceeds of €168 million for the disposal of the La Boétie site in Paris in 2018, compared with €43 million in gains on the disposal of Keller in 2019,
- Supports and Structures, which recorded an operating loss of €191 million, reduced its deficit by €24 million due to sustained efforts to reduce costs,
- Expenses for the "Unallocated" segment decreased by €40 million, primarily due to an increase in expenses related to end-of-career arrangements Group-wide.

5.1.2.3 Financial profit/(loss)

The financial loss, which represents a total expense of €225 million, improved by €21 million after restatement of interest expenses on lease liabilities pursuant to IFRS 16, applied for the first-time in 2019 (€60 million). Its change is characterised by a decrease in the cost of net financial debt of €5 million and a reduction of €15 million in the expense corresponding to other financial items.

5.1.2.4 Net profit

Net profit Group share, at €822 million, was up €15 million excluding IFRS 16 compared to December 2018 (+1.8%). Restated for scope and exchange rate effects and excluding the impact of IFRS 16, net profit Group share decreased by €29 million (-3.6%).

Excluding the impact of IFRS 16, the change in the net profit was characterised by a €54 million reduction in profit before tax, which amounted to €664 million, by a reduction in the tax expense of €30 million⁽¹⁾, due in particular to the reduction in profit before tax.

The €13 million rise in the portion of profit generated from equity associates (including +€13 million from CNP Assurances), and the decrease in restatement of the portion from non-controlling interests for €26 million (including €29 million from the repurchase of La Banque Postale Financement non-controlling interests), led to a €15 million rise in the net profit Group share after restatement for the impact of IFRS 16.

5.1.2.5 Change in net debt

The Group's net debt stood at €6,462 million at the end of December 2019. Excluding the impact of the first-time application of IFRS 16 as of 1 January 2019 (€2,469 million), the net debt

increased by €551 million (€496 million excluding the changes in lease liabilities in 2019) mainly as a result of the cash flow generated by the Group's external growth transactions (net balance of €486 million). These acquisitions, the vast majority of which took place in the last months of 2019, had only a limited impact on the free cash flow generated by the Group which amounted to €223 million and offset the total dividends of €221 million paid by the Group to non-controlling interests and compensation of the hybrid securities held by the Group.

5.1.2.6 Adjusted EBITDA/Net debt

The adjusted EBITDA to Net debt ratio is 24.1% in 2019 published value and 24.5% excluding IFRS 16. Excluding the impact of IFRS 16 in 2019, it decreased by 3.7 pts, with the stability of adjusted EBITDA (-€4 million) failing to offset the increase in net debt (+€496 million excluding the impact of IFRS 16 in 2019) caused mainly by the Group's external growth transactions in 2019.

(1) Details in Section 4.2 of this report.

5.1.3 OPERATING RESULTS BY BUSINESS SEGMENT

5.1.3.1 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 12/2019 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital services	La Poste Network	Real estate	Support and Structures	Unallocated	Elim.	Total
External revenue & NBI	12,091	7,679	5,624	511	51	26	1	0		25,983
Intersegment revenue & NBI	285	89	23	187	3,781	813	1,100	0	(6,278)	
Operating income	12,376	7,768	5,647	697	3,832	839	1,101	0	(6,278)	25,983
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	410	378	820	10	13	140	(191)	(665)	-	914
Share in results of joint ventures	-	1	-	-	(27)	2	-	-	-	(25)
OPERATING PROFIT/ (LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	410	379	820	10	(14)	142	(191)	(665)	-	889
Operating margin (as a %)	3.3	4.9		1.5		16.9				3.4

Segment proforma 12/2018 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital services	La Poste Network	Real estate	Support and Structures	Unallocated	Elim.	TOTAL
External revenue & NBI	11,416	7,199	5,545	480	33	26	1	-		24,699
Intersegment revenue & NBI	283	79	25	176	3,788	810	1,053	-	(6,214)	
Operating income	11,699	7,278	5,570	656	3,820	836	1,054	-	(6,214)	24,699
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	488	343	813	7	(134)	230	(216)	(625)	-	906
Share in results of joint ventures	2	1	-	-	(19)	2	-	-	-	(14)
OPERATING PROFIT/ (LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	490	344	813	7	(153)	232	(216)	(625)	-	892
Operating margin (as a %)	4.2	4.7		1.0		27.8				3.6

The deployment of the *Servir le développement* programme was launched in January 2018. Its primary aim was to restructure and optimise the support functions, which has involved gradually repositioning the 12 support areas under the «Supports and Structures» scope. This took place primarily in January 2018, and

more recently in July 2018 for real estate and January 2019 for general resources. In consequence, the operating results changed. "Supports and Structures" have been the main sectors impacted with a cross-entry on "Eliminations".

5.1.3.2 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 (written driving licence tests, eco-mobility, energy renovation, etc.);
- Activities carried out by subsidiaries, operating in diverse markets: direct marketing (chiefly Mediapost and Sogec), data marketing (ISOSKELE), logistics and e-logistics solutions (essentially STP and Neolog), the Silver economy (Asten Santé, Tikeasy, Axéo, Diadom), energy transition (Recygo, EDE) and cross-border mail (Asendia, a fully consolidated subsidiary since October 2018, and since January 2019 its subsidiary wnDirect, a company specialised in international e-commerce deliveries).

(€ million)	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (excluding IFRS 16)	
		proforma segment	(in €m)	(in €m)	(in %)
Revenue	12,376	11,699	-	+ 678	+5.8
non-Group revenue	12,091	11,416	-	+ 675	+5.9
Operating expenses	(11,967)	(11,210)	5	- 761	+6.8
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	410	488	5	- 84	-17.2
Share of net profit of jointly controlled entities	-	2	-	- 1	-96.1
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	410	490	5	- 85	-17.4
Operating margin	3.3%	4.2%	-	-0.9 pt	

Services and Mail business activity

At 31 December 2019, revenue totalled €10,501 million, an increase of €601 million (+6.1%) compared to 31 December 2018. This increase includes a scope and exchange rate effect of +€693 million primarily linked to Asendia and to a lesser extent to the Silver economy activities (Health division) and new services (EDE).

The decrease in mail delivery can be explained by the continued decline in traffic of 7.8% (or -€690 million in volume/product mix/cut-off effect) at equivalent working days. It forms part of a context of streamlining and digitisation of the banking, public (ministries, local authorities and social security bodies) and telephony industries.

These reductions in traffic are partially offset by:

- The 4.9% average price increase on 1 January 2019 ⁽¹⁾, with an estimated effect on traffic-generating revenue of €350 million;
- The delivery of manifestos for European election candidates, representing increased revenue of €31 million compared with 2018;
- International flows, new services and the business activities of subsidiaries are driving growth;
- Asendia's full consolidation in October 2018 generated revenue of €1,193 million (wnDirect included). Asendia, which supplies cross-border e-commerce logistics solutions (mail and small parcels), a steadily growing market, operates in 17 countries across Europe, North America and Asia-Pacific. Its subsidiary, eShopworld, is a retail e-commerce operator;
- International business grew by €32 million (+4.4%) underpinned by the growth in e-commerce;
- New services grew by €94.1 million, including €52.4 million for Knowledge and Regional Cohesion (including €51 million for e-education tablets), €38.4 million for energy transition (including €28.3 million in scope effects for Ecomobility EDE) and €3.3 million for the written driving licence tests, generating total revenue of €209.1 million at the end of December 2019;
- The business of the advertising mail subsidiaries increased by €43 million, driven in particular by Sogec's ticketing activity and the international subsidiaries, with a scope effect of -€0.4 million;
- The La Poste Silver subsidiaries generated revenue of €170 million, up €32 million including a scope effect of €32 million primarily due to the acquisitions of DiaDom in October 2018 and DMC Santé, IM Santé and Ethic Santé in 2019.

(1) As a percentage of basic traffic-generating revenue

The logistics business was down by €26 million for logistics and e-logistics offerings.

Parcel business

Revenue at 31 December 2019 was €1,875 million, showing organic growth of €102 million (+5.7%).

The volume of parcels delivered grew by 8.7% at equivalent working days, totalling 362 million items, with a €115 million impact on revenue at equivalent working days. Volumes delivered break down as follows:

- a sharp increase in BtoC (+10.0%) with 317 million items, driven by the growth of e-commerce, and, in particular, National Business growth of 28.0 million items (+11.0% at equivalent working days) compared to December 2018. Pick-up and drop-off point deliveries continued their sharp rise with an increase of 5.2 million items (+19.3% at equivalent working days), and concern 10.4% of BtoC traffic. Home delivery remains the most popular delivery method in France with an increase of 20.1 million items (+9.4% at equivalent working days), or 76.8% of BtoC traffic;
- 35 million CtoC items, representing a decline of 1.6% at equivalent working days compared to December 2018;

- 11 million items in import products, a 8.5% increase at equivalent working days.

At 31 December 2019, the quality of service remained high with a two-day⁽¹⁾ delivery rate of 94.5%, up on December 2018.

Parcels are delivered to homes, post offices, public service areas or retail pick-up locations or Pickup Station lockers, as chosen by the recipient.

La Poste delivers over 9 out of 10 parcels to homes on the first delivery attempt by postmen/delivery staff, with 6.6% of parcels for which delivery is attempted at home taken to post offices for collection.

Operating profit/(loss)

The operating profit for the Services-Mail-Parcels business unit totalled €410 million at 31 December 2019, down €85 million compared with 31 December 2018 (excluding the impact of IFRS 16), i.e. -17.4%. This decline was mainly due to the drop in Mail volumes, the €70 million reduction in the profit of subsidiaries (including +€15 million in scope and exchange rate effects) due in particular to the €57 million revaluation in the Asendia securities in 2018 and the disposal of VLC in 2019, whereas the operating profit of Parcels continues to rise (+€6 million).

5.1.3.3 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, SEUR in Spain, Jadlog in Brazil and Tigers for freight forwarding. 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 45.2% of volumes at the end of December 2019. In addition to this activity as an express delivery specialist, GeoPost is developing new urban services around urban logistics, Stuart and personalised recipient logistics.

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (excluding IFRS 16)	
(€ million)		proforma segment	(in €m)	(in €m)	(in %)
Revenue	7,768	7,278	-	+ 491	+ 6,7
non-Group revenue	7,679	7,199	-	+ 480	+ 6,7
Operating expenses	(7,391)	(6,934)	46	- 503	+ 7,2
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	378	343	46	- 12	- 3,4
Share of net profit of jointly controlled entities	1	1	-	-	+ 23
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	379	344	46	- 12	- 3,4
Operating margin	4.9%	4.7%	-	+ 0,1 pt	

(1) Two-day Colissimo delivery rate with domestic tracking

Geopost's Activities

GeoPost's revenue at the end of December 2019 was €7,768 million. It grew €491 million (+6.7%) compared to the end of December 2018. After adjustment for scope effects of +€4 million (new SEUR franchises acquired in 2019) and exchange rate effects of +€16 million (including +€12.2 million on the pound Sterling, +€5.4 million on the US dollar, +€4.6 million on the rouble, -€3.6 million on the Polish zloty and -€2.7 million on the Brazilian real), organic growth was €471 million (+6.5%).

At the end of December, GeoPost had delivered 1,332 million parcels, an organic increase of 2.8% compared with 2018, a marked slowdown compared with the 6.2% increase between 2017 and 2018. Revenue growth, in the express delivery business, was generated both by volume and mix, up €211 million (+2.9%) including an unfavourable working-day effect (-€8 million), and by a price increase of €143 million and a €42 million fuel surcharge. Furthermore, revenue from New Urban Services was up €36 million, primarily driven by the development of Stuart in the United Kingdom.

- The United Kingdom reported revenue of €1,500 million, representing organic growth of 5.7% driven by a 4.7% increase in volumes, against a backdrop of a slowdown in household consumption and uncertainty over Brexit.
- In France, the increase in organic revenue, of 5.5% for DPD France and 6.6% for Chronopost compared to December 2018, was driven both by organic growth in volumes (+3.7% and +2.6%, respectively) on the back of BtoC flows and price increases.
- With revenue of €1,839 million, Germany posted organic growth of 4.5% under the effect of price increases, offsetting a slight fall in volumes (-1.6%). Amazon remains strong with growth of 27%.

- Spain generated revenue of €470 million, representing an organic decline of 2.9% due to a slowdown on its domestic market. This included a decline in Amazon flows, offset by price increases.
- Benelux revenue, which amounted to €475 million, saw strong organic growth of 12.8% driven by an 11.1% increase in volumes as a result of the strength of key international accounts and some Brexit carry-over.
- Russia's revenue of €192 million saw a decrease of 9.3% in organic terms, reflecting commercial development issues, causing volumes to decrease by 5.6%.
- In Poland, revenue of €495 million comprised organic growth of 18.1%, due to volume growth of 11.9% driven by BtoC and e-commerce, and price increases.
- The business activity of Tigers, in a highly competitive sea freight market, saw revenue of €272 million, an organic increase of 4.4%, notably thanks to the logistics business activity.

Operating profit/(loss)

Operating profit, including GeoPost's share of the net profit of jointly controlled entities, totalled €379 million at the end of December 2019. Adjusted for scope and exchange rate effects of €2 million and for IFRS 16 of €46 million, operating results were down €13 million compared with the end of December 2018 (-3.9%). This includes upgrade costs relating to future customs clearance because of Brexit.

This result should be viewed in the context of Brexit impacting the European market, ongoing tensions regarding the cost of subcontracting and transport, difficulties in Russia and Spain, the roll-out of urban logistics activities.

5.1.3.4 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.

Commercial activities

In 2019, La Banque Postale pursued its policy of increasing market share in all customer segments. In a particularly challenging environment, outstanding savings increased by €9.6 billion compared to December 2018 (+3.0%) to €324.1 billion:

	31/12/2019	31/12/2018	Change	
(savings outstandings in € billion)			(in €bn)	(in %)
Sight deposits	71.1	65.7	+ 5.4	+8.3
Ordinary savings	82.7	82.0	+ 0.7	+0.8
Livret A savings account	61.5	60.6	+ 0.9	+1.5
LEP savings accounts	6.2	7.2	- 1.0	-14.2
Sustainable development savings accounts (LDD)	8.2	7.8	+ 0.4	+5.1
Other savings accounts	6.8	6.4	+ 0.4	+6.9
Home savings	31.4	31.8	- 0.4	-1.4
UCITS ^(a)	11.4	10.2	+ 1.2	+12.2
Life insurance ^(a)	126.7	124.1	+ 2.5	+2.0
Other ^(b)	0.9	0.8	+ 0.1	+15.7
CUSTOMER SAVINGS	324.1	314.6	+ 9.6	+3.0

(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 €5.4 billion year on year (+8.3%), ordinary savings also contributed to this increase by €0.7 billion (+0.8%). The Livret A passbook savings account, for which the rate has been set at 0.75% since 1 August 2015, remains very competitive because it represents a good alternative for savers to sight deposits due to its liquidity and tax advantages.

La Banque Postale's life insurance outstandings amounted to €126.7 billion, up €2.5 billion (+2.0%) compared with December 2018. Commercial momentum was strong, with gross inflows up 5% to €8.7 billion.

The decline in outstanding home savings to €31.4 billion (-1.4% compared with December 2018) was due to the less attractive nature of new home savings plans, whose rate has been 1.0% since 1 August 2016. Moreover, Home Savings Plans (PEL) open since 1 January 2018 are subject to the single lump-sum deduction of 30%, and no longer offer any premium from the French State.

Within the outstanding savings of La Banque Postale, those of BPE private banking stand at €9.6 billion and have risen by 14.9%, as a result of the growth in life insurance outstandings. Total BPE outstanding loans also rose to €3.5 billion (+12.3%). This trend reflects La Banque Postale's development among high net worth customers.

Through the significant increase in its outstanding customer loans, up 10.6% over a year to €102.9 billion, La Banque Postale showed its determination to win market share.

	31/12/2019	31/12/2018	Change	
(outstanding loans in € billion)			(in €bn)	(in %)
Home loans ^(a)	63.8	60.4	+3.3	+5.5
Consumer loans	5.2	4.9	+0.3	+5.2
Other loans ^(b)	0.5	0.5	+0.0	+4.3
Loans to legal entities ^(c)	33.4	27.2	+6.2	+23.0
CUSTOMER LOANS	102.9	93.0	+9.9	+10.6

(a) Excluding repurchases of Dutch loan portfolios.

(b) Overdrawn sight deposits and amounts owed on bank cards; proforma data as of 31 December 2018 following the exclusion of securities given under repurchase agreements not deemed to be customer transactions.

(c) Companies, social housing associations, non-profits and local authorities.

During the year, €12.4 billion in Home loans was issued by La Banque Postale and its subsidiaries (BPE and SOFIAP), up 21% compared with December 2018, in a context of historically low interest rates and sustained market growth.

The growth in consumer loans, managed by La Banque Postale Financement, was maintained in a market which remains promising with production outstripping the market, increasing outstandings to €5.2 billion (+5.2% compared with December 2018). Sales via the Internet or the remote platform remained high and represented 38% of the production of personal loans at the end of 2019.

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 2019 with the amount outstanding increasing by 23.0% over a one-year rolling period to reach €33.4 billion, thus consolidating La Banque Postale's

position as the number one lender to local authorities. These amounts include €5.6 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 €4.2 billion in outstanding loans to Caisse Française de Financement Local over the period, in line with the growth model adopted, when La Banque Postale entered the local public sector market.

Operating performance

La Banque Postale's net banking income (NBI) amounted to €5,647 million at the end of December 2019, up €77 million compared to the end of December 2018 (+1.4%) and this despite the ongoing decline in long-term rates and the impact of government measures.

(€ million)	31/12/2019	31/12/2018	Change	
			(in €m)	(in %)
Asset Management	155	153	+ 3	+1.7
Insurance	251	261	- 10	-4.0
Retail banking	5,241	5,156	+ 85	+1.6
Net interest margin	2,969	2,790	+ 179	+6.4
Commissions	2,308	2,368	- 60	-2.5
Other income and expenses	- 35	- 2	- 34	NA
NET BANKING INCOME	5,647	5,570	+ 77	+1.4

The NBI of the Asset Management division, amounting to €155 million, was up €3 million compared with December 2018. The division grew its NBI by 1.7% due to a market impact and positive effects on transfer commission.

Assets under management, comprising those of La Banque Postale Asset Management and Tocqueville Finance, and the division's outstandings distributed (Kames Funds and Dutch Mortgages) totalled €231.6 billion at the end of December 2019, an increase of 6.2% over the period. This growth in outstandings is wholly due to a market effect (+€14.7 billion).

At €251 million, the NBI of the Insurance division was down 4.0% in 2019. The non-life insurance portfolio now amounts to 4.647 million policies, a rise of 1.9%, with the property and casualty insurance portfolio increasing by 4.2% (39% of the portfolio).

After adjusting for the home savings provision, the NBI of the Retail Banking division rose 1.1% compared to December 2018 (€58 million).

The net interest margin (NMI) thus restated rose 6% to €2,900 million; the receipt of €50 million in partial compensation from the French State and active balance sheet management having made it possible to absorb the effects of the lower rates.

Commissions declined by €60 million (-2.5%), reflecting the influence of government measures. Therefore, the capping of incidental costs for financially vulnerable customers had an unfavourable impact on NBI of nearly €69 million in 2019.

(€ million)	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (excluding IFRS 16)	
			(in €m)	(in €m)	(in %)
Net banking income	5,647	5,570	-	+ 77	+1.4
Management expenses	(4,649)	(4,573)	-	- 75	+1.6
Gross operating profit/(loss)	999	997	-	+ 2	+0.2
Cost of risk	(178)	(133)	-	- 45	+34.0
Cost relating to the ACPR decision		(50)	-	+ 50	-100.0
Gains and losses on other assets	-	(1)	-	+ 0	-75.0
OPERATING PROFIT/(LOSS)	820	813	-	+ 7	+0.8
<i>LBP cost income ratio</i>	<i>83.8%</i>	<i>83.4%</i>	-		<i>0.3 pt</i>

La Banque Postale's management expenses increased by 1.6% excluding IFRS 16 compared to December 2018 and totalled €-4,649 million, reflecting constant efforts to rein in expenses while continuing its transformation programme and developing its subsidiaries involving major investments.

The business unit's gross operating profit was €999 million, up 0.2% excluding IFRS 16. La Banque Postale's cost to income ratio amounted to 83.8%.

The cost of risk, at €178 million, is higher than in December 2018 (€133 million) due to an unfavourable base effect (recovery of an industry file in 2018). As a proportion of outstanding loans, it remained a low 15 basis points⁽¹⁾.

La Banque Postale's operating profit amounted to €820 million, up 0.8% on December 2018.

Financial structure

La Banque Postale had a solid financial structure with a Common Equity Tier 1 ratio fully loaded of 12.2% at 31 December 2019 (+0.5 points compared to December 2018), much higher than the minimum SREP requirement of 9.25%⁽²⁾ set by the European Central Bank and applicable as from 1 July 2019. This development is due to the positive impact of the conversion, in the first half of 2019, into shares of €800 million of AT1 bonds issued in 2013 and wholly held by La Poste and the issue by La Banque Postale of its first Additional Tier 1 bond for €750 million in November 2019.

The total capital ratio was unchanged on December 2018 at 16.2%.

The leverage ratio at the end of December 2019 was 3.9%, pursuant to the European Central Bank's decision in May 2019⁽³⁾. Excluding centralised savings held by Caisse des Dépôts⁽⁴⁾, it was 4.5%.

The liquidity position of the balance sheet remains above the regulatory requirements and translates into a loan to deposit ratio of 90%, up 3.6 points, and a liquidity coverage ratio (LCR) estimated at 153% (short-term liquidity), compared to 145% at 31 December 2018.

(1) The commercial bank's cost of credit risk in relation to outstanding amounts at the beginning of the period.

(2) The figure includes full CCB and O-SIB buffers as well as the countercyclical buffer (CCyB) of 0.25% applicable to French exposures since 1 July 2019.

(3) The Bank's leverage ratio, pursuant to the European Central Bank's decision of May 2019, was calculated excluding 50% of centralised savings.

(4) In accordance with the delegated act published by the European Commission on 10 October 2014.

5.1.3.5 La Poste Network

La Poste Network distributes to retail customers 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") marketing its offering under the "La Poste Mobile" brand.

(€ million)	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (excluding IFRS 16)	
			(in €m)	(in €m)	(in %)
Revenue	3,832	3,820	-	+ 11	+0
Operating expenses	(3,819)	(3,955)	-	+ 136	-3.4
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	13	(134)	-	+ 147	NA
Share of net profit of jointly controlled entities	(27)	(19)	-	- 9	+47.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	(14)	(153)	-	+ 139	-90.6

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.

La Poste Network

Faced with changes in society and in its customers' needs, La Poste is transforming and adapting to new ways of life, so that it can offer more services and local presence. La Poste Network benefits from an organisation with 17,033 retail outlets, comprising 7,767 post offices and 9,266 partnerships (La Poste local postal agencies and "La Poste Relais" outlets). Thanks to this Network, La Poste is able to meet all the specific needs of customers throughout France.

The projects initiated in recent years are described below:

- a commercial banking efficiency action plan including:
 - a wholly revamped managerial structure with constantly increasing empowerment of advisors and managers dealing with customers,

- a 314,000 days/man training programme led by École de la banque et du réseau (EBR),
- an additional step in the rollout of the Cap Client 3.0 customer relationship management tool to banking advisors with the aim of facilitating end-to-end customer support,
- more stringent quality benchmarks for remote customer relations, with the «Fil Contact» call centre solution;
- better serving of customers through segmentation and the establishment of a dedicated sales force for the professional customer segment. Customers are placed in portfolios allowing for a closer relationship and analysis of customer needs;
- a service Network that is both digital and human thanks to the roll-out of digital tools for the teams and increased digital support for customers:
 - customer service representatives now meet customers' requests in the middle of the sales area via smartphones (Smartéo) that can carry out most functions (such as purchasing a product, picking up or dropping off an item, providing advice, etc.),
 - in rural areas, the Network helps maintain public services in the most vulnerable areas. Its efforts to reduce the digital divide translates into the making available of connected equipment and local support. The provision of self-service tablets facilitates access to the online services offered by the Group and to public services (the French employment office, family allowances, health insurance...),
 - in rural and urban areas, free Internet access is offered (2 hours with a "Mon Compte"), which makes access to digital services easier and simpler for everyone. 750 post offices had been equipped by the end of 2019,

- in urban areas, to ensure the independence of people who experience difficulties with digital services, in over 300 offices, La Poste rolled out a major support programme built around the availability of facilitators and efforts by partners specialised in reducing digital illiteracy,
- customer information and promotion at the sales site have also been modernised using a digital communication system rolled out in 1,614 post offices, including in the French overseas departments;

■ Implementation of varied formats:

- in rural areas, La Poste has maintained its presence, thanks in particular to 501 public service areas, 42 of which were awarded the France Services label at the end of December 2019 (the France Services label is awarded by the French State).

La Poste is introducing postmen-counter clerks: the 985 such clerks at the end of 2019 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,

- in urban environments, in collaboration with town councils, the coverage by La Poste's outlets is tailored to the needs of town and city dwellers: 1,099 "La Poste Relais" outlets in urban areas with more than 2,000 inhabitants in cooperation with major national chains,
- the modernisation of offices has been ongoing for the past five years: 1,758 in urban areas and 412 in rural areas.

Thanks to its adaptation plans, the Network reduced its operating costs by 3.4% compared to 2018. This reduction directly benefited the Group's business units by reducing the invoicing linked to their use of the Network.

La Poste Mobile

Created in 2011, La Poste Telecom is a joint venture in which Le Groupe La Poste has a 51% stake and SFR the remaining 49%. La Poste Mobile positions itself as an operator with a physical network offering a wide range of fixed and mobile telephony services, high-quality local services and a responsive after-sales service.

In 2019, La Poste Mobile continued its sales growth strategy, running repeated time-limited marketing campaigns for a 30 GB or 60 GB package for less than €10 "for life" for retail customers. Sales of plans of more than 20 GB now account for 75% of La Poste Mobile's sales.

This sales strategy has resulted in the acquisition of 563,300 customers (including pre-paid customers), of which

466,000 were new subscribers during the year. Net subscription sales (after terminations) totalled 149,000. Total subscription and pre-paid customers rose 9.5% year-on-year to 1.7 million customers, 1.6 million of whom are subscription.

In tandem with this Mobile telephony offering, La Poste Mobile continued to grow its fixed telephony range launching an ADSL offering on 15 April 2019 targeted at professional customers and on 15 October the FTTH (fibre to the home) retail offering, which allows eligible customers to access lightning fast connections without contention. The expansion of the fixed range thus enabled La Poste Mobile to increase its fixed telephony base by 41% compared with December 2018.

5.1.3.6 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 laposte.fr e-commerce website; 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 (55% at the end of December 2019) is steadily increasing;
- Mediapost Communication, a specialist in data processing and artificial intelligence;
- The e-commerce website laposte.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.

	31/12/2019	31/12/2018	Change		
		pro forma segment	IFRS 16 2019 (in €m)	vs n-1 (excluding IFRS 16) (in €m)	(in %)
(€ million)					
Revenue	697	656	-	+ 42	+6.4
non-Group revenue	511	480	-	+ 31	+6.5
Operating expenses	(687)	(649)	2	- 40	+6.1
OPERATING PROFIT/(LOSS)	10	7	2	+ 2	+30
Operating margin	1.5%	1.0%	-	+0.4 pt	

Revenue

At the end of December 2019, revenue totalled €697 million (€620 million for the Commercial Activities division and €77 million for the Transformation and Innovation division), an increase of €42 million or 6.4% compared with the end of 2018. Adjusted for positive scope and exchange rate effects of €21 million, revenue grew organically by €21 million.

The revenue of the commercial activities division increased by €36 million:

- Docaposte's revenue increased by €26 million compared to the end of 2018 to reach €528 million at the end of December 2019 (+5.1%). The acquisitions made in 2018 (Voxaly) and in 2019 (Brains, Arkhinéo and Icanopée) contributed €9 million to this growth. Excluding the scope and exchange rate effect, Docaposte experienced organic growth of €16.2 million compared with the end of 2018, driven primarily by the development of digital activities;
- the revenue of the Mediapost Communication division totalled €40 million, up €9 million (+30.2%) compared with the end of December 2018. The scope effect of the acquisition of Marketshot in January 2019, and of the Média Prisme BE (December 2018)

and Société (January 2019) disposals accounted for €11 million of this amount. Adjusted for the discontinuation of operations by Mediaprism (€4 million in 2018), revenue was up €2 million thanks to the performance of Adverline;

- laposte.fr saw a significant increase in its sales, to €213 million (+6.6%) recognised in the form of commission and charge-backs for technical services, which was up €0.9 million on 2018.

The revenue of the Transformation and Innovation division grew by €6 million. It develops cross-functional projects on behalf of the Group, with billings for this up €4.9 million. In addition, the revenue of the Digital Trust division grew by €1 million, in line with the growth in Digiposte customers.

Operating profit/(loss)

Operating profit for the Digital Services business unit was €10 million at the end of December 2019, up €2 million (excluding the IFRS 16 impact) compared with the end of December 2018, €4 million of which was due to scope and exchange rate effects. Operating profit trends were impacted by the cost of acquiring Marketshot and the discontinuation of operations at Mediaprism (-€2 million).

5.1.3.7 Other Segments

Real Estate

The Real Estate segment includes the Poste Immo subsidiary and the Real Estate Department of the La Poste parent company.

(€ million)	31/12/2019	31/12/2018	Change		
			IFRS 16	vs n-1 (excluding IFRS 16)	
			(in €m)	(in €m)	(in %)
Revenue	839	836	-	+ 3	+0.3
non-Group revenue	26	26	-	- 0	-1.4
Current operating expenses	(746)	(773)	19	+ 8	-1.0
Gains/(losses) on disposals	47	167	-	- 119	-71.6
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	140	230	19	- 108	-47.1
Share of net profit of jointly controlled entities	2	2	-	- 1	-29.4
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	142	232	19	- 109	-47.0
Operating margin	16.9%	27.8%	-	-10.8 pt	

Revenue from the Real Estate division totalled €839 million, up €3 million (+0.3%) compared with the end of December 2018. This slight increase reflects the reining in of the real estate costs of the business units against the background of the higher indexing of rents and energy prices.

Operating results, after share of profit of jointly controlled entities, totalled €142 million, down €109 million excluding the impact of IFRS 16 compared with the end of December 2018, mainly due to gains and losses on disposals (including €168 million from the

La Boétie site in 2018 compared with €43 million from Keller in 2019) and proper control of operating expenses.

Supports and Structures

The Supports and Structures segment includes headquarters costs and the Support Departments (mainly vehicle fleet management, pooled services centres [IT, HR, Accounting, Legal, Purchasing, etc.] social and supply operations) that rebill the Group's other business units for costs incurred.

(€ million)	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (excluding IFRS 16)	
			(in €m)	(in €m)	(in %)
Revenue	1,101	1,054	-	+ 47	+4.4
Operating expenses	(1,292)	(1,270)	1	- 22	+2
Operating profit/(loss) before share of net P/(L) of jointly controlled entities	(191)	(216)	1	+ 24	-11.3
Share of net profit of jointly controlled entities	-	-	-	+ 0	-4.5
OPERATING PROFIT/(LOSS) AFTER SHARE OF NET P/(L) OF JOINTLY CONTROLLED ENTITIES	(191)	(216)	1	+ 24	-11.3

Operating income totalled €1,101 million at the end of December 2019, of which €1,057 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). In addition, €39 million in Group head office expenses were incurred by the subsidiaries (management fees).

The increase in operating revenue of €47 million stems from the continuing pooling (mainly general resources, which took place on 1 January 2019), while the controlled increase in operating expenses of €22 million reflects efforts to reduce running costs under the cost savings plan and the reversal of provisions for end-of-career benefits.

Unallocated expenses

	31/12/2019	31/12/2018	Change vs n-1	
(€ million)			(in €m)	(in %)
Net cost of regional postal presence	(518)	(507)	- 12	+2
Other operating expenses	(147)	(118)	- 29	+24.5
OPERATING PROFIT/(LOSS)	(665)	(625)	- 40	+6.5

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 costs associated with end-of-career benefits that are considered to be Group cross-entity costs and which are therefore not allocated to the business units.

The €40 million reduction in profit was mainly due to the rise in expenses related to the end-of-career arrangements (an increase in the number of members) and to a lesser extent an increase in the net cost of regional postal coverage.

5.1.4 OTHER KEY AGGREGATES OF THE INCOME STATEMENT

5.1.4.1 Financial profit/(loss)

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
(€ million)			(in €m)	(in €m)	(in %)
Net interest expense	(213)	(157)	- 60	+ 4	-2.6
Change in "fair value" including debt credit spread	(2)	(3)	-	+ 1	-36.2
Cost of net financial debt	(215)	(160)	- 60	+ 5	-3.2
Other financial items	(10)	(25)	-	+ 15	-60.9
FINANCIAL PROFIT/(LOSS)	(225)	(186)	- 60	+ 21	-11.1

The financial profit/(loss) improved by €21 million after restatement of interest expenses on lease liabilities pursuant to IFRS 16, applied for the first time in 2019, and amounting to -€60 million. It represented a total expense of €225 million, with a €5 million reduction in the net borrowing cost, excluding IFRS 16 2019, and a decrease of €15 million in other financial items.

The net interest expense, at €213 million, was down €4 million (2.6%) after restatement of the 2019 interest expense on lease liabilities. The restatement of the 2018 interest expense on finance leases restated under IAS 17 would result in a €4 million increase in

net interest expenses. The change in fair value in 2019 of the fair value option debt and the derivatives backed by this debt, which corresponded to a charge of €2 million in 2019, was €1 million down on 2018.

Other financial items (expense of €10 million in 2019), was down €15 million compared with 2018. These are essentially the accretion expense on social debt (expense of €16 million, down €4 million) and other financial income and expenses including €8 million in income from equity investments, up €5 million compared with 2018.

5.1.4.2 Net profit /(loss), Group share

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
			(in €m)	(in €m)	(in %)
(€ million)					
Operating income	25,983	24,699	-	+1,284	+5.2
Operating expenses	(25,069)	(23,793)	72	(1,348)	+5.7
Operating profit/(loss)	914	906	72	(64)	-7.1
Share in profits of jointly controlled entities	(25)	(14)	-	(11)	+76.5
Operating profit after share of net profit/(loss) of jointly controlled entities	889	892	72	(75)	-8.4
Financial profit/(loss)	(225)	(186)	- 60	+21	-11.1
Profit/(loss) before tax	664	706	12	(54)	-7.7
Income tax	(134)	(161)	- 3	+30	-18.6
Share in profits of associates	305	291	-	+13	+4.5
CONSOLIDATED NET PROFIT/(LOSS)	835	837	9	(11)	-1.3
Net profit/(loss), Group share	822	798	9	+15	+1.8
Non-controlling interests	13	39	-	(26)	-66.1

Net profit Group share stood at €822 million at the end of December 2019, up €15 million compared with December 2018 excluding IFRS 16. This change is primarily due to the €75 million slump (excluding IFRS 16) in operating profit after share of net profit of jointly controlled entities, a €21 million positive change in the financial profit (excluding IFRS 16) and the €30 million reduction in the Group's tax expense to €134 million, €11 million of which came from the theoretical tax expense and €17 million from tax restatements.

The share of the profit of equity associates was up by €13 million, including -€10 million from Ninja Van, which was consolidated from 2018 following a 32.27% equity investment, +€11 million from

the equity investments held by the Real Estate business unit, and the +€13 million contribution of CNP Assurances, in which the Group holds 20.15% (representing a share of 2019 profit of €276 million). The share of the profit of BRT, in which the Group held 37.5% at the end of December 2019, was €29 million. It was down €2 million compared with 2018.

The restatement carried out for the portion relating to non-controlling interests decreased €26 million, essentially following the acquisition of 35% of the shares of La Banque Postale Financement that the Group now wholly owns (€29 million impact on the restatement of non-controlling interests).

5.1.5 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 flows.

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 net 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;

5.1.5.1 Free cash flow

Free cash-flow

Free cash flow consists of the following components: (value of flows) -

- Adjusted EBITDA: It comprises all operating income within the scope of consolidation excluding Bank from which were deducted running costs and personnel expenses excluding allocations to end-of-career benefits in the same scope excluding banking activities. To this is added the dividends received from equity associates and dividends received from La Banque Postale during the period relating to the previous year's results;
- change in working capital requirement;
- cash flows on purchases of property, plant and equipment and intangible assets net of disposals of property, plant and equipment and intangible assets;
- cash flows related to taxes;
- CICE amount generated during the period, net of CICE deducted and monetised;

- La Poste's cost of capital employed, based on interest paid on net debt and dividends paid out to its shareholders.

- net interest paid (excluding lease liabilities), including compensation for shares;

- additional Tier 1 held with La Banque Postale;

- repayment of lease liabilities and interest expense on lease liabilities.

Each of the free cash flow aggregates is added together for its value in terms of cash flows: positive for cash inflows and negative for cash outflows. This free cash flow indicator is not impacted by the application of IFRS 16 on the treatment of lease liabilities.

The financial information presented below is taken from Le Groupe La Poste's consolidated financial statements for the year ended 31 December 2019.

In accordance with the rules of the IFRS 16 standard for the application of the «modified retrospective» transition method, as applied by Le Groupe La Poste, the comparative figures for 2018 have not been restated for the IFRS 16 application.

The Group generated €223 million in free cash flow in 2019. It was €213 million higher than in 2018.

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
			(in €m)	(in €m)	(in %)
(€ million)					
EBITDA	1,204	605	595	+ 5	+ 0.8
Dividends received from equity associates	346	358	-	- 12	-3.4
Dividends received from equity associates	9	7	-	+ 3	+41.1
Adjusted EBITDA	1,559	969	595	- 4	-0.5
Change in WCR	(145)	(122)	- 10	- 13	+10.9
Purchases of property, plant and equipment and intangible assets	(1,207)	(1,162)	-	- 46	+3.9
Disposals of property, plant and equipment and intangible assets	172	335	-	- 163	-48.7
Net interest paid (excluding IFRS 16)	(161)	(156)	-	- 5	+3.4
AT1 coupons received	29	64	-	- 35	-54.4
Income tax	239	11	-	+ 229	NA
CICE deducted	332	385	-	- 53	-13.7
CICE generated	(1)	(317)	-	+ 316	-99.8
Repayment of lease liabilities	(529)	-	- 525	- 4	-
Interest expense on lease liabilities	(68)	-	- 60	- 8	-
FREE CASH FLOW	223	9	0	+ 213	NA

Adjusted EBITDA

Adjusted EBITDA was €1,559 million at the end of December 2019. Excluding the impact of IFRS 16 on the 2019 financial statements, it was broadly unchanged on 2018, with provisions excluding end-of-career benefits showing a favourable impact of €3 million and dividends received from equity associates down €12 million, including a €17 million reduction in the dividends received from La Banque Postale.

EBITDA excluding banking activities was €1,204 million. Excluding the impact of IFRS 16 on the 2019 financial statements, it was up €5 million with a €56 million reduction for the Services-Mail-Parcels business unit, which was hit by lower volumes offset by strong control of Network costs (EBITDA up €92 million) and within the Digital Services business unit (up €23 million).

Purchase of property, plant and equipment and intangible assets

Cash outflows for property, plant and equipment and intangible assets rose €46 million in 2019 to €1,207 million. This increase comprised a reduction in actual investments of €12 million and an adverse impact of €58 million on payables to non-current asset suppliers (€33 million in 2019).

(€ million)	31/12/2019	31/12/2018	Change	
			vs n-1	
			(in €m)	(in %)
Services-Mail-Parcels	(303)	(255)	- 49	+19.1
GeoPost	(314)	(346)	+ 32	-9.3
La Poste Network	(36)	(36)	- 0	+0.3
Digital services	(78)	(72)	- 6	+8.3
Real estate	(321)	(298)	- 23	+7.8
Support & Other	(154)	(155)	+ 0	-0.2
Purchase of property, plant and equipment and intangible assets	(1,207)	(1,162)	- 46	+3.9
Change in non-current asset accounts payable	33	(25)	+ 58	NA
INVESTING ACTIVITIES EXCLUDING BANKING ACTIVITIES	(1,174)	(1,186)	+ 12	-1.0

Purchases of property, plant and equipment and intangible assets include:

- the Services-Mail-Parcels business unit: total purchases of property, plant and equipment and intangible assets was €303 million, with a €49 million increase including €11.9 million in scope effect for Asendia consolidated in October 2018 and €26 million for Parcels that continues the development of its industrial and IT master plan;
- GeoPost: €314 million, down €32 million including €13 million for the construction of warehouses and €11 million for the construction of Hubs following one-off extensions;
- Real Estate division: cash flow from the purchase of property, plant and equipment and intangible assets up €23 million in particular on the back of changes in payables to non-current asset suppliers (€15 million). They totalled €321 million in 2019 and are mostly incurred in connection with large projects run by the Group, including the industrial master plan of the Services-Mail-Parcels business unit (€63 million), the Louvre (€45 million) and VLP région and Lemnys (€36 million);
- Digital Services business unit: €78 million, up €6 million compared with 2018, including €11 million from the change in payables to non-current asset suppliers;
- Support & other: flows for the acquisition of property, plant and equipment and intangible assets broadly unchanged at €154 million including €129 million for the acquisition of vehicles for the Group.

Disposals of property, plant and equipment and intangible assets

Disposals of property, plant and equipment and intangible assets totalled €172 million, down €163 million compared with 2018.

Asset disposals in particular encompass disposals by the Real Estate division, which totalled €97 million in 2019, including €45 million from the disposal of Keller. The disposals in this division were down €204 million, the Group having sold the La Boétie building in 2018 for €214 million.

The disposals by GeoPost in 2019 totalled €40 million. They were up €27 million, primarily due to the disposal of technical equipment (Eindhoven conveyor) followed by its leasing.

The disposal of vehicles, which amounted to €23 million in 2019, was up €2 million.

Other items of free cash flow

Other items of free cash flow notably include the net balance of CICE deducted and generated totalling €331 million in 2019 with a favourable impact compared to 2018 of €263 million primarily as a result of the ending of the CICE regime from 1 January 2019 (except for seconded staff in Mayotte).

Flows for taxes paid were up €239 million in 2019, with a favourable impact compared to 2018 of €229 million primarily resulting from movements within the Group's tax group.

The AT1 coupons received from La Banque Postale in 2019, totalling €29 million, were €35 million down due to the conversion into shares in June 2019 of €800 million in AT1 bonds issued in 2013 and wholly owned by La Poste.

The change in working capital resulted in cash outflows of €145 million at the end of December 2019.

Change in net debt

The Group's net debt rose €551 million in 2019 excluding the impact of the first-time application of IFRS 16 as of 1 January 2019 of €2,469 million. It now stands at €6,462 million, including €2,625 million in lease liabilities.

The change in the Group's debt was heavily correlated with the net flows for external growth and financial assets (€486 million), the free cash flow generated (€223 million) being offset by the dividends paid (€221 million).

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
(€ million)			(in €m)	(in €m)	(in %)
Free cash flow	223	9	-	+213	NA
Dividends paid	(221)	(173)	-	(48)	+28.0
External growth and net financial assets	(486)	(101)	-	(385)	NA
Change in finance lease liabilities	(102)	(9)	- 103	+10	NA
Change in accrued interest not yet due on financial instruments	15	(1)	-	+17	NA
Incr./Reduc. Capital	-	-	-	+0	NA
Issue of undated hybrid subordinated notes	-	744	-	(744)	-100.0
Impact of changes in scope and exchange rates on debt	(3)	(33)	-	+31	-92.4
Elimination HR Prov excl. DFC	(9)	(7)	-	(3)	+41.1
Other funds from operations	(17)	(22)	-	+5	-21.8
Other changes in net debt	49	(28)	48	+29	NA
Change net debt	(551)	378	- 54	(875)	NA
Opening net debt	(3,442)	(3,820)	-	+378	-9.9
First-time application of IFRS 16 at 01/01/2019	(2,469)	0	-2,469	+0	-
CLOSING NET DEBT (REPORTED)	(6,462)	(3,442)	-2,524	(496)	+14.4

Impact of external growth transactions and purchases of financial assets on the Group's net debt

Net flows from external growth and changes in financial assets totalled €486 million, up €385 million compared with 2018, comprising the following:

- acquisitions of subsidiaries minus cash acquired for €254 million, up €223 million;
- acquisitions of financial assets for €219 million, up €140 million;
- purchases of non-controlling interests: €27 million for the scope excluding banking activities, up €4 million;
- disposals of financial assets for +€39 million and disposals of subsidiaries for -€24 million.

Flows relating to external growth transactions broke down by segment as follows:

The Services-Mail-Parcels business unit did a total of €94 million in external growth transactions with in particular the acquisition of wnDirect as part of an internal Group transfer from GeoPost to Asendia, followed by the acquisition of DMC Santé, IM Santé, ETHIC Santé, Alliance perf and EDE.

GeoPost with a total of €172 million in 2019 in particular acquired the parcel subsidiaries of GEIS in the Czech Republic and in Slovakia, TIPSA Spain, Lenton (additional equity investment resulting in the taking of control) that will be consolidated in 2020, as well as the disposal of wnDirect to the subsidiaries of the Services-Mail-Parcels business unit.

The Digital Services business unit also significantly contributed to external growth transactions, totalling €208 million with the acquisition of Brains, Marketshot and Arkhinéo, along with Softeam group at the end of December 2019.

La Poste SA also paid €20 million in connection with the share capital increase at La Poste Telecom, which it owns together with SFR.

Dividends paid by the Group in 2019

In 2019, the Group paid out €221 million in dividends. This sum broke down as follows:

- €200 million paid to Group shareholders, including €147 million to the State (73.7%) and €53 million to Caisse des Dépôts (26.3%);
- €4 million paid to the Group's non-controlling interests;

- €17 million recognised as dividends paid and corresponding to the remuneration of undated hybrid subordinated notes subscribed in 2018 and recorded in Group equity.

Change in cash and cash equivalents

The Group's cash and cash equivalents had risen by €170 million at the end of December. It thus stood at €2,456 million, as against an opening balance of €2,286 million.

	31/12/2019	31/12/2018	Change vs n-1 (Excluding IFRS 16)	
(€ million)			(in €m)	(in %)
Free cash flow	223	9	+213	NA
Dividends paid	(221)	(173)	(48)	+28.0
External growth and net financial assets	(486)	(101)	(385)	NA
Proceeds from new borrowings	2,981	890	+2,091	NA
Repayment of borrowings (Excluding lease liabilities)	(1,948)	(924)	(1,024)	NA
Incr./Reduc. Capital	-	-	+0	NA
Issue of undated hybrid subordinated notes	-	744	- 744	-100.0
Change in financial assets used in cash management	125	220	(95)	-43.2
Other cash flows from financing activities	38	(67)	+104	NA
Exchange rate effect and change in method	(2)	(3)	+1	-36.5
Intercompany cash flow	(515)	(17)	- 498	NA
Elimination HR Prov excl. DFC	(9)	(7)	- 3	+41.1
Other funds from operations	(17)	(22)	+5	-21.8
Change in cash and cash equivalents	169	550	- 381	-69.2
Opening cash and cash equivalents	2,286	1,735	+550	+31.7
CLOSING CASH AND CASH EQUIVALENTS	2,456	2,286	+170	+7.4

This change in cash and cash equivalents was mainly due to the following:

- Cash outflows of €483 million resulting from the net amount of free cash flow generated, dividends paid and cash outflow relating to external growth transactions and purchases of financial assets. This cash outflow was €219 million up on 2018;
- A net increase in cash and cash equivalents of €1,033 million from the proceeds of new borrowings and the repayment of borrowings excluding IFRS 16. In 2019, the Group redeemed a €800 million bond issue that had matured and issued two tranches of senior debt, representing a total after tap issue of €1,700 million. The Group also issued a net amount of €150 million in commercial paper;

- Intra-group cash flows of -€515 million reflected the change in the net financial position vis-à-vis La Banque Postale and were primarily due to the change in the net amount of La Poste SA's current accounts to La Banque Postale to €465 million at the end of December 2019 for a negative position of €55 million at the end of 2018. Of note also is a change in the debt vis-à-vis La Banque Postale for the overall intra-group "payables/receivables" position of -€10 million plus a €5 million increase in the bank accounts held by the subsidiaries.

- An increase in cash and cash equivalents from movements in financial assets used in cash management of €125 million, relating to the reimbursement at maturity of various deposits over three months partly replaced.

- An increase in other cash flows from financing activities of €38 million mainly from a reduction in current bank facilities.

Gross debt

Excluding IFRS 16, the Group's gross debt rose €1,045 million in 2019. It currently totals €9,798 million, including €2,625 million in lease liabilities.

Gross debt breaks down as follows:

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
(€ million)			(in €m)	(in €m)	(in %)
Bonds	6,032	5,144	-	+888	+17.3
Short-term bonds	0	800	-	(800)	-100.0
Medium- and long-term bonds	6,032	4,344	-	+1,688	+38.9
La Poste savings bonds	54	54	-	(1)	-1.5
Short-term La Poste savings bonds	54	54	-	(1)	-1.5
Medium- and long-term La Poste savings bonds	0	0	-	+0	-
Commercial paper	300	150	-	+150	+100.0
Short-term commercial paper	300	150	-	+150	+100.0
Medium- and long-term commercial paper	0	0	-	+0	-
Deposits and guarantees received	103	95	-	+7	+7.7
Short-term deposits and guarantees received	76	70	-	+7	+9.4
Medium- and long-term deposits and guarantees received	26	26	-	+1	+3.2
Accrued interest	64	79	-	(16)	-19.7
Accrued interest	64	79	-	(16)	-19.7
Subordinated debt	444	435	-	+9	+2.1
Lease liabilities	2,625	0	2,625	+0	-
Short-term lease liabilities	492	0	492	+0	-
Medium- and long-term lease liabilities	2,133	0	2,133	(0)	-
Other items excluding lease liabilities	177	271	(101)	+8	+2.8
Other short-term items	91	72	(11)	+30	+41.4
Other medium- and long-term items	87	199	(91)	(22)	-11.1
GROSS DEBT	9,798	6,229	2,524	+1,045	+16.8
Short-term gross debt	1,077	1,225	482	(630)	-51.4
Medium- and long-term gross debt	8,721	5,004	2,042	+1,675	+33.5

The Group's bond debt at the end of December 2019 comprised 12 issues, originally with fixed rates (excluding hybrid bonds), some of which were switched to floating rates, then converted back to fixed rate according to whether interest rates were forecast to rise.

The main changes recognised in 2019 relate to the bond debt, which rose €888 million following the maturing of an €800 million bond issue and the issue in September 2019 of two tranches of senior debt representing a total after a tap issue of €1,700 million. The two tranches, with maturities of 8 years (2027) and 15 years (2034), were for €1,000 million and €700 million, respectively, after tap issue.

Outstanding commercial paper, which increased €150 million during the year to €300 million at 31 December 2019. Of note also is that

accrued interest not due decreased €16 million following changes in 2019 in the structure of the Group's bond debt whereas deposits and guarantees received rose €7 million.

Subordinated debt, valued at €444 million at the end of December 2019 (for a nominal value of \$500 million swapped for euros), rose €9 million on the back of changes in the Euro/US Dollar exchange rate.

The cost of debt at one year was 2.54% at the end of December 2019 (2.91% at the end of 2018). When projected over the next few years, the average cost of debt at four years was 2.04% at the end of December 2019 (2.67% at the end of December 2018).

Net debt

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
(€ million)			(in €m)	(in €m)	(in %)
Gross debt at the end of the period	9,798	6,229	2,524	+1,045	+16.8
Cash and cash equivalents	(2,456)	(2,286)	-	(170)	+7.4
Other assets	(880)	(501)	-	(379)	+75.7
NET DEBT AT THE END OF THE PERIOD	6,462	3,442	2,524	+496	+14.4

The Group's net debt stood at €6,462 million at the end of December 2019. Excluding IFRS 16, it was up €496 million compared with December 2018.

Other assets amounting to €880 million comprised the following:

- Debt-related derivative assets with a fair value of €112 million, down €15 million;

- Investments maturing in over three months at inception, which amounted to €325 million, which were down €125 million compared with December 2018;

- The security deposits paid for derivatives recognised as assets for €4 million;

- La Banque Postale's net financial position is a net credit position of €439 million, which rose €515 million in 2019.

Equity and financial structure

	31/12/2019	31/12/2018	Change		
			IFRS 16 2019	vs n-1 (Excluding IFRS 16)	
(€ million)			(in €m)	(in €m)	(in %)
Equity Group share (opening)	12,014	11,364	-	+ 649	+5.7
First-time application of IFRS 16 at 1 January 2019	(145)	-	- 145	+ 0	-
Capital increase	-	-	-	- 0	NA
Net profit/(loss), Group share	822	798	9	+ 15	+1.8
Dividend payments	(217)	(171)	-	- 46	+26.8
Unrealised gains and losses on financial instruments	356	(617)	-	+ 974	NA
Translation adjustments	34	(66)	-	+ 100	NA
Actuarial adjustments	(77)	18	-	- 95	NA
Undated hybrid subordinated notes	-	744	-	- 744	-100.0
Other	(163)	(57)	-	- 106	NA
Equity, Group share (closing balance)	12,624	12,014	- 135	+ 746	+6.2
First-time application of IFRS 16 at 1 January 2019	(2)	-	- 2	+ 0	-
Non-controlling interests	909	197	-	+ 712	NA
CONSOLIDATED EQUITY (CLOSING)	13,531	12,210	(137)	+1,459	+11.9

Equity Group share was €12,624 million at the end of December 2019, an increase of €746 million excluding IFRS 16 and including in particular an increase in the unrealised gains and losses on financial instruments of €974 million.

5.1.5.2 Credit rating

The rating agency Fitch raised La Poste's short-term rating from F1 to F1+ on 9 September 2019 with confirmation on 24 January 2020 of the short-term and long-term ratings, and on 10 October 2019 confirmed the La Banque Postale rating.

In 2019, Standard and Poor's confirmed the short-term and long-term rating of La Poste and La Banque Postale.

La Poste rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
	Fitch Ratings	A+	F1+	Stable	24 January 2020
La Poste	Standard and Poor's	A	A-1	Positive	30 October 2019

La Banque Postale rating

Company	Agency	Long-term rating	Short-term rating	Outlook	Last revised
	Fitch Ratings	A-	F1	Stable	10 October 2019
La Banque Postale	Standard and Poor's	A	A-1	Positive	18 December 2019

5.1.6 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.

5.1.6.1 Operating profit/(loss)

	31/12/2019	31/12/2018	Change	
(€ million)			(in €m)	(in %)
Operating revenue	13,739	13,853	- 114	-0.8
Operating expenses	(14,587)	(14,515)	- 71	+0.5
Operating profit/(loss)	(848)	(662)	- 186	+28.1
Financial profit/(loss)	420	490	- 70	(14.3)
Non-recurring items	19	16	+ 2	+14.9
Income tax	325	225	+ 100	+44.5
NET PROFIT/(LOSS)	(83)	70	- 153	NA

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 €13.7 billion in 2019, down 0.8% compared to 2018, mainly due to the decline in mail volumes.

Operating expenses came to €14.6 billion in 2019, up by €71 million (+0.5%). The change is mainly attributable to net depreciation, amortisation, provisions and impairment partly offset by personnel expenses (combined fall in the number of civil servants and the voluntary contribution rate and the reduction in the employers' social security contributions in return for the permanent removal of the CICE scheme).

5.1.6.2 Financial profit/(loss)

	31/12/2019	31/12/2018	Change	
(€ million)			(in €m)	(in %)
Net profit/(loss) from foreign currency	2	-	+ 2	NA
Net profit/(loss) on loans and borrowings	(25)	5	- 30	NA
Income from equity investments	488	479	+ 8	+1.7
Other financial revenue and expenses	(45)	6	- 51	NA
FINANCIAL PROFIT/(LOSS)	420	490	- 70	-14.3

Dividends (income from equity investments) received from subsidiaries amounted to €488 million, including €327 million from La Banque Postale, €89 million from GeoPost and €65 million from Poste Immo (compared with €344 million, €130 million and €4 million in 2018).

Profit on loans and borrowings totalled -€25 million at 31 December 2019, compared with €5 million in 2018, i.e. a decrease of €30 million.

Other financial revenue and expenses are mainly formed by the impairment of securities and loans as well as the return on term investments.

Financial profit/(loss) amounted to €420 million at 31 December 2019, down €70 million.

5.1.6.3 Net profit

Profit before tax amounted to -€409 million, a decrease of €253 million year on year.

Tax income rose €100 million to €325 million.

La Poste's net profit totalled -€83 million, a decrease of €153 million.

5.1.6.4 Five-year summary

	2019	2018	2017	2016	2015
Financial position at 31/12/N					
Share capital (€ million)	3,800	3,800	3,800	3,800	3,800
Number of shares (in millions)	950	950	950	950	950
Results for the fiscal year (in €m)					
Revenue before tax	11,317	11,462	11,746	11,882	12,031
Profit before tax, depreciation, amortisation and provisions	9	1	470	603	687
Income tax	325	225	238	183	185
Profit after tax, depreciation, amortisation and provisions	(83)	70	659	281	347
Profit distributed	200	171	171	171	171
EARNINGS PER SHARE (€/share)					
Profit before tax, depreciation, amortisation and provisions	0.01	0.00	0.50	0.63	0.72
Profit after tax, depreciation, amortisation and provisions	(0.09)	0.07	0.69	0.30	0.37
Profit distributed	0.21	0.18	0.18	0.18	0.18
PERSONNEL					
Number of employees (full-time employee equivalent per annum)	182,183	186,184	191,897	197,398	204,421
Wages and salaries	6,247	6,357	6,365	6,460	6,558
Non-wage labour costs	1,427	1,536	1,507	1,500	1,503

5.1.6.5 Balance sheet

Assets (€ million)	31/12/2019	31/12/2018	Liabilities (€ million)	31/12/2019	31/12/2018
Non-current assets	13,736	13,148	Equity	6,042	6,323
			Other equity	750	750
Current assets	2,636	2,909	Provisions	1,842	1,801
			Financial liabilities	6,991	5,996
Cash and cash equivalents	2,876	2,491	Current liabilities	3,623	3,677
TOTAL	19,248	18,547	TOTAL	19,248	18,547

Assets

The decrease in current assets mainly reflects tax and social security receivables (press subsidy, claim against the French State).

Cash and cash equivalents (cash and marketable securities) amounted to €2,876 million at 31 December 2019, up by €385 million.

Liabilities

Equity amounted to €6,042 million at 31 December 2019, to which are added €750 million in other equity, a reduction of €281 million compared with 2018.

Contingency and loss provisions amounted to €1,842 million, and financial debt stood at €6,991 million. Current liabilities amounted to €3,623 million.

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 fiscal 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 31/12/2019

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 (1d and +)	0 d (indicative)	1 to 30 d	31 to 60 d	61 to 90 d	>91 d	Total (1d and +)

(A) Tranches of arrears

Number of invoices concerned in thousands	58					3	513					119
Total number of invoices concerned in millions of euros (incl. tax)	229	5	1	1	4	11	562	25	1	4	50	79
Percentage of total purchases over the period at cost	4.2%	0.1%	0.0%	0.0%	0.1%	0.2%						
Percentage of revenue for the period (excl. tax)							4.2%	0.2%	0.0%	0.0%	0.4%	0.6%

(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 incl. 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 payment 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 payment terms:

5.1.7 OUTLOOK AND POST BALANCE SHEET EVENTS

5.1.7.1 Outlook

2020 will see the strategic equity alliance between Caisse des Dépôts and La Poste, and between La Banque Postale and CNP Assurances. These strategic equity alliances will enable Caisse des Dépôts to consolidate the largest public financial group, which will become the bank of reference for the regions while continuing its banking accessibility missions.

In 2020, the Group will continue the growth begun, remaining the 4th largest global parcel delivery operator, via external growth, by consolidating new companies including BRT, EDE and Softeam, and by diversifying activities.

In 2020, the Group will focus on developing services to individuals, particularly as part of the Silver Economy, with support for the elderly, delivery of medicines and meals, as well as support for towns and cities seeking new sustainable urban models by financing long-term projects in the general interest (energy and environmental transition, etc.), green transport for all goods, and by promoting green urban mobility. The Group will also continue to serve society as a whole in the regions and fight exclusion (France Services, digital banking inclusion plan) and will continue to roll out Ma French Bank on digital channels and via its physical network.

Finally, against the backdrop of an extremely challenging macroeconomic environment (historically low interest rates, restricted bank pricing measures and uncertainties surrounding the impacts of a hard Brexit), in 2020, Le Groupe La Poste will seek to shore up its economic and financial results and maintain its investment capacity by rolling out a cross-entity Group savings programme for €300 million which will primarily target head office and structural costs. A prioritising investment policy will also be implemented to save €100 million.

2020 will both be the final year of the “La Poste 2020: Conquering the Future” strategic plan and mark the beginning of work on the new strategic plan, “La Poste 2030”, which will involve all stakeholders.

5.1.7.2 Post balance sheet events

None.

5.2 Consolidated financial statements

5.2.1 CONSOLIDATED FINANCIAL STATEMENTS 31 DECEMBER 2019

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.

Consolidated income statement

(in € million)	Note	2019	2018
Revenues from commercial activities	6	20,359	19,154
Net banking income	7	5,624	5,545
Operating revenue		25,983	24,699
Purchases and other expenses ^(a)	8	(10,662)	(10,144)
Personnel expenses	9	(12,683)	(12,769)
Taxes and levies	10	(347)	(257)
Depreciation, amortisation, provisions and impairment ^(b)	11	(1,802)	(1,197)
Other operating expenses and income	12	413	412
Proceeds from asset disposals		13	162
Net operating expenses		(25,069)	(23,793)
Operating profit/(loss) before share in results of joint ventures		914	906
Share in profit of joint ventures	19	(25)	(14)
Operating profit/(loss) after share in results of joint ventures		889	892
Cost of net financial debt ^(c)		(215)	(160)
Other financial items		(10)	(26)
Financial profit/(loss)	13	(225)	(186)
Profit before tax of consolidated companies		664	706
Income tax	14	(134)	(161)
Share in profits of associates		305	291
CONSOLIDATED NET PROFIT/(LOSS)		835	837
Net profit/(loss), Group share		822	798
Attributable to non-controlling interests		13	39

(a) In 2019 this line item only comprises lease expenses for leases which have not been restated under IFRS 16 (see Notes 3 and 18).

(b) Including in 2019 amortisation of right of use assets from leases (see Note 18).

(c) Including in 2019 interest expenses on lease liabilities (see Note 13).

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

Consolidated comprehensive income statement

Amounts after tax

(in € million)	Note	2019	2018
Consolidated net profit/(loss)		835	837
Other comprehensive income recognised in equity		-	-
Recyclable items		-	-
Change in unrealised gains and losses on financial instruments	14.2	172	(358)
Reclassification under net income		(125)	(198)
Translation adjustments	14.2	27	(26)
Reclassification under net income		-	-
Impact of the overlay approach		13	(10)
Share in other comprehensive income of associates and joint ventures	19.1	184	(259)
Of which			
■ change in unrealised gains and losses on financial instruments - CNP		177	(219)
■ other unrealised gains and losses on financial instruments		-	-
■ cumulative translation adjustments	14.2	7	(40)
Non-recyclable items		-	-
Actuarial adjustments on employee benefits	30	(77)	18
Change in credit risk of liabilities designated as at fair value through profit or loss		(5)	(5)
Total other comprehensive income recognised in equity (after tax)		314	(639)
Total comprehensive income/(loss)		1,149	198
TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE		1,132	159
Total comprehensive income/(loss) attributable to non-controlling interests		17	39

Consolidated balance sheet

Assets

(in € million)	Note	31/12/2019	31/12/2018
Goodwill	15	2,625	2,478
Intangible assets	16	1,497	1,359
Property, plant and equipment	17	6,039	5,989
Right of use assets	18	2,582	-
Investments in joint ventures and associates	19	4,384	3,982
Other non-current financial assets	20	701	500
Deferred tax assets	14	365	412
Non-current assets		18,193	14,721
Current banking assets			
Customer loans and receivables	21.1	113,626	95,671
Credit institutions loans and receivables	21.2	70,635	87,352
Securities portfolio	21.3	55,338	51,052
Other current financial assets	21.4	1,603	1,608
Accrual accounts	21.5	1,554	1,513
Cash and central bank deposits	24.2	22,412	2,007
Other current assets			
Inventories and work-in-progress	22	154	132
Trade and other accounts receivable	23	4,014	4,156
Other current financial assets	20	475	532
Income tax credit		308	368
Other accrual accounts – Assets		79	95
Cash and cash equivalents	24.1	2,456	2,286
Assets held for sale	25	153	17
Current assets		272,807	246,788
TOTAL ASSETS		291,000	261,509

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

Liabilities

(in € million)	Note	31/12/2019	31/12/2018
Share capital		3,800	3,800
Issue premium		900	900
Reserves		5,628	5,432
Unrealised gains and losses on financial instruments		946	590
Translation reserve		(215)	(250)
Undated hybrid subordinated notes	26.2	744	744
Net profit/(loss), Group share		822	798
Equity, Group share		12,624	12,014
Non-controlling interests	26.3	907	197
Consolidated equity		13,531	12,210
Medium and long-term bonds and other financial debt	28.1	6,589	5,004
Medium and long-term lease liabilities	28.1	2,133	-
Employee benefits - non-current liabilities	30	2,152	2,388
Non-current provisions for contingencies and losses	27.2	116	124
Deferred tax liabilities	14	198	188
Non-current liabilities		11,188	7,703
Current provisions for contingencies and losses		-	-
Specific provisions for the Banking and Insurance activities	27.1	2,736	2,732
Current provisions for contingencies and losses	27.2	386	491
Short-term bonds and other financial debt	28.1	584	1,225
Short-term lease liabilities	28.1	492	-
Current banking liabilities		-	-
Liabilities due to credit institutions	31.1	30,715	18,877
Liabilities to customers	31.2	190,546	185,802
Debt evidenced by a certificate and other financial liabilities	31.3	31,961	23,759
Accrual accounts - Liabilities	21.5	2,306	2,360
Other current liabilities		-	-
Trade and other payables	32	5,448	5,432
Government - Income tax		60	49
Employee benefits - current liabilities	30	713	679
Other accrual accounts - Liabilities		219	189
Liabilities held for sale		115	-
Current liabilities		266,281	241,596
TOTAL LIABILITIES		291,000	261,509

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

Changes in consolidated equity 2019

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	Other reserves	Total, Group share	Non-controlling interests	Total
Consolidated equity as at 31/12/2018	3,800	900	798	(250)	604	(14)	744	5,432	12,014	197	12,210
First-time application of IFRS 16 as at 01/01/2019 ^(a)	–	–	–	–	–	–	–	(145)	(145)	(2)	(147)
Consolidated equity as at 01/01/2019	3,800	900	798	(250)	604	(14)	744	5,287	11,869	195	12,063
Dividend payments	–	–	(200)	–	–	–	–	–	(200)	(15)	(215)
Remuneration of undated hybrid subordinated notes	–	–	–	–	–	–	–	(17)	(17)	–	(17)
Call options on non-controlling interests	–	–	–	–	–	–	–	(24)	(24)	201	177
Transactions with non-controlling interests	–	–	–	–	–	–	–	(148)	(148)	(255)	(403)
Appropriation of 2018 net profit/(loss)	–	–	(598)	–	–	–	–	598	–	–	–
Issue of undated hybrid subordinated notes LBP ^(b)	–	–	–	–	–	–	–	–	–	744	744
Comprehensive income for the year	–	–	822	34	177	180	–	(77)	1,136	17	1,152
Of which											
■ Net profit	–	–	822	–	–	–	–	–	822	13	835
■ Actuarial adjustments	–	–	–	–	–	–	–	(77)	(77)	–	(77)
■ Other comprehensive income items	–	–	–	34	177	180	–	–	391	4	394
Other	–	–	–	–	–	–	–	9	9	20	29
CONSOLIDATED EQUITY AS AT 31/12/2019	3,800	900	822	(215)	781	166	744	5,628	12,624	907	13,531

(a) Impacts of the first-time adoption of IFRS 16 (see Note 3).

(b) The nominal amount of the bond issue carried out by La Banque Postale is €750 million, of which the issue premium has been deducted (see Note 1.4).

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	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 as at 01/01/2018	–	–	–	–	–	(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 ^(a)	–	–	–	–	–	–	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) The nominal amount of the issue is €750 million, of which the issue premium has been deducted.

Consolidated cash flow statement

(in € million)	Note	2019			2018		
		Group	Non-banking activities	La Banque Postale	Group	Non-banking activities	La Banque Postale
EBITDA		2,359	1,204	1,155	1,785	605	1,181
Change in provisions for current assets and irrecoverable receivables		(218)	(26)	(191)	(204)	(20)	(184)
Miscellaneous financial income and expenses		9	9	-	(2)	(2)	-
Cash flows from operating activities before cost of net debt and taxes	40.1	2,150	1,187	963	1,579	582	997
Change in working capital requirement	40.3	(125)	(145)	21	(397)	(122)	(276)
CICE tax credit for the period (excluding provisions)		-	-	-	(320)	(317)	(3)
Change in balance of banking resources and uses	40.4	4,494		4,494	3,937	-	3,937
Taxes paid		(90)	158	(248)	(94)	99	(192)
Monetisation of CICE tax credit		-	413	(413)	-	298	(298)
Dividends paid by La Banque Postale to La Poste		-	356	(356)	-	408	(408)
Dividends received from equity associates		146	19	127	137	14	123
Cash flows from operating activities		6,576	1,988	4,587	4,842	962	3,880
Purchase of property, plant and equipment and intangible assets	40.5	(1,501)	(1,207)	(294)	(1,493)	(1,162)	(331)
Purchase of financial assets		(240)	(219)	(21)	(81)	(79)	(2)
Proceeds from the disposal of property, plant and equipment and intangible assets		173	172	1	335	335	-
Proceeds from disposals of financial assets		39	39	-	34	28	6
Impact of changes in consolidation scope		(278)	(278)	-	(27)	(27)	-
Change in financial assets held for cash investment purposes		125	125	-	220	220	-
Cash flows from investing activities		(1,682)	(1,368)	(314)	(1,010)	(684)	(327)
Capital increase		-	-	-	9	0	9
Issue of undated hybrid subordinated notes		744	-	744	744	744	-
Dividends paid and remuneration of hybrid subordinated notes		(232)	(221)	(11)	(174)	(173)	(1)
Purchase of non-controlling interests		(403)	(27)	(376)	(26)	(23)	(3)
Interest paid		(229)	(229)	-	(156)	(156)	-
Proceeds from new borrowings	40.6	2,981	2,981	-	890	890	-
Repayment of borrowings	40.7	(1,948)	(1,948)	-	(924)	(924)	-
Repayment of lease liabilities		(563)	(529)	(34)			-
Other cash flows from financing activities	40.8	38	38	-	(67)	(67)	-
Intra-group flows		-	(515)	515	-	(17)	17
Cash flows from financing activities		389	(449)	838	297	275	22
Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope	40.9	(5,111)	-	(5,111)	(3,575)	-	(3,575)
Impact of subsidiaries held for sale		(9)	(9)	-	-	-	-
Impact of changes in exchange rates		7	7	-	(3)	(3)	-
Change in cash and cash equivalents		169	169	0	550	550	-
Opening cash and cash equivalents		2,286	2,286	-	1,735	1,735	-
Closing cash and cash equivalents		2,456	2,456	-	2,286	2,286	-

Pursuant to the provisions of IFRS 16 regarding the application of the modified retrospective approach, the 2018 comparative figures have not been restated for the impact of IFRS 16.

Notes to the consolidated financial statements

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GENERAL ITEMS

NOTE 1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

1.1	First-time application of IFRS 16- Leases	279	1.3	La Poste bond issues	279
1.2	Project for the creation of a large public financial group	279	1.4	La Banque Postale perpetual bonds issue	279
			1.5	BRT Group takeover	279

1.1 First-time application of IFRS 16- Leases

IFRS 16 - Leases was adopted on 9 November 2017 by the European Union and is mandatory from 1 January 2019. The impacts of this standard on the Group's accounts at that date are presented in Note 2.3 and comprised the additional recognition in the balance sheet of €2.4 billion of right of use assets and €2.6 billion of lease liabilities. The total impact on equity, Group share, of the application of IFRS 16 as at 1 January 2019 was -€145 million.

1.2 Project for the creation of a large public financial group

As part of the project of a strategic equity alliance between La Poste and Caisse des Dépôts for the creation of a large public financial group, the French State, Caisse des Dépôts, La Poste and La Banque Postale signed a binding memorandum of understanding on 31 July 2019.

The creation of this public financial group aims to strengthen regional cohesion and combat regional divides in mainland France and the overseas territories through La Poste and Caisse des Dépôts.

The implementation of this project should be finalized during the first half of 2020 by means of a contribution by the French State and Caisse des Dépôts to La Poste, and then by La Poste to La Banque Postale, of their respective 1.1% and 40.9% equity investments in CNP Assurances. The CNP Assurances Group is a leading player in personal insurance in France, Europe and Brazil.

Following this transaction, Le Groupe La Poste, including La Banque Postale, will be fully consolidated by Caisse des Dépôts. The CNP Assurances Group, previously an equity associate, will be fully consolidated at 62.1% by La Banque Postale.

1.3 La Poste bond issues

On 17 September 2019, La Poste carried out two bond issues:

- a €900 million issue with a September 2027 maturity, at a 0.375% interest rate, supplemented in October 2019 by an additional €100 million tranche, bringing the issue total to €1 billion;
- a €600 million issue with a September 2034 maturity, at a 1% interest rate, supplemented in October 2019 by an additional €100 million tranche, bringing the issue total to €700 million.

1.4 La Banque Postale perpetual bonds issue

On 14 November 2019, La Banque Postale issued its first Additional Tier 1 bond for a total of €750 million. The issued instrument is a 7-year callable undated bond with a fixed semi-annual coupon of 3.875%.

This issue has been recognised in the Group share of La Banque Postale's equity. At Le Groupe La Poste level, these securities are recognised under non-controlling interests in equity.

1.5 BRT Group takeover

Following the agreement signed on 31 July 2019, in January 2020 Le Groupe La Poste took over the Italian group BRT, the leader in parcel sector in Italy, in which it now owns 85% (GeoPost segment) thus strengthening the DPD network in Europe.

The BRT group, recognised in Le Groupe La Poste's 2019 financial statements through the equity model, will be fully consolidated from 1 January 2020. Initial estimates show that goodwill will be around €1,200 million, of which €513 million already included in the value of investments in equity associates.

In 2019, the BRT Group generated revenue of almost €1.5 billion and net profit of around €40 million.

NOTE 2 ACCOUNTING RULES AND POLICIES

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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 2019 were signed off by the Board of Directors (meeting on 27 February 2020), 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 2019 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 2019 are unchanged from those applied as at 31 December 2018, except for the items described in Points 2.1.1 and 2.1.2 below.

2.1.1 Standards and application interpretations that are mandatory for the first time in 2019

IFRS 16

IFRS 16 – Leases was adopted on 9 November 2017 by the European Union and is mandatory from 1 January 2019. It replaces IAS 17 – Leases and requires the recognition in the balance sheet of an asset and a liability for all leases where the company is the lessee.

The main impacts of this standard on the Group's accounts are presented in Note 3.

IFRIC 23 – Uncertainty over Income Tax Treatments

The Group does not expect any significant impact of this interpretation, which will be mandatory in 2019.

2.1.2 Standards and application interpretations that are mandatory for the first time after 31 December 2019

The Group has adopted the amendment to IFRS 9, IAS 39 and IFRS 7 "Interest rate benchmark reform" early. Under new regulations on the interest-rate benchmarks replacing the IBOR interbank rates with new rates, IASB published an amendment to IFRS 9, IAS 39 and IFRS 7 in September 2019. This amendment was adopted by the European Commission on 15 January 2020 and comes into effect from 1 January 2020.

Under this amendment exemptions may be applied, particularly in assessing the effectiveness of the hedge. The objective is not to disqualify on the sole basis of uncertainty around the period and methods of transition of benchmark rates, provided the previous rates are not removed and the contracts are not amended. The amendment applies until uncertainties around the flows disappear or the hedge is stopped.

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 user 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.

As part of the operation set out in Note 1.1, the sell back agreement was carried out in January 2020. As such, the corresponding securities were once again held directly by the Group.

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, and 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 2.13.

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 4th 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

In 2018 consolidated accounts, 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.

In 2019 consolidated accounts, these contracts are now accounted for according to IFRS 16 provisions (see Note 3).

2.12 Right of use assets

Rights of use assets recognised on the balance sheet are the result of applying IFRS 16 from 1 January 2019. The procedures for the first-time adoption of this standard are set out in Note 3.

2.13 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.

2.14 Other financial assets

2.14.1 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 28).

2.14.2 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 2.16 and 28).

2.15 Banking activities assets and liabilities

2.15.1 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.

2.15.2 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.

2.15.3 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.

2.15.4 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".

2.15.5 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.

2.15.6 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.

2.15.7 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 34) 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 (90 days, except for restructured credits operations for which the probationary period to exit bucket 3 is 12 months).

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.

2.15.8 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.

2.15.9 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.

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.

2.15.10 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.

2.15.11 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.

2.15.12 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.

2.15.13 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.

2.15.14 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.

2.16 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".

2.16.1 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.

2.16.2 Bonds measured at amortised cost

Bonds not backed by "fixed-for-floating" swaps are measured at amortised cost based on the effective interest rate.

2.16.3 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.

2.17 Lease Liabilities

Lease liabilities recognised in the balance sheet are the result of the adoption of IFRS 16 from 1 January 2019. The procedures for the first-time adoption of this standard are set out in Note 3.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Employee benefits

2.22.1 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.

2.22.2 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.

2.23 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.

2.24 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 FIRST-TIME ADOPTION OF IFRS 16

3.1 Impacts of the first-time application of IFRS 16 296

3.1 Impacts of the first-time application of IFRS 16

IFRS 16 – Leases was applied as at 1 January 2019 and replaces IAS 17 – Leases. As a consequence, for all external leases for which the Group is the lessee, the following items were recognised in the balance sheet:

- a lease liability equal to the discounted value of lease payments during the lease term (non-cancellable periods and optional periods if the lessee is reasonably certain to exercise the option);
- a right-of-use asset, depreciated over the term of the lease.

When the Group is the lessor, IFRS 16 implementation did not have any impact on Group accounts, as the new standard basically replicates the IAS 17 model.

Transition method

The Group elected to use the modified retrospective approach.

In this context, the Group decided to apply the following 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 were recognized as provided for by IAS 17.

Terms of leases were determined on the basis of an analysis of termination options before the lease term and renewal options that can exist. This position is consistent with that published by the IFRIC on 16 December 2019 insofar as the Group's open-ended leases may be terminated by either party at any time subject to a negligible penalty at most, and the net book value of the arrangements in question may not, in the cases at hand, constitute anything more than an insignificant penalty.

Discount rates were determined on the transition date, in accordance with the standard and in reference to the incremental borrowing rate of the lessee for each term, and taking into account the timetable of debt repayments.

3.2 IFRS 16 transition tables as at 1 January 2019 297

- Rates were 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 used 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 weighted average discount rate at transition date was 2.5%.

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 standard does not allow for the restatement of comparative years under the modified retrospective transition approach. Accordingly, 2018 comparative figures were not restated.

Operational implementation of IFRS 16

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. It is updated on a regular basis.

The number of contracts thus listed is close to 13,000. The majority of the rights of use assets relates to operational or administrative buildings.

Impacts of IFRS 16 on the Group's consolidated accounts

The additional lease liabilities generated by IFRS 16 amounted to €2.6 billion at 1 January 2019. Net right of use assets at that date amounted to €2.4 billion. The total impact of the first-time application of IFRS 16, i.e. -€147 million was recognised in equity as at 1 January 2019 (-€145 million group share).

The impact of the application of IFRS 16 in 2019 on operating profit/(loss) and net profit/(loss) was estimated at around +€72 million. The impact on net result is not significant. The cash flow statement showed a significant improvement in EBITDA, mainly offset by the repayment of the lease liability and the payment of interest.

3.2 IFRS 16 transition tables as at 1 January 2019

A) Balance sheet transition from 31 December 2018 to 1 January 2019

(in € million)	31 December 2018 reported	IFRS 16 impact	1 January 2019 restated
Assets			
Goodwill	2,478	-	2,478
Intangible assets	1,359	-	1,359
Property, plant and equipment ^(a)	5,989	(104)	5,885
Usage rights	-	2,502	2,502
Investments in joint ventures and associates	3,982	-	3,982
Other non-current financial assets	912	7	920
Non-current assets	14,721	2,406	17,127
Current banking assets	239,203	-	239,203
Other current assets	7,585	(21)	7,565
Current assets	246,788	(21)	246,767
TOTAL ASSETS	261,509	2,385	263,894
Liabilities			
Equity, Group share	12,014	(145)	11,868
Non-controlling interests	197	(2)	195
Consolidated equity	12,210	(147)	12,063
Medium and long-term bonds and other financial debt ^(a)	5,004	(89)	4,915
Medium and long-term lease liabilities	-	2,007	2,007
Other non-current liabilities	2,699	(16)	2,683
Non-current liabilities	7,703	1,902	9,605
Current provisions for contingencies and losses	3,223	(10)	3,213
Short-term bonds and other financial debt ^(a)	1,225	(12)	1,213
Short-term lease liabilities	-	564	564
Current banking liabilities	230,798	138	230,936
Other current liabilities	6,350	(49)	6,301
Current liabilities	241,596	630	242,226
TOTAL LIABILITIES	261,509	2,385	263,894

(a) the IFRS 16 impact on these lines reflects the reclassification of finance lease contracts as of end of December 2018 (assets and liabilities).

B) Reconciliation between operating lease commitments as at 31 December 2018 and lease liabilities as at 1 January 2019.

(in € million)

Operating lease commitments as at 31 December 2018	2,731
Short-term leases commitments and commitments with a residual term less than 12 months as at 1 January 2019	(53)
Low value assets leases commitments	(13)
Leases starting in 2019	(105)
Termination penalties at the end of non-cancellable periods	(46)
Optional lease terms	438
Other	(2)
Lease liabilities as at 1 January 2019 before discounting	2,950
Discounting	(343)
Finance lease liabilities as at 31 December 2018	101
LEASE LIABILITIES AS AT 1 JANUARY 2019	2,708

NOTE 4 CHANGES IN THE CONSOLIDATION SCOPE

4.1	Main newly-consolidated companies	298	4.3	Income statement at constant scope and exchange rates	299
4.2	Main deconsolidated companies	299			

The scope of consolidation is shown in Note 43.

4.1 Main newly-consolidated companies

Acquisition of non-controlling interests in La Banque Postale Financement

On 1 March 2019, La Banque Postale acquired, with effect on 1 January 2019 in the income statement, Société Générale's 35% stake in La Banque Postale Financement. La Banque Postale hence holds a 100% stake in the company, which was already fully consolidated. This acquisition resulted in the purchase of Société Générale 154,000 securities for an amount of €376 million, without impact on equity, as a liability for a put option on non-controlling interests was recognised in the Group's accounts for the same amount.

Takeover of Economie d'Énergie

At the end of October 2019, Le Groupe La Poste (the Services-Mail-Parcels business unit) acquired 75% of the capital of Economie d'Énergie (EDE) and the company was consolidated from 1 November 2019. Provisional goodwill of €67 million was recognised in the financial statements.

EDE operates primarily in the energy efficiency certificates and energy management services sectors, in particular as an energy broker, markets in which La Poste has no assets as a supplier.

Takeover of Lenton

Le Groupe La Poste (GeoPost business unit) acquired Lenton at the end of September 2019, increasing its equity investment from 34% to 64%. Owing to practical difficulties, this group which has around 35 companies in various countries, continued to be recognised as an investment in equity associates as of the end of December 2019. It will be fully consolidated from 1 January 2020.

The Lenton Group originated in Asia and, for over four decades has provided cross-border services, economy or priority airmail lines, value-added logistics and logistics gateway solutions to transport companies and other industrial sectors. With its registered office based in Hong Kong, it has a major presence in over 39 countries on the six continents.

Takeover of Softeam Group

At the end of December 2019, Le Groupe La Poste (Digital Services business unit) acquired 100% of Softeam Group.

Owing to practical difficulties, this company will be fully consolidated from 1 January 2020. The value of the shares was

therefore recorded under non-consolidated investments at the end of December 2019 (see note 20). The company had revenue of around €150 million in 2019 and a workforce of around 1,400.

Known for its consulting expertise in the finance, banking and insurance sectors, Softeam Group also develops disruptive technological solutions with an offering that combines digital agency, digital factory, data and artificial intelligence.

4.2 Main deconsolidated companies

Disposal in November 2019 of the Viapost Logistique Connectée group (Morin and Orium subsidiaries)

This generated a loss on disposal of €37 million, of which a loss of €28 million from the line «Profits/losses from disposal of assets»

and a loss of €9 million from the line «Amortisation, provisions and impairment» under a post-closing commitment. These disposals are consolidated in the Group's financial statements until the end of November 2019.

4.3 Income statement at constant scope and exchange rates

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.

Data for the year 2019 have been restated to neutralise the effects of the first-time application of IFRS 16.

(in € million)	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Revenues and NBI	25,983	24,699	25,286	24,706
Purchases and other expenses	(10,662)	(10,144)	(10,804)	(10,152)
Personnel expenses	(12,683)	(12,769)	(12,594)	(12,767)
Taxes and levies	(347)	(257)	(265)	(257)
Amortisation, provisions and impairment	(1,802)	(1,197)	(1,225)	(1,199)
Other operating expenses and income	413	412	407	414
Proceeds from asset disposals	13	162	13	162
Net operating expenses	(25,069)	(23,793)	(24,467)	(23,800)
Operating profit/(loss) before share in results of joint ventures	914	906	820	906
Share in results of joint ventures	(25)	(14)	(22)	(12)
OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES	889	892	797	893

NOTE 5 SEGMENT REPORTING

5.1	Definition of operating segments	299	5.3	Geographical information	303
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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

In 2019, a few entities have been reallocated from the "Services-Mail-Parcels" segment to the "Digital Services" segment. Furthermore, the WnDirect company was transferred from the GeoPost segment to the "Services-Mail-Parcels" segment.

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.

2019	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
<i>(in € million)</i>										
Non-Group revenues and NBI	12,091	7,679	5,624	511	51	26	1	-	-	25,983
Inter-segment revenues and NBI	285	89	23	187	3,781	813	1,100	-	(6,278)	-
Operating revenue	12,376	7,768	5,647	697	3,832	839	1,101	-	(6,278)	25,983
Operating profit/(loss) before share in results of joint ventures	410	378	820	10	13	140	(191)	(665)	-	914
Share in results of joint ventures	-	1	-	-	(27)	2	-	-	-	(25)
Operating profit/(loss) after share in results of joint ventures	410	379	820	10	(14)	142	(191)	(665)	-	889
Financial profit/(loss)	-	-	-	-	-	-	-	(225)	-	(225)
Income tax	-	-	-	-	-	-	-	(134)	-	(134)
Share in profits of associates	-	12	282	-	-	11	-	-	-	305
Consolidated net profit/(loss)	-	-	-	-	-	-	-	-	-	835
Depreciation, amortisation, provisions and impairment	(243)	(504)	(414)	(68)	(40)	(396)	(137)	-	-	(1,802)
Segment assets	4,299	7,102	271,178	968	204	4,409	8340	(5,500)	-	291,000

2018	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated ^(a)	Eliminations	Total
<i>(in € million)</i>										
Non-Group revenues and NBI	11,416	7,199	5,545	480	33	26	1	-	-	24,699
Inter-segment revenues and NBI	283	79	25	176	3,788	810	1,053	-	(6,214)	-
Operating revenue	11,699	7,278	5,570	656	3,820	836	1,054	-	(6,214)	24,699
Operating profit/(loss) before share in results of joint ventures	488	343	813	7	(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	490	344	813	7	(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	(231)	(240)	(350)	(36)	(34)	(200)	(106)	-	-	(1,197)
Segment assets	3,738	5,405	244,721	687	205	3,501	9,044	(5,792)	-	261,509

(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

31/12/2019	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Eliminations	Total
(in € million)									
ASSETS									
Intangible and tangible assets and goodwill	1,484	3,057	1,424	413	117	3,199	480	(12)	10,161
Right of use assets	119	1,327	130	56	-	924	26	-	2,582
Equity associates	6	764	3,585	-	-	30	(1)	-	4,384
Other non-current assets	39	99	370	171	3	9	3,990	(3,614)	1,066
Current assets	2,650	1,856	265,669	328	84	248	3,846	(1,874)	272,807
TOTAL	4,299	7,102	271,178	968	204	4,409	8,340	(5,500)	291,000
Investments^(a)	393	483	315	278	36	330	183	-	2,019
LIABILITIES	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	13,531	-	13,531
Bonds, other financial debt and lease liabilities	843	3,531	-	555	-	2,088	7,181	(4,401)	9,798
Other non-current liabilities	1,051	264	370	39	662	59	22	-	2,467
Other current liabilities	2,804	1,560	259,605	290	605	261	1,196	(1,115)	265,204
TOTAL	4,698	5,355	259,975	884	1,267	2,408	21,930	(5,516)	291,000

31/12/2018	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Eliminations	Total
(in € million)									
ASSETS									
Intangible and tangible assets and goodwill	1,330	3,071	1,338	362	122	3,125	490	(12)	9,827
Equity associates	4	687	3,260	-	-	32	(1)	-	3,982
Other non-current assets	27	78	335	12	3	13	4,985	(4,541)	912
Current assets	2,377	1,568	239,788	313	81	332	3,570	(1,240)	246,788
TOTAL	3,738	5,405	244,721	687	205	3,501	9,044	(5,792)	261,509
Investments^(a)	251	388	333	89	36	307	196	-	1,600
LIABILITIES	-	-	-	-	-	-	-	-	-
Equity	-	-	-	-	-	-	12,210	-	12,210
Bonds and other financial debt (current and non-current)	547	2,038	3	274	-	973	6,199	(3,805)	6,229
Other non-current liabilities	1,157	262	357	33	719	49	122	-	2,699
Other current liabilities	2,671	1,391	235,288	305	622	408	1,206	(1,520)	240,371
TOTAL	4,375	3,692	235,649	612	1,340	1,430	19,736	(5,324)	261,509

(a) 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.

2019

(in € million)	France	European Union (excluding France)	Other	Total
Revenues from commercial activities	12,493	6,136	1,730	20,359
Net banking income	5,624	-	-	5,624
OPERATING REVENUE	18,117	6,136	1,730	25,983
Segment assets	283,810	6,610	580	291,000
Investments ^(a)	1,615	309	95	2,019

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

(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)	2019	2018
Services-Mail-Parcels revenues	12,091	11,416
Correspondence and other La Poste products and services	6,136	6,262
Advertising mail	971	1,031
Press ^(a)	456	486
Products and services of the subsidiaries (domestic mail)	789	685
International mail	1,373	1,039
Parcels	1,859	1,782
E-commerce – sale of goods ^(b)	506	132
GeoPost revenue	7,679	7,199
Express France	5,935	5,548
Express Rest of World	1,744	1,651
Digital Services revenue	511	480
La Poste Network revenue^(c)	51	33
Real Estate revenue^(d)	27	27
TOTAL	20,359	19,154

(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.

(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)	2019	2018
Interest and similar income	4,257	4,110
Interest and similar expenses	(1,920)	(1,840)
Commission income	2,640	2,717
Commission expenses	(308)	(284)
Net gains and losses	558	367
- Financial instruments at fair value through profit or loss	110	22
- Financial instruments at fair value through equity	126	345
- Derecognition of financial assets at amortised cost ^(a)	322	-
Income from other activities ^(b)	1,307	1,193
Expenses from other activities ^(b)	(890)	(734)
Impact of the overlay approach (gross impact)	(21)	15
TOTAL	5,624	5,545

(a) The disposal of debt securities from the ALM portfolio during the first half of 2019 was part of a program to extend the duration of the fixed-rate assets in order to offset that of the sight deposits, while keeping the risk profile unchanged. La Banque Postale has had to review the outflows of its sight deposits in order to take into account the development of its business (in particular taking into account the behaviours of companies, which differ from the behaviours of private individuals) and to be more in line with the outflow periods considered on the market. This disposal does not call into question the documentation on the accounting business model of this portfolio. The additional disposals carried out in the second half of 2019 comply with the framework set by IFRS 9.

(b) As at 31 December 2019, the Group changed its option for the presentation of insurance activities. The net income of insurance activities is no longer presented as a separate line item, but dispatched to the other NBI line items, mainly to "Income and expenses from other activities" (€382 million as of 31 December 2019 and €392 million as of 31 December 2018).

NOTE 8 PURCHASES AND OTHER EXPENSES

Purchases and other expenses broke down as follows:

(in € million)	2019	2018
External services and general sub-contracting	2,781	2,311
Purchases	790	642
Outsourced transport	4,956	4,737
International mail delivery services	482	260
Rental expenses ^(a)	303	942
Maintenance and repair costs	512	492
Telecommunications expenses	188	172
Travel and assignments	190	192
Other expenses	461	394
TOTAL	10,662	10,144

(a) In 2019, this line only includes rents for lease contracts which have not been restated under IFRS 16 (mainly short-term leases or leases for leases for low-value assets), as well as rental costs for €142 million (see Note 18.3).

NOTE 9 PERSONNEL EXPENSES AND HEADCOUNT

A breakdown of personnel expenses by type of cost is provided below:

(in € million)	2019	2018
Wages and salaries, bonuses and allowances	9,418	9,390
Pension contributions	825	1,008
Other social security contributions	1,791	1,878
Employee welfare costs	216	213
CICE revenue	–	(320)
Change in post-employment provisions	7	17
Change in provisions for social security contingencies and staff litigation	(9)	(20)
Change in other employee provisions	(298)	(164)
Compensation-based taxes and duties	734	767
TOTAL	12,683	12,769
Average headcount (full-time employee equivalent per year)	249,304	251,219

The “**Pension contributions**” line item corresponds to contributions paid in to post-employment defined benefits plans. Since the implementation in 2006 of the new system for funding pension benefit obligations for civil servants assigned to La Poste, 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), which was in effect until 31 December 2018.

NOTE 10 TAXES AND LEVIES

Taxes and levies consist of the following items:

(in € million)	2019	2018
Local taxes	133	135
Other taxes and levies ^(a)	214	122
TOTAL	347	257

(a) Of which in 2019 €82 million for non-deductible VAT on lease contracts.

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 2019 a 95% reduction in its corporate tax base for all local taxation (property tax and Territorial

Economic Contribution) accordance with the provisions of Article 1635 *sexies* of the French General Tax Code and Decree No. 2019-1542 of 30 December 2019.

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)	2019	2018
Net depreciation and amortisation	1,630	1,011
Intangible assets ^(a)	356	319
Tangible assets ^(a)	709	692
Right of use assets ^(a)	565	-
Net provisions and impairment	(6)	53
Goodwill ^(b)	36	67
Other non-current assets ^(a)	(38)	(2)
Inventories ^(c)	(1)	(1)
Accounts receivable ^(c)	2	(2)
Losses on unrecoverable receivables	25	24
Provisions for contingencies and losses ^(d)	(30)	(32)
Cost of risk (Banking activities)	178	133
Cost of risk and other impairments, charges and risks (Banking activities)	58	4
Banking activities cost of risk – unrecoverable receivables	120	129
TOTAL	1,802	1,197

(a) A description of the changes in the depreciation, amortisation and impairment of non-current assets is provided in Notes 16, 17 and 18.

(b) The impairment of goodwill is broken down in Note 15.2.

(c) A breakdown of changes in the impairment of inventories and accounts receivable is provided in Notes 22 and 23.

(d) Changes in provisions for contingencies and losses are detailed in Note 27.

NOTE 12 OTHER OPERATING INCOME AND EXPENSES

Other operating revenue and expenses broke down as follows:

Income/(expenses) (in € million)	2019	2018
Capitalised production	348	331
Royalties	(40)	(46)
Revenues recorded following an acquisition of control ^(a)	1	57
Other current operating revenue and expenses	104	70
TOTAL	413	412

(a) In 2018, €57 million impact of the revaluation of the previously held investment in Asendia.

Capitalised production primarily consists of IT development costs recognised as intangible assets.

NOTE 13 FINANCIAL PROFIT/(LOSS)

13.1 Cost of net financial debt	308	13.2 Other financial items	308

13.1 Cost of net financial debt

<i>(in € million)</i>	2019	2018
Interest expense on financing transactions ^(a)	(148)	(163)
Interest expense on lease liabilities	(68)	-
Change in the fair value of borrowings and debt-related swaps ^(b)	(2)	(3)
Income from cash and cash equivalents ^(c)	3	6
TOTAL	(215)	(160)

(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

<i>(in € million)</i>	2019	2018
Discounting expense on provisions for employee benefits and return on plan assets	(16)	(21)
Net foreign exchange gains	-	(1)
Other financial income and expenses	6	(4)
TOTAL	(10)	(26)

NOTE 14 INCOME TAX

14.1	Income tax expense recognised in income	309	14.4	Deferred tax recognised on the balance sheet	311
14.2	Tax on other comprehensive income	309	14.5	Breakdown of deferred tax by type	311
14.3	Tax proof	310	14.6	Unrecognised deferred tax assets	312

14.1 Income tax expense recognised in income

(in € million)	2019	2018
Current tax (expense)	(136)	(131)
Deferred tax income/(expense)	2	(30)
TOTAL TAX INCOME/(EXPENSE)	(134)	(161)

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)	2019	2018
Change in unrealised gains and losses on financial instruments (recyclable and non-recyclable items)		
Amount before tax	254	(566)
Tax impact	(74)	194
AMOUNT NET OF TAX	180	(372)
Translation adjustments		
Amount before tax	34	(66)
Tax impact		
AMOUNT NET OF TAX	34	(66)

14.3 Tax proof

The explanation of the tax reconciliation is as follows:

(in € million)	2019	2018
Net profit/(loss), Group share	822	798
Share in profits of equity associates and joint ventures	(280)	(277)
Income tax	134	161
Non-controlling interests	13	39
Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures	689	720
Income tax rate	34.43%	34.43%
Theoretical tax expense^(a)	(237)	(248)
Deferred tax assets creation (limitation)	94	26
Unused tax losses created during the year or used tax losses created in previous years (excluding tax consolidation)	(11)	(17)
Tax rate differential for foreign subsidiaries	51	44
Effect of tax rate changes	(3)	(32)
Tax benefits, tax credits and foreign tax allowances	14	14
Fines	-	(10)
Contribution to the French Deposits guarantee and resolution fund (Fonds de Garantie des Dépôts et de Résolution)	(16)	(16)
Revaluation of investment following a take-over	-	20
Impairment	(12)	(23)
CICE (non-taxable profit)	-	97
Other	(13)	(15)
Tax restatements	103	87
ACTUAL TAX CHARGE	(134)	(161)

(a) Including the 3.3% social solidarity contribution.

(b) The latest Finance law 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
31/12/2017	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
Impact of IFRS 16 first time application	7	(1)	8
Impact on net profit/(loss)	20	18	2
Reclassifications	(27)	(27)	-
Impact on equity	(50)	17	(67)
Change in consolidation scope	2	3	(1)
31/12/2019	365	198	167

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)	31/12/2019	31/12/2018
Deferred tax assets		
Employee benefits	384	414
Other non-deductible provisions	92	62
Other timing differences	98	102
Financial instruments	-	6
Tax loss carry-forwards	171	136
Asset/liability offsets ^(a)	(381)	(308)
TOTAL ASSETS	365	412
Deferred tax liabilities		
Regulated provisions	108	108
Revaluation of contributions to Poste Immo	33	41
Financial instruments	200	102
Deductible goodwill	166	164
Other tax timing differences	73	81
Asset/liability offsets ^(a)	(381)	(308)
TOTAL LIABILITIES	198	188

(a) Deferred tax assets and liabilities are offset for each tax entity or tax consolidation group.

14.6 Unrecognised deferred tax assets

<i>Type and amount of unrecognised deferred tax asset bases</i>	31/12/2019			Total
	French companies in the tax consolidation group	Non-consolidated French companies	Foreign companies	
<i>(in € million)</i>				
Home Loan Savings Provision	169	–	–	169
Employee benefits	1,117	11	52	1,180
Other timing differences	384	34	43	461
Ordinary tax losses	–	226	176	401
TOTAL	1,671	270	270	2,211

Unrecognised deferred tax asset bases amounted to €2,392 million as at 31 December 2018.

NOTES TO THE BALANCE SHEET

NOTE 15 GOODWILL

15.1	Breakdown of goodwill	313	15.3	Impairment	314
15.2	Change in the net book value of goodwill	314			

15.1 Breakdown of goodwill

(in € million) CGU	Segment	31/12/2019	31/12/2018
DPD Europe ^(a)	GeoPost	1,509	1,482
Digital Services ^(b)	Digital Services	237	178
Asendia ^(b)	Services-Mail-Parcels	202	201
Asten Santé	Services-Mail-Parcels	109	98
DPD Russia	GeoPost	106	127
Mediapost ^(b)	Services-Mail-Parcels	104	104
La Banque Postale Prévoyance	La Banque Postale	94	94
EDE	Services-Mail-Parcels	67	
Tigers	GeoPost	50	48
JadLog	GeoPost	31	32
Diadom	Services-Mail-Parcels	31	31
Tocqueville Group	La Banque Postale	27	27
La Banque Postale Asset Management	La Banque Postale	22	22
Stuart	GeoPost	13	13
DPD Laser Finance	GeoPost	11	10
Other GeoPost companies	GeoPost	5	5
Other Services-Mail-Parcels companies	Services-Mail-Parcels	8	8
TOTAL		2,625	2,478
Services-Mail-Parcels		520	441
GeoPost		1,724	1,716
La Banque Postale		143	143
Digital Services		237	178

(a) Combination of GeoPost European entities under DPD Europe CGU, taking into account the current organisation, with the exception of DPD Russia, which remains separate.

(b) The above figures take into account the reallocation in 2019 of some entities from the Digital Services CGU to Mediapost, and the merger of WnDirect into the Asendia CGU. These reclassifications were also made in 2018 comparative figures.

15.2 Change in the net book value of goodwill

(in € million)	2019	2018
Opening balance	2,478	2,332
of which:		
■ Gross amount	2,762	2,556
■ Impairment	(284)	(225)
Acquisitions ^(a)	157	247
Translation adjustments ^(b)	26	(33)
Impairment ^(c)	(36)	(67)
Other	(1)	-
CLOSING BALANCE	2,625	2,478
of which		
■ Gross amount	2,916	2,762
■ Impairment	(291)	(284)

(a) Of which in 2019, €67 million for the acquisition of EDE (see Note 1), entities of the Digital Services segment for €60 million and SEUR franchises (DPD Europe CGU) for €19 million. And in 2018, Asendia for €179 million and Diadom Care for €31 million.

(b) Of which in 2019, DPD Russia for +€15 million. And in 2018, DPD Russia for -€22 million, and DPD Polska for -€4 million.

(c) In 2019, goodwill of DPD Russia was depreciated for €36 million and In 2018, goodwill of DPD Russia was depreciated for €57 million and goodwill of Resto In was depreciated for €10 million.

15.3 Impairment

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.

Goodwill is allocated to Cash Generating Units as shown in Note 15.1.

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:

2019	Discount rate		Standard growth rate	Number of projected years
	Euro zone	Other		
Services-Mail-Parcels	6.3%	7.8%	2%	5
GeoPost	7.4% to 8.9%	6.9% to 24%	2%	5
La Banque Postale	6.4% to 7.1%	-	2%	5
Digital Services	6.3%	-	2%	4

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

The tests performed on the Group's goodwill in 2019 led to depreciate DPD Russia goodwill for an amount of €36 million.

In 2018, goodwill of DPD Russia was depreciated for €57 million and goodwill of Resto In was depreciated for €10 million.

15.3.2 Impairment of CGUs without goodwill

La Poste's Mail CGU did not show any indication of impairment as at 31 December 2019.

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 2019.

NOTE 16 INTANGIBLE ASSETS

(in € million)	Software, patents and licences	Intangible assets in progress	Other intangible assets	Total
GROSS AMOUNT				
Balance as at 31/12/2017	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
Acquisitions	83	362	59	503
Disposals	(42)	(2)	(41)	(85)
Change in consolidation scope	-	1	(23)	(22)
Transfers	121	(382)	257	(4)
Translation adjustments	3	-	-	4
BALANCE AS AT 31/12/2019	2,276	467	1,780	4,523
DEPRECIATION AND IMPAIRMENT				
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)	-	-	(1)
Translation adjustments	1	-	-	1
Balance as at 31/12/2018	(1,705)	-	(1,063)	(2,768)
Depreciation for the year	(209)	-	(147)	(356)
Impairment	-	-	(1)	(1)
Reversals on disposals	41	-	41	82
Change in consolidation scope	-	-	17	17
Transfers	(23)	-	25	1
Translation adjustments	(1)	-	-	(1)
BALANCE AS AT 31/12/2019	(1,898)	0	(1,128)	(3,026)
NET AMOUNT				
As at 31/12/2018	405	489	465	1,359
AS AT 31/12/2019	378	467	651	1,497

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 31/12/2017	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
Transfer of finance leases ^(a)	99	10	12	6	-	127
Restated balance as at 01/01/2019	5,303	2,980	920	3,351	537	13,090
Acquisitions	17	121	124	171	532	965
Disposals	(95)	(113)	(127)	(127)	(32)	(495)
Change in consolidation scope	(4)	(16)	(1)	(20)	(1)	(40)
Transfers	60	227	3	236	(455)	71
Translation adjustments	10	5	2	8	3	29
BALANCE AS AT 31/12/2019	5,290	3,206	921	3,620	584	13,621
DEPRECIATION AND IMPAIRMENT						
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)	(2,512)	-	(7,228)
Transfer of finance leases ^(a)	(12)	(1)	(3)	(6)	-	(23)
Restated balance as at 01/01/2019	(1,884)	(2,378)	(435)	(2,507)	-	(7,205)
Depreciation for the year	(172)	(165)	(118)	(253)	-	(709)
Impairment	(9)	-	-	(1)	-	(9)
Reversals on impairment	29	-	-	2	-	31
Reversals on disposals	41	110	102	119	-	370
Change in consolidation scope	3	12	-	14	-	29
Transfers	51	(28)	-	(99)	-	(76)
Translation adjustments	(3)	(3)	(2)	(5)	-	(13)
BALANCE AS AT 31/12/2019	(1,945)	(2,453)	(453)	(2,731)	-	(7,582)
NET AMOUNT						
As at 31/12/2018	3,505	610	493	844	537	5,989
AS AT 31/12/2019	3,345	753	468	889	584	6,039
Of which finance leases						
As at 31/12/2018	87	8	9	-	-	104

(a) Finance lease assets, which were previously included in Property, plant and equipment, are now included in Right of use assets.

The right of use assets, stemming from the application of IFRS 16, are detailed in Note 18.

The transfer lines correspond to the commissioning of assets and to the reclassification of certain tangible assets to "Assets held for sale" (see Note 25).

NOTE 18 LEASES (LESSEE)

18.1	Rights of use assets	318	18.3	Lease amounts recognised in profit or loss	318
18.2	Lease liabilities	318	18.4	Lease amounts recognised in consolidated cash flow statement	319

18.1 Rights of use assets

Right of use assets are detailed below by nature of leased assets:

(in € million)	Land and buildings	Machinery and equipment	Vehicles	Other	Total
Right of use assets as at 1 January 2019	2,066	125	190	17	2,398
Transfer of finance leases	87	8	9	–	104
Balance as at 01/01/2019	2,153	133	199	17	2,502
Increase	617	87	65	1	770
Decrease	(63)	(1)	(1)	(1)	(67)
Amortisation and provision	(412)	(47)	(83)	(6)	(548)
Change in consolidation scope and translation adjustments	(32)	–	4	–	(27)
Assets held for sale	(42)	(6)	(1)	–	(49)
BALANCE AS AT 31/12/2019	2,220	167	182	12	2,582

18.2 Lease liabilities

Lease liabilities are detailed in Note 28 for non-banking activities, and in Note 31 for banking activities.

18.3 Lease amounts recognised in profit or loss

(in € million)	2019
Net operating expenses	933
Short-term lease expenses	124
Low value lease expenses	28
Rental expenses	142
Non-deductible VAT on rent expenses	82
Right of use assets amortisation	548
Other	9
Cost of net financial debt	68
Interest expense on lease liabilities	68
TOTAL	1,001

18.4 Lease amounts recognised in consolidated cash flow statement

(in € million)	2019
Cash flows from operating activities	385
Short-term lease expenses	124
Low value lease expenses	28
Rental expenses	142
Non-deductible VAT on rent expenses	82
Other	9
Cash flows from investing activities	-
Cash flows from financing activities	631
Interest paid on lease liabilities	68
Repayment of lease liabilities	563
TOTAL	1,016

NOTE 19 EQUITY ASSOCIATES AND JOINT VENTURES

19.1 Change in investments in associates and joint ventures

320

19.2 Information on CNP Assurances

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19.1 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 19.2.

(in € million)	CNP Assurances	BRT ^(b)	Real Estate sub-group	Yurtici Kargo	AEW Europe	ASENDIA	NINJA Logistics	Lenton Group Ltd ^(c)	Other	Companies with negative net assets ^(a)		
										La Poste Mobile	Joint control	Total
Nature of control	Associate	Associate	Joint control	Associate	Associate	Joint control	Associate	Associate		Total		Total
Balance as at 31/12/2017	3,322	503	30	19	54	76	-	23	71	4,098	(40)	(40)
Group share in the profit or loss	263	32	3	2	5	3	(14)	2	(1)	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
Transfers and reclassifications	(3)	-	(1)	-	-	(1)	-	-	-	(5)	6	6
Translation adjustments	(37)	-	-	(4)	-	-	1	1	(2)	(40)	-	-
Balance as at 31/12/2018	3,207	526	32	15	53	-	52	27	71	3,982	(32)	(32)
Group share in the profit or loss	276	29	13	3	6	-	(24)	2	2	307	(27)	(27)
Dividend payments	(123)	(8)	(8)	(2)	(4)	-	-	-	(2)	(147)	-	-
Net change in the fair value of financial instruments	177	-	-	-	-	-	-	-	-	177	-	-
Change in consolidation scope and increase in control percentage	-	-	-	-	-	-	-	34	4	38	-	-
Capital increase	-	-	(8)	-	-	-	37	-	2	31	20	20
Other changes	2	-	-	-	-	-	-	-	-	2	-	-
Translation adjustments	(8)	-	-	(1)	(1)	-	2	-	1	(7)	-	-
Accretive effect of the capital increase	-	-	-	-	-	-	-	-	-	-	-	-
BALANCE AS AT 31/12/2019	3,531	547	30	14	54	-	67	63	76	4,384	(39)	(39)

(a) Recorded in "Other provisions for contingencies and loss" (see Note 27.2).

(b) Includes a €513 million goodwill as at 31 December 2018.

(c) The "Change in consolidation scope and increase in control percentage" line shows the additional stake in Lenton Group acquired in the end of September 2019 (see Note 4).

19.2 Information on CNP Assurances

(in € million)	31/12/2019	31/12/2018
Interest percentage ^(a)	20.15%	20.15%
Fair value of the Group's investment (based on market price)	2,453	2,562

(a) 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)	31/12/2019	31/12/2018
Equity attributable to owners of the parent	19,393	17,781
Restatements (deeply-subordinated notes)	(1,891)	(1,886)
Equity at % of interest held by Le Groupe La Poste	3,527	3,203
Net goodwill	4	4
INVESTMENT VALUE ON LE GROUPE LA POSTE BALANCE SHEET^(a)	3,531	3,207

(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 2019, restated for deeply-subordinated notes (excluding Group part) issued to third parties.

NOTE 20 OTHER FINANCIAL ASSETS

(in € million)	31/12/2019		31/12/2018	
	Current	Non-current	Current	Non-current
Unconsolidated investments		498	-	303
Deposits and guarantees paid	10	25	10	25
<i>Provisions for deposits and guarantees paid</i>	-	-	(1)	-
Financial derivatives	14	98	14	113
Loans for local authority housing	3	56	3	59
<i>Provisions for loans for local authority housing</i>	-	(21)	-	(23)
Financial assets held for investment purposes	325	-	450	-
Other financial assets	122	73	56	49
<i>Provisions for other financial assets</i>	-	(26)	-	(26)
TOTAL	475	701	532	500

Unconsolidated equity investments

	31/12/2019		31/12/2018
(in € million)	Percentage held	Balance sheet value	Balance sheet value
Softeam Group ^(a)	100%	136	-
Crédit Logement	6%	94	102
XAnge Capital 2	36%	12	12
XAnge Digital 3	33%	20	20
KissKissBankBank	100%	30	24
Mandarine Gestion	12%	18	16
Domiserve	100%	38	27
LBP IC	100%	15	15
Transactis	50%	12	2
SFIL	5%	20	-
Other – French companies	-	53	47
Other – foreign companies (see details in Note 44) ^(a)	-	50	37
TOTAL	-	498	303

(a) Investment in Softeam acquired in December 2019 (see Note 4.1).

With the exception of Softeam Group, acquired at the end of the year 2019 and which could not be consolidated due to issues of practices, 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 28.5.

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:

	31/12/2019	31/12/2018
(in € million)		
Term deposits accessible after more than 3 months	325	400
UCITS	-	50
TOTAL	325	450

Loans for local authority housing

These loans primarily consist of loans to construction entities with very long-term maturities.

NOTE 21 BANKING ACTIVITY FINANCIAL ASSETS

21.1	Customer loans and receivables	323	21.4	Other banking financial assets	324
21.2	Credit institutions loans and receivables	323	21.5	Banking accruals	325
21.3	Securities portfolio	324			

21.1 Customer loans and receivables

(in € million)	31/12/2019	31/12/2018
Ordinary customer receivables	703	670
Other customer receivables	103	126
Factoring	5,574	4,446
Provisions	(84)	(115)
Customer sight loans and receivables	6,295	5,127
Short-term credit facilities	10,653	8,289
Home loans	78,082	70,606
Equipment loans	6,443	3,639
Other loans	3,118	6,077
Securities received under repurchase agreements	6,866	15
Provisions	(699)	(616)
Term customer loans and receivables	104,462	88,010
Finance lease transactions (lessor)	2,869	2,533
TOTAL	113,626	95,671

An assessment of the risk exposure of customer loans (primarily home loans) and of impairments is shown in Note 34.2.5. Finance lease transactions (lessor) have an impact on the "Interest and similar income" of the Net banking income of €39 million in 2019.

21.2 Credit institutions loans and receivables

(in € million)	31/12/2019	31/12/2018
Ordinary accounts receivable	364	254
Overnight deposits and loans	8	15,513
Sight loans and receivables – credit institutions	372	15,767
Term accounts and loans	68,269	70,827
Securities received under repurchase agreements	1,892	665
Term deposits and loans – credit institutions	70,161	71,492
Subordinated and participating loans	101	93
TOTAL	70,635	87,352

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 34.2.5.

21.3 Securities portfolio

(in € million)	31/12/2019	31/12/2018
Government securities and similar	25,247	20,298
Bonds and other fixed-income securities	2,821	3,284
Securities classified at amortised cost	28,068	23,582
Government securities and similar	4,104	5,052
Bonds and other fixed-income securities	10,596	10,657
Equities and other variable-income securities	112	80
Financial assets at fair value through OCI	14,813	15,788
Government securities and similar	1,375	1,842
Bonds and other fixed-income securities	5,328	5,538
UCITS	1,152	1,060
Debt instruments	7,855	8,441
Equity instruments	197	148
Loans and advances	1,968	1,571
Financial assets at fair value option through profit or loss	-	-
Interest-rate derivatives	2,076	1,424
Foreign exchange derivatives	154	16
Derivatives/Positive Fair Value	2,231	1,440
Financial assets at fair value through profit or loss	12,251	11,600
Revaluation adjustment on hedged portfolios (fair value hedges)	207	82
TOTAL	55,338	51,052

The general principles governing the recognition of securities and derivatives for the Banking activities are set out in Note 2.15.

An assessment of credit risks for the main items in the Banking activities securities portfolio can be found in Note 34.2.5.

The fair value calculation methods for banking activities financial instruments are set out in Note 35.2.

21.4 Other banking financial assets

(in € million)	31/12/2019	31/12/2018
Deposits and guarantees paid	858	792
Other miscellaneous receivables ^(a)	430	448
Accrued income	315	368
TOTAL	1,603	1,608

(a) Other receivables primarily consist of ongoing transactions with customers.

21.5 Banking accruals

Banking activities accruals primarily consist of accounts pending settlement of transactions with retail customers.

Accruals – Assets

(in € million)	31/12/2019	31/12/2018
Prepaid expenses	58	48
Collection accounts	11	16
Settlement accounts for securities transactions	1	1
Other insurance assets	797	601
Other accruals – Assets	687	848
TOTAL	1,554	1,513

Accruals – Liabilities

(in € million)	31/12/2019	31/12/2018
Settlement accounts for securities transactions	9	7
Other accruals – Liabilities	2,298	2,353
TOTAL	2,306	2,360

NOTE 22 INVENTORIES AND WORK-IN-PROGRESS

(in € million)	31/12/2019			31/12/2018
	Gross amount	Provisions	Net amount	Net amount
Raw materials, supplies inventories and goods inventories	129	(1)	128	120
Finished and semi-finished product inventories and work in progress	26	–	26	12
TOTAL	156	(1)	154	132

Inventories primarily consist of spare parts for technical facilities and finished products sold in the post office network (primarily stamp-collecting products).

NOTE 23 TRADE AND OTHER ACCOUNTS RECEIVABLE

(in € million)	31/12/2019	31/12/2018
Advances and deposits paid	163	147
Trade receivables and related accounts	2,493	2,402
Provisions on trade receivables and related accounts	(103)	(105)
International mail receivables	853	770
CICE tax credit receivable	2	337
Other receivables	627	624
Provisions on other receivables	(20)	(20)
TOTAL	4,014	4,156

International mail receivables (€853 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 32) of €729 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 24 CASH AND CASH EQUIVALENTS

24.1 Cash and cash equivalents

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24.2 Cash and central bank deposits (Banking activities)

326

24.1 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)	31/12/2019	31/12/2018
Cash equivalents	1,842	1,637
Cash at bank	610	645
Cash on hand	5	4
TOTAL	2,456	2,286

Cash equivalents

Cash equivalents consisted mainly of term deposits accessible at any time, or within three months, for an amount of €1,152 million (€1,074 million as at 31 December 2018), and units in money-market units for an amount of €659 million (€530 million as at 31 December 2018).

24.2 Cash and central bank deposits (Banking activities)

(in € million)	31/12/2019	31/12/2018
Cash on hand (including cash held at post offices)	1,168	944
Central banks	21,245	1,062
TOTAL	22,412	2,007

NOTE 25 ASSETS AND LIABILITIES HELD FOR SALE

As at December 31, 2019, these assets and liabilities stem particular from subsidiaries whose sale is planned in the coming months, and, as at December 31, 2018, corresponded to properties under promise of sale.

NOTE 26 EQUITY

26.1 Share capital	327	26.3 Non-controlling interests	327
26.2 Hybrid debt	327		

26.1 Share capital

As at 31 December 2019, 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.

26.2 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.

26.3 Non-controlling interests

Non-controlling interests amounted to €907 million as at 31 December 2019, compared to €197 million as at 31 December 2018.

At the end of 2019, they include mainly the perpetual bonds issued by La Banque Postale in November 2019 for €750 million (see Note 1).

NOTE 27 PROVISIONS FOR CONTINGENCIES AND LOSSES

27.1 Specific provisions for the Insurance and Banking activities	328	27.2 Other provisions for contingencies and losses	329

27.1 Specific provisions for the Insurance and Banking activities

As at 31 December 2019, 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 31/12/2017	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
Addition for the year	-	142	142
Reversal for the year	(69)	(112)	(180)
Other movements	-	42	42
BALANCE AS AT 31/12/2019	184	2,552	2,736

The provision for Home Loan Savings risk covers the negative impact of Home Loan Savings deposits for lending institutions authorised to accept them, given the commitments that they imply (see Note 2.21).

This provision was subject to a net decrease of €69 million over the financial year, which broke down as follows:

(in € million)	Amounts collected	PEL and CEL amounts granted	2019 provisions	2018 provisions	Net movements 2018/2019
Age					
Over 10 years	8,223	-	74	68	6
4 to 10 years	16,862	-	90	126	(36)
Under 4 years	2,009	-	9	38	(29)
Total Home loan savings plans (PEL)	27,094	16	172	232	(60)
Total Home loan savings accounts (CEL)	4,269	110	12	20	(8)
TOTAL	31,363	126	184	252	(68)

27.2 Other provisions for contingencies and losses

As at 31 December 2019, the other provisions for contingencies and losses broke down as follows:

(in € million)	Employee-related disputes	Other disputes	Other	Total
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 ^(a)	-	-	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
Addition for the year	27	19	109	155
Reversal for use	(16)	(58)	(95)	(169)
Reversal of provisions no longer required	(20)	(23)	(38)	(81)
Other movements	(2)	29	(44)	(17)
Non-current provisions	14	9	93	116
Current provisions	45	75	267	386
BALANCE AS AT 31/12/2019	59	83	360	503

(a) The impact of the first-time adoption of IFRS 9 is provision for financing commitments.

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 at the end of 2018 a €50 million provision covering the financial penalty issued by the ACPR to La Banque Postale.

As at 31 December 2019, **other provisions** included:

- a €136 million provision covering the penalty issued by the French Competition Authority against two companies of the Group (idem as at 31 December 2018);
- a €39 million provision covering the negative net asset value of equity associates and joint ventures, compared to €32 million as at 31 December 2018 (see Note 19.1);
- miscellaneous risks linked to the operational activity of the Group.

NOTE 28 BONDS AND OTHER FINANCIAL DEBT

28.1	Breakdown of financial debt	330	28.4	Bonds and deeply subordinated debt	333
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28.1 Breakdown of financial debt

(in € million)	31/12/2019		31/12/2018	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
Financial debt at amortised cost	999	7,575	1,136	3,839
Bonds	–	5,358	800	3,661
Lease liabilities ^(a)	492	2,133	–	–
Finance leases ^(a)	–	–	11	91
La Poste savings bonds	54	–	54	–
Commercial paper	300	–	150	–
Current bank facilities	57	–	22	–
Deposits and guarantees received	76	26	70	26
Other borrowings at amortised cost	19	58	29	62
Borrowings designated at fair value	–	673	–	683
Hedged borrowings	–	444	–	435
Bonds	–	–	–	–
Subordinated debt	–	444	–	435
Financial derivative liabilities relating to bonds	14	29	9	46
Interest accrued not due on borrowings	64	–	79	–
Medium and long-term bonds and other financial debt (non-current)	584	6,589	1,225	5,004
Lease liabilities	492	2,133	–	–
TOTAL CURRENT AND NON-CURRENT	9,798		6,229	

(a) The amounts as at 31 December 2018 have not been restated for the effect of IFRS 16. As at 31 December 2019, finance lease liabilities are included in lease liabilities recognised according to IFRS 16.

The breakdown of liabilities by currency as at 31 December 2019 was as follows: Euros €1,971 million, Sterling Pound €526 million, other currencies €128 million.

28.2 Breakdown of debt by maturity

	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
(in € million)	2019	2018	2019	2018	2019	2018	2019	2018
Financial debt at amortised cost								
Bonds	–	800	2,420	1,421	2,938	2,240	5,358	4,460
Lease liabilities	492	11	1,230	91	903	–	2,625	101
La Poste savings bonds	54	54	–	–	–	–	54	54
Commercial paper	300	150	–	–	–	–	300	150
Current bank facilities	57	22	–	–	–	–	57	22
Deposits and guarantees received	76	70	24	23	2	2	103	95
Other borrowings at amortised cost	19	29	58	62	–	–	77	91
Borrowings at fair value								
Bonds	–	–	673	683	–	–	673	683
Hedged borrowings	–	–	–	–	–	–	–	–
Subordinated debt	–	–	–	–	444	435	444	435
Financial derivative liabilities	14	9	28	46	2	–	43	56
Accrued interest not due	64	79	–	–	–	–	64	79
TOTAL	1,076	1,225	4,433	2,326	4,289	2,677	9,798	6,229

28.3 Changes in financial debt

The following table shows the changes in financial debt in 2019 and 2018, 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)	Lease liabilities	Others	Non-banking CFS	La Banque Postale subordinated debt	La Banque Postale lease liabilities	GROUP CFS
Balance as at 31/12/2017	6,297	(164)	-	-	-	3,089	-	-
Flows with cash impact								
Proceeds from new borrowings	890	-	-	-	890	-	-	890
Repayment of borrowings	(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)	(21)	22	-	-	-	-	-	-
Other non-cash flows and reclassifications	(4)	15	-	-	-	(9)	-	-
Balance as at 31/12/2018	6,229^(a)	(127)^(a)	-	-	-	3,080	-	-
Flows with cash impact								
Proceeds from new borrowings ^(b)	2,981	-	-	-	2,981	-	-	2,981
Repayment of borrowings ^(c)	(1,948)	-	-	-	(1,948)	-	-	(1,948)
Repayment of lease liabilities	-	-	(529)	-	(529)	-	(34)	(563)
Other cash flows from financing activities	38	-	-	-	38	-	-	38
Flows without cash impact								
Change in interest accrued not yet due	(16)	-	-	-	-	-	-	-
Lease liabilities as at 1 January 2019 (IFRS 16)	(101)	-	2,570	-	-	-	138	-
Increase of lease liabilities	-	-	731	-	-	-	38	-
Changes in consolidation scope and exchange rates	15	4	(30)	-	-	-	-	-
Changes in fair value (excluding La Banque Postale) ^(d)	(7)	2	-	-	-	-	-	-
Other non-cash flows and reclassifications	(3)	4	(67)	-	-	17	-	-
Debt of subsidiaries held for sale	(14)	-	(50)	-	-	-	-	-
BALANCE AS AT 31/12/2019	7,173^(a)	(116)^(a)	2,625^(a)	-	-	3,097	142	-

(a) See Note 29.1.

(b) **Proceeds from new borrowings :**

On 17 September 2019, La Poste issued a dual tranche bond completed in October 2019 and recognised at the amortised cost:

- Bond of €1 billion at a fixed rate of 0.375% with an 8-year term (maturity date: September 2027);
- Bond of €700 million at a fixed rate of 1% with a 15-year term (maturity date: September 2034).

Furthermore, commercial paper was issued for €1,276 million.

(c) **Repayment of borrowings:**

La Poste redeemed in 2019 a bond with a nominal value of €800 million, which was issued in 2004 for €580 million and completed in 2007 for €220 million. This bond is recognised at the amortised cost. Furthermore, commercial paper was repaid for €1,126 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" (-€2 million in 2019, and +€5 million in 2018).

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.

28.4 Bonds and deeply subordinated debt

As at 31 December 2019, the Group bonds, which have a nominal value of over €500 million, broke down as follows:

Issue date	Maturity	Currency	Nominal rate	Nominal value (in millions of currency units)	Accounting treatment
2003	2023	Euro	4.375%	580	Fair value
<i>Other bonds at fair value</i>					
TOTAL BONDS AT FAIR VALUE				580	
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
2019	2027	Euro	0.375%	1,000	Amortised cost
2019	2034	Euro	1.000%	700	Amortised cost
<i>Other bonds at amortised cost</i>				420	
TOTAL BONDS AT AMORTISED COST				5,370	

The breakdown of the bond-rate by type of rate as at 31 December 2019 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	6,032	100%	(673)	5,358	89%
Floating-rate borrowings	-	-	673	673	11%
<i>Of which borrowings covered by partial or total rate-refixing swaps (see note below)</i>	-	-	673	-	-
TOTAL BORROWINGS	6,032	100%	-	6,032	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 refixing of a portion of these borrowings at fixed rates with short maturities ranging from one to five years.

As at 31 December 2019, the floating-rate borrowings covered by these "rate refixing" swaps amounted to €673 million, i.e. 11.2% 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 2019.

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.

28.5 Non-banking activities derivatives

(in € million)	Fair value as at 31/12/2019		Fair value as at 31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Trading derivatives at fair value through profit or loss				
Fixed-for-floating derivatives	111	-	123	-
Floating-for-fixed derivatives	-	10	-	8
TOTAL	111	10	123	8
Hedging derivatives				
Fair value hedges				
Cash flow hedges	1	25	1	46
TOTAL DERIVATIVES RELATING TO DEBT	112	36	124	55
Other				
Currency/exchange derivatives	-	7	3	1
Cash management funds derivatives				
TOTAL NON-BANKING ACTIVITIES DERIVATIVES	112	43	127	56
Amortisable balance on interrupted hedging derivatives				
Cash flow hedging derivatives	7	-	7	-

28.6 Other financial debt

La Poste savings bonds

This line represents La Poste's savings bond liabilities. All of the bonds had matured by the end of 2019.

Commercial paper

Commercial paper issued by La Poste and not matured as at 31 December 2019 had maturities of three months or less and represented €300 million against €150 million as at 31 December 2018.

Deposits and guarantees paid

This line primarily relates to security deposits received in respect of financial instruments put in place to manage bonds.

NOTE 29 GROUP NET DEBT

29.1 Group net debt position

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29.2 Changes to Group net debt

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29.1 Group net debt position

(in € million)	Note	31/12/2019	31/12/2018
Cash and cash equivalents (balance sheet line)	24	2,456	2,286
Debt-related derivative assets	20	112	127
Security deposits paid in connection with derivatives, recognised as assets	15	4	-
Investment securities with initial maturities of over 3 months and UCITS	20	325	450
Net financial receivable against La Banque Postale		439	(76)
Cash and other asset items (1)		3,336	2,787
Medium and long-term bonds and other financial debt	28	6,589	5,004
Short-term bonds and other financial debt	28	584	1,225
Lease liabilities		2,625	-
Gross debt (2)		9,798	6,229
NET DEBT (2) - (1)		6,462	3,442
Impact of the first-time application of IFRS 16 as at 1 January 2019		2,469	-
Increase (Decrease) in net debt as at 31 December 2019 excluding IFRS 16 effects		551	-

29.2 Changes to Group net debt

(in € million)	Cross-references	31/12/2019	31/12/2018
Cash flows from operating activities	CFS^(a)	1,988	962
Cash flows from investing activities	CFS	(1,368)	(684)
Cancellation of the change in cash management financial assets	CFS	(125)	(220)
Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets^(b)		(1,493)	(904)
Undated hybrid subordinated notes	CFS	-	744
Dividends paid to the shareholders and remuneration of hybrid subordinated notes	CFS	(221)	(171)
Purchase of non-controlling interests	CFS	(27)	(23)
Net financial interest expense		(213)	(157)
Change in the fair value of financial instruments		5	(10)
Impact of changes in consolidation scope on gross debt		10	(36)
Non-cash changes in finance lease liabilities (IAS 17)		-	(9)
Non-cash changes in lease liabilities (IFRS 16)		(664)	-
Issue premiums and costs		-	(12)
Net debt of held-for-sale subsidiaries		56	-
Other items ^(c)		8	(5)
Cash flows and change in debt from financing activities		(1,046)	320
DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY		(551)	378
Net debt at the beginning of the period		(3,442)	(3,820)
Impact of the first-time application of IFRS 16 as at 1 January 2019		(2,469)	-
Net debt at the end of the period		(6,462)	(3,442)

(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 30 EMPLOYEE BENEFITS

30.1	Change in provisions for employee benefits	337	30.4	Changes in post-employment benefit commitments	339
30.2	Description of employee benefits	337	30.5	Analysis of post-employment benefit expenses	340
30.3	Actuarial assumptions	338	30.6	Expected cash outflows	340

30.1 Change in provisions for employee benefits

Provisions for employee benefits have changed as follows during 2019:

(in € million)	31/12/2018		Increase	Decrease for use	Interest cost	Other changes	31/12/2019	
	Current	Non-current					Current	Non-current
Post-employment benefits for La Poste's government employees	8	233	4	(8)	4	8	7	243
Retirement benefits for the Group's contract staff	13	422	34	(8)	6	56	16	507
Pension plans for employees of foreign subsidiaries	-	52	3	(18)	1	10	-	47
Post-employment benefits	21	707	41	(34)	11	73	23	796
End-of-career arrangements	386	1,462	95	(391)	5	-	402	1,155
Severance payments	109	33	1	(4)	-	1	107	32
Long-term sick leave/long-term paid leave	35	53	1	(7)	-	-	48	33
Accrued leave	128	120	13	(5)	-	-	132	124
Other long-term benefits	1	13	1	(2)	-	-	1	12
Other benefits	272	218	15	(17)	-	1	288	201
TOTAL	679	2,388	152	(442)	16	74	713	2,152

30.2 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.).

30.2.1 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.

30.2.2 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.

30.2.3 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.

30.2.4 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.

30.2.5 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...).

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 2019 factor in the expected enrolments to the plan available until 31 March 2021, as well as enrolments to the plans operating previously.

30.2.6 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.

30.3 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 2019 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 2018);
- 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 €31 million as at 31 December 2019.
- 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
2019				
Euro zone	0.2%	0.5%	0.8%	1.1%
UK zone	1.3%	1.6%	1.8%	2.0%
2018				
Euro zone	0.7%	1.3%	1.6%	1.7%
UK zone	2.0%	2.3%	2.5%	2.7%

30.4 Changes in post-employment benefit commitments

(in € million)	2019	2018
Commitment at the beginning of the period	907	900
Cost of services provided	43	40
Discount unwinding costs	16	17
Curtailment and settlement of plans	-	-
Benefits paid	(32)	(27)
Employee contributions	2	2
Actuarial (gain) loss relating to changes in assumptions	94	1
Actuarial (gain) loss due to experience adjustments	(4)	(30)
Translation adjustments	12	(1)
Change in consolidation scope	2	6
COMMITMENT AT THE END OF THE PERIOD	1,040	907
Plan assets at the beginning of the period	179	187
Expected return on assets	5	5
Employer contributions	20	9
Employee contributions	2	1
Benefits paid	(16)	(11)
Actuarial differences	20	(10)
Translation adjustments	10	(1)
PLAN ASSETS AT THE END OF THE PERIOD	220	179
Commitments	1,040	907
Plan assets	(220)	(179)
NET COMMITMENT	819	728
of which non-current provision	796	707
of which current provision	23	21

Changes in actuarial differences (recognized in “other comprehensive income”)

(in € million)	2019	2018
Actuarial (gain) loss at the beginning of the period	53	71
Actuarial (gain) loss relating to changes in assumptions	94	1
Actuarial (gain) loss due to experience adjustments	(4)	(30)
Actuarial differences on plan assets	(20)	10
ACTUARIAL (GAIN) LOSS AT THE END OF THE PERIOD	122	53

Breakdown of plan assets

Types of assets	31/12/2019	31/12/2018
Equities	20%	18%
Diversified investment funds	24%	43%
LDI funds (liability-driven investment)	21%	19%
Insurance contracts	14%	16%
Other	22%	5%

Discount rate sensitivity

A 50 basis point reduction in the discount rate would increase the Group’s net post-employment benefit commitment by around €95 million.

30.5 Analysis of post-employment benefit expenses

(in € million)	2019	2018
Cost of services provided	43	40
Discount unwinding costs	16	17
Expected return on assets	(5)	(5)
EXPENSE (INCOME) FOR THE PERIOD	54	52

30.6 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
2020	25
2021	17
2022	19
2023	20
2024	22

As at 31 December 2019, the average duration of post-employment benefits was 20 years.

NOTE 31 BANKING ACTIVITIES FINANCIAL LIABILITIES

31.1	Liabilities to credit institutions	341	31.3	Debt evidenced by a certificate and other banking financial liabilities	342
31.2	Liabilities to customers	341			

31.1 Liabilities to credit institutions

(in € million)	31/12/2019	31/12/2018
Ordinary accounts payable	1,154	1,263
Other amounts due	25	15
Sight liabilities to credit institutions	1,178	1,279
Securities given under repurchase agreements	25,367	14,618
Term deposits and loans	4,170	2,980
Term liabilities to credit institutions	29,537	17,599
TOTAL	30,715	18,877

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)	2019	2018	2019	2018	2019	2018	2019	2018
Sight liabilities to credit institutions	1,178	1,279	–	–	–	–	1,178	1,279
Term liabilities to credit institutions	16,645	17,016	5,651	230	7,240	353	29,537	17,599
TOTAL	17,824	18,295	5,651	230	7,240	353	30,715	18,877

31.2 Liabilities to customers

This item primarily represents deposits by customers of the Banking activities plus accrued interest not due on these deposits.

(in € million)	31/12/2019	31/12/2018
Livret A passbook savings accounts	61,498	60,616
Home loan savings plans (PEL) and Home loan savings accounts (CEL)	31,365	31,805
Other special accounts	22,060	22,110
Special savings accounts	114,922	114,532
Ordinary trade payables	70,642	65,662
Customer borrowings	1,255	822
Term deposits	37	52
Equities and securities given under repurchase agreements	2,725	3,934
Other amounts due to customers	964	800
Liabilities to customers	75,623	71,270
TOTAL	190,546	185,802

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.

31.3 Debt evidenced by a certificate and other banking financial liabilities

(in € million)	31/12/2019	31/12/2018
Subordinated debt ^(a)	3,097	3,080
Bonds	12,855	8,823
Certificates of deposit	10,884	8,110
Debt evidenced by a certificate	26,836	20,013
Guarantee deposits received	1,327	1,067
Financial liabilities at fair value through profit or loss ^(b)	1,445	631
Hedging derivatives	591	348
Lease liabilities ok Banking activities ^(c)	142	-
Other financial liabilities ^(d)	1,620	1,700
TOTAL	31,961	23,759

(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) Cf. Note 3.

(d) The "Other financial liabilities" include €291 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	
	2019	2018	2019	2018	2019	2018	2019	2018
Debt evidenced by a certificate	12,883	8,356	2,849	1,698	11,104	9,959	26,836	20,013

NOTE 32 TRADE AND OTHER PAYABLES

(in € million)	31/12/2019	31/12/2018
Trade payables and related accounts	2,110	2,116
Tax and social security liabilities	1,847	1,906
Payable to suppliers of non-current assets	293	328
International mail payables	729	674
Customer advances and deposits	188	177
Other operating payables	281	231
TOTAL	5,448	5,432

ADDITIONAL INFORMATION

NOTE 33 INFORMATION ON RISKS EXCLUDING BANKING ACTIVITIES

33.1 Credit and counterparty risk	343	33.3 Interest-rate risk	344
33.2 Liquidity risk	343	33.4 Currency risk	345

The main purpose of the Group's 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.

33.1 Credit 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.

33.2 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 38.3.2);
- 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 31/12/2019

(in € million)	Balance sheet amount	2020 flows		2021 flows		2022-2024 flows		2025 flows and beyond	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
Bonds	6,032	164	-	164	1,000	320	2,000	224	2,950
Borrowings at amortised cost	5,358	138	-	138	1,000	269	1,420	224	2,950
Borrowings at fair value	673	25	-	25	-	51	580	-	-
Subordinated debt	444	24	-	24	-	71	-	448	445
Other financial debt	3,216	59	979	50	424	107	896	164	910
Lease liabilities	2,625	59	479	50	403	107	835	164	902
La Poste savings bonds	54	-	54	-	-	-	-	-	-
Commercial paper	300	-	300	-	-	-	-	-	-
Current bank facilities	57	-	57	-	-	-	-	-	-
Deposits and guarantees received	103	-	76	-	6	-	18	-	3
Other borrowings at amortised cost	77	-	13	-	15	-	44	-	6
Derivatives	(69)	(30)	-	(31)	-	(64)	27	2	-
Derivative liabilities	43	(5)	-	(7)	-	(14)	27	2	-
Derivative assets	(112)	(25)	-	(25)	-	(50)	-	-	-
TOTAL	9,622	216	979	206	1,424	433	2,924	837	4,305

33.3 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.

A uniform sudden 50-basis point increase in the market yield curve would result in a €6.5 million profit in income (compared with €10 million as at 31 December 2018), 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.

33.4 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);
- to significant commercial activities exposure to foreign currencies from its subsidiaries (mainly Asendia and DPD UK).

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 2019, the accounting currency effect on revenue amounted to +€18 million, stemming mainly from the pound sterling (+€14 million). The accounting impact of currency fluctuations on operating profit/(loss) was not significant in 2019.

NOTE 34 INFORMATION ON RISKS RELATING TO BANKING ACTIVITIES

34.1 Structural risk factors	345	34.4 Liquidity risk	388
34.2 Credit risk	345	34.5 Interest-rate risk	390
34.3 Market risk and hedging accounting	375		

34.1 Structural risk factors

La Banque Postale has mapped all of the risks to which it is or could be exposed. This risk mapping is reviewed regularly to identify those that could have a material adverse effect on its business, its financial position and its results (or its ability to achieve its objectives), 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 banking activities. Market risk also represents a structural risk factor, which La Banque Postale monitors closely. La Banque Postale is also exposed to the risks associated with its subsidiaries and equity investments in insurance companies.

34.2 Credit risk

34.2.1 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).

34.2.2 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 significantly 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 for its credit operations. However, this exemption is used 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.

34.2.3 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 2.15.7 (Bucket 1 and Bucket 2 provisioning methodology).

12 month expected credit loss (12-month ECL)

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 12-month ECL 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 (lifetime ECL)

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 (PDPit). This parameter does not correspond to the average over the cycle (PDTTc) 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.

La Banque Postale has defined four guidelines:

- 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.

34.2.4 Operational implementation

Impairment is calculated in a centralised way for the entire Group by the Group Risk Department teams.

34.2.5 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 34.2.2 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

31/12/2019			
(€ million)	Gross book value	Allowance for losses	Net amount
Securities at amortised cost	28,074	(6)	28,068
Loans and receivables – Credit and similar institutions at amortised cost	70,636	(1)	70,635
Customer loans and receivables at amortised cost ^(a)	114,450	(822)	113,628
TOTAL	213,160	(829)	212,331

(a) Including €33,616 million relating to the gross book value of loans to legal entity clients and €168 million in associated impairments.

31/12/2018			
(€ 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
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
	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses			
(€ million)							(a)	(b)	(a)+(b)
At 1 January 2019	203,581	(84)	2,413	(117)	1,444	(567)	207,438	(768)	206,670
Transfers of active assets from one bucket to another	(517)	2	293	10	225	(75)		(63)	(63)
Transfers of 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)		5		(48)				(43)	
Return of Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)		(3)		48				44	
Transfers of 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)		1				(72)		(70)	
Transfers of lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)				14		(51)		(37)	
Return of Impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)		-				22		21	
Return of Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)				(4)		25		21	
Total after transfer	203,064	(81)	2,706	(107)	1,668	(642)	207,438	(831)	206,608
Change in Gross book values and Allowances for losses	5,616	(18)	400	(42)	(294)	62	5,722	1	5,723
New production: purchase, granting, origination, etc.	41,820	(130)	938	(83)	341	(144)	43,098	(357)	
Deconsolidation: sale, redemption, maturity, etc.	(36,205)	112	(538)	40	(509)	116	(37,251)	269	
Write-offs					(116)	90	(116)	90	
Change in flows not giving rise to deconsolidation					(10)		(10)		
Changes in the model/ methodology									
Changes in consolidation scope									
Other	1				(1)		1		
TOTAL	208,680	(100)	3,106	(150)	1,374	(580)	213,160	(829)	212,330
Impact of fair value adjustments of micro-hedged instruments	1						1		1
As at 31 December 2019	208,681	(100)	3,106	(150)	1,374	(580)	213,160	(829)	212,331

	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	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value (a)	Allowance for losses (b)	Net book Value (a)+(b)
(€ million)									
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									1
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

	31/12/2019	
(€ million)	Fair Value	o/w allowance for losses
Debt instruments at fair value through equity	14,700	(4)
TOTAL	14,700	(4)

	31/12/2018 restated	
(€ million)	Fair Value	o/w allowance for losses
Debt instruments at fair value through equity	15,708	(4)
TOTAL	15,708	(4)

	Assets subject to a 12-month ECL		Assets subject to a lifetime ECL		Impaired assets			
	(Bucket 1)		(Bucket 2)		(Bucket 3)		Total	
(€ million)	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses
At 1 January 2019	15,708	(3)					15,708	(4)
Change in gross book values and allowances for losses	(1,045)		38	(1)			(1,008)	(1)
New production: purchase, granting, origination, etc.	4,747		37				4,785	
Deconsolidation: sale, redemption, maturity, etc.	(6,179)						(6,179)	
Write-offs								
Change in flows not giving rise to deconsolidation								
Change in the model/methodology								
Changes in consolidation scope								
Other	386			(1)			386	(1)
As at 31 December 2019	14,663	(3)	38	(1)			14,700	(4)

	Assets subject to a 12-month ECL		Assets subject to a lifetime ECL		Impaired assets			
	(Bucket 1)		(Bucket 2)		(Bucket 3)		Total	
(€ million)	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	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)

	31/12/2019		
	Gross book value	Allowance for losses	Net amount
(€ million)			
Financing and guarantee commitments	29,051		
Provisions for financing and guarantee commitments		40	
TOTAL FINANCING AND GUARANTEE COMMITMENTS	29,051	40	29,010
	31/12/2018		
	Gross book value	Allowance for losses	Net amount
(€ million)			
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	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value (a)	Allowance for losses (b)	Net book Value (a)-(b)
(€ million)									
At 1 January 2019	26,842	24	257	9	29	14	27,128	47	27,081
Transfers of active assets from one bucket to another	(177)	-	167		9	(3)		(4)	4
Transfers of 12-month ECL (Bucket 1) to Lifetime ECL (Bucket 2)		(1)		1				-	
Return of Lifetime ECL (Bucket 2) to 12-month ECL (Bucket 1)		1		(1)				-	
Transfers of 12-month ECL (Bucket 1) to Impaired Lifetime ECL (Bucket 3)		-				-		-	
Transfers of Lifetime ECL (Bucket 2) to Impaired Lifetime ECL (Bucket 3)						-		-	
Return of Impaired Lifetime ECL (Bucket 3) to 12-month ECL (Bucket 1)						(4)		(4)	
Return of Impaired Lifetime ECL (Bucket 3) to Lifetime ECL (Bucket 2)						-		-	
Total after transfer	26,666	23	424	9	38	11	27,128	43	27,085
Change in gross book values and Allowances for losses	1,879	2	51	5	(8)	(10)	1,923	(3)	1,925
New production: purchase, granting, origination, etc.	11,802	34	182	8	14	6	11,998	49	
Deconsolidation: sale, redemption, maturity, etc.	(9,923)	(33)	(131)	(4)	(22)	(16)	(10,075)	(52)	
As at 31 December 2019	28,545	25	475	14	30	1	29,051	40	29,010

	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	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Net book Value
(€ million)							(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)	
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:

<i>(€ million)</i>			
	Book value before transfer under restructuring	Amount of discount recognised in the income statement	Gross book value
31/12/2019			
Loans and receivables – Customers	114	(10)	104
Debt securities			
TOTAL	114	(10)	104

<i>(€ million)</i>			
	Book value before transfer under restructuring	Amount of discount recognised in the income statement	Gross book value
31/12/2018			
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:

		31/12/2019
<i>(€ million)</i>		Transfer to Bucket 1
Loans and receivables – Customers		17
Debt securities		
TOTAL MODIFIED FINANCIAL ASSETS		17

		31/12/2018
<i>(€ million)</i>		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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
Retail clients	68,806	2,216	1,145	72,167
Administration	101,260	1	1	101,262
Central banks	0			0
Credit institutions	4,506			4,506
Financial companies	8,289	18		8,306
Non-financial companies	25,820	871	228	26,919
Impairment	(100)	(150)	(580)	(829)
TOTAL	208,581	2,956	794	212,331

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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
Retail clients				
Administration	4,415			4,415
Central banks				
Credit institutions	8,956	10		8,966
Financial companies	179			179
Non-financial companies	1,113	28		1,141
TOTAL	14,663	38		14,700
<i>Of which impairment</i>	(3)	(1)		(4)

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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 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
<i>Of which impairment</i>	(4)			(4)

As at 31/12/2019				
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	
<i>(€ million)</i>	<i>(Bucket 1)</i>	<i>(Bucket 2)</i>	<i>(Bucket 3)</i>	Total
Retail clients	10,919	196	26	11,141
Administration	5,522			5,522
Central banks				
Credit institutions	1,621	100		1,721
Financial companies	2,312			2,312
Non-financial companies	8,171	180	4	8,354
Provisions ⁽¹⁾	(25)	(14)	(1)	(40)
TOTAL	28,520	462	29	29,010

(1) Expected or realised losses relating to off-balance sheet commitments are recognised as provisions under liabilities on the balance sheet.

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	
<i>(€ million)</i>	<i>(Bucket 1)</i>	<i>(Bucket 2)</i>	<i>(Bucket 3)</i>	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 ⁽¹⁾	(24)	(9)	(14)	(47)
TOTAL	26,819	248	15	27,081

(1) 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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
PD < 1%	57,456	15		57,471
1% < PD < 3%	8,081	169		8,250
3% < PD < 10%	3,246	735		3,982
PD > 10%	22	1,296		1,318
Doubtful contracts – disputes			1,145	1,145
TOTAL	68,806	2,216	1,145	72,167

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	
(€ 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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
PD < 1%	9,691	7		9,698
1% < PD < 3%	957	46		1,003
3% < PD < 10%	269	38		307
PD > 10%	1	105		106
Doubtful contracts – disputes			26	26
TOTAL	10,919	196	26	11,141

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	
(€ 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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	1,569	2	3	1,574
AA	9,978	54	34	10,067
A	3,393	6	0	3,399
Other	19,168	828	190	20,186
TOTAL	34,108	889	228	35,225

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	
(€ 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 31/12/2019				
Fair 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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA				
AA	268			268
A	290			290
Other	734	28		762
TOTAL	1,291	28		1,319

As at 31/12/2018				
Fair 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	
(€ 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 31/12/2019				
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	
<i>(€ million)</i>	<i>(Bucket 1)</i>	<i>(Bucket 2)</i>	<i>(Bucket 3)</i>	Total
AAA	725			725
AA	2,469	1		2,470
A	2,265	5		2,269
Other	5,024	174	4	5,202
TOTAL	10,483	180	4	10,667

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	
<i>(€ million)</i>	<i>(Bucket 1)</i>	<i>(Bucket 2)</i>	<i>(Bucket 3)</i>	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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	2,886			2,886
AA	88,158			88,158
A	2,825	1	1	2,827
Other	7,391	1		7,392
TOTAL	101,261	1	1	101,262

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	
(€ 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 31/12/2019				
Fair 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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	805			805
AA	2,836			2,836
A	404			404
Other	370			370
TOTAL	4,415			4,415

As at 31/12/2018				
Fair 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	
(€ 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 31/12/2019

Commitment amount

Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			Total
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
AAA				
AA	1,147			1,147
A	3,256			3,256
Other	1,119			1,119
TOTAL	5,522			5,522

As at 31/12/2018

Commitment amount

Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			Total
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
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 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
AAA	1			1
AA	2,177			2,177
A	1,828			1,828
Other	500			500
TOTAL	4,506			4,506

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	
(€ 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 31/12/2019

Fair value

Financial assets at fair value through recyclable equity	Healthy or degraded assets			Total
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
	(Bucket 1)	(Bucket 2)	(Bucket 3)	
(€ million)				
AAA	50			50
AA	756			756
A	5,138			5,138
Other	3,011	10		3,021
TOTAL	8,956	10		8,966

As at 31/12/2018

Financial assets at fair value through recyclable equity	Fair value			
	Healthy or degraded assets			
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
(€ 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 31/12/2019

Commitment amount

Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			Total
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
AAA				
AA	1,121			1,121
A	500			500
Other		100		100
TOTAL	1,621	100		1,721

As at 31/12/2018

Commitment amount

Off-balance sheet (financing and guarantee commitment)	Healthy or degraded commitments			Total
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
AAA				
AA	4			4
A	1,257			1,257
Other	318			318
TOTAL	1,579			1,579

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Credit risk exposure by geographical area

As at 31/12/2019				
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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
France (including overseas territories – DOM-TOM)	194,520	3,102	1,340	198,963
Other EU countries	13,644	3	19	13,667
Other European countries	78	0	1	79
Other	438	0	13	452
Impairment	(100)	(150)	(580)	(829)
TOTAL	208,581	2,956	794	212,331

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	
(€ 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 31/12/2019

Fair value

Financial assets at fair value through recyclable equity	Healthy or degraded assets			Total
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
	(Bucket 1)	(Bucket 2)	(Bucket 3)	
(€ million)				
France (including overseas territories – DOM-TOM)	5,065	19		5,085
Other EU countries	6,090	18		6,108
Other European countries	367			367
Other	3,140			3,140
TOTAL	14,663	38		14,700
Of which impairment	(3)	(1)		(4)

As at 31/12/2018

Fair value

Financial assets at fair value through recyclable equity	Healthy or degraded assets			Total
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL	Impaired assets	
	(Bucket 1)	(Bucket 2)	(Bucket 3)	
(€ million)				
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)

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As at 31/12/2019

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	
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	Total
France (including overseas territories – DOM-TOM)	28,020	475	30	28,526
Other EU countries	510	0		511
Other European countries	2	0		2
Other	12	0		12
Provisions ^(a)	(25)	(14)	(1)	(40)
TOTAL	28,520	462	29	29,010

(a) Expected or realised losses relating to off-balance sheet commitments are recognised as provisions under liabilities on the balance sheet.

As at 31/12/2018

Off-balance sheet (financing and guarantee commitment)

Commitment amount

Healthy or degraded commitments

	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL	Impaired commitments	
(€ 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 ^(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.

34.2.6 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.

31/12/2019 (€ million)	Bank portfolio	Assets at fair value through profit or loss	Total direct exposure ^(a)	Repo	Off-balance sheet	Total direct and indirect exposure ^(b)	Exposure (as a %)
Greece	-	-	-	-	-	-	0,0%
Ireland	2	-	2	-	-	2	0,0%
Italy	292	681	973	3	-	976	0,9%
Portugal	420	-	420	-	-	420	0,4%
Spain	1,743	196	1,939	-	-	1,939	1,8%
Total GIIPes	2,458	877	3,334	3	-	3,337	3,1%
Germany	2,795	-	2,795	228	-	3,023	2,9%
Austria	14	-	14	-	-	14	0,0%
Belgium	3,660	-	3,660	310	-	3,970	3,7%
France	87,151	629	87,780	6,328	761	94,869	89,5%
Luxembourg	57	-	57	-	-	57	0,1%
Netherlands	178	-	178	-	-	178	0,2%
Poland	16	-	16	-	-	16	0,0%
Romania	-	-	-	-	-	-	-
Slovenia	5	-	5	-	-	5	0,0%
Switzerland	29	-	29	-	-	29	0,0%
Total Europe	93,905	629	94,534	6,866	761	102,161	96,3%
Rest of the World	539	-	539	-	-	539	0,5%
TOTAL	96,902	1,506	98,407	6,869	761	106,037	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.

31/12/2018 restated (€ million)	Bank portfolio	Assets at fair value through profit or loss	Total direct exposure (a)	Repo	Off-balance sheet	Total direct and indirect exposure (b)	Exposure (as a %)
Greece							
Ireland							
Italy	158	849	1,007	184		1,192	1,1%
Portugal	302	249	552			552	0,5%
Spain	112	723	835			835	0,8%
Total GIIPs	573	1,822	2,395	184		2,579	2,4%
Germany	3,240		3,240			3,240	3,1%
Austria	15		15			15	0,0%
Belgium	3,073		3,073			3,073	2,9%
France	103,822	155	103,977	31	669	104,677	98,7%
Luxembourg	194		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	29		29			29	0,0%
Total EUROPE	110,566	155	110,721	57	669	111,447	96,8%
Rest of the World	949		949	166		1,116	1,1%
TOTAL	112,089	1,977	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.

34.3 Market risk and hedging accounting

34.3.1 Derivatives operations: breakdown by maturity (notional)

The breakdown of derivatives market value is presented by contractual residual maturity.

Hedging derivatives

(€ million)	31/12/2019							
	Assets				Liabilities			
	Less than 1 year	1 to 5 years	> 5 years	Total	Less than 1 year	3 months to 1 year	> 5 years	Total
Interest rate instruments	44	895	549	1,488	5	197	379	582
Interest rate swaps	44	895	549	1,488	5	197	379	582
Caps-floors-collars								
Foreign currency instruments					9			9
Firm foreign exchange transactions					9			9
Credit instruments								
Other instruments								
TOTAL FAIR VALUE HEDGING DERIVATIVES	44	895	549	1,488	14	197	379	591

(€ million)	31/12/2018							
	Assets				Liabilities			
	Less than 1 year	1 to 5 years	> 5 years	Total	Less than 1 year	3 months to 1 year	> 5 years	Total
Interest rate instruments	31	518	610	1,159	11	89	229	329
Interest rate swaps	3	518	610	1,130	11	89	229	329
Caps-floors-collars			0	0				
Other interest rate instruments	29			29				
Foreign currency instruments					14	5		18
Firm foreign exchange transactions					14	5		18
Credit instruments								
Other instruments								
TOTAL FAIR VALUE HEDGING DERIVATIVES	31	518	610	1,159	25	94	229	348

Trading derivatives

(€ million)	31/12/2019							
	Assets				Liabilities			
	Less than 1 year	1 to 5 years	> 5 years	Total	Less than 1 year	3 months to 1 year	> 5 years	Total
Interest rate instruments	19	227	457	703	16	210	423	650
Futures								
FRA								
Interest rate swaps	17	208	440	665	15	190	404	609
Options Caps-floors-collars	2	19	18	39	1	20	20	41
Other interest rate instruments								
Foreign currency instruments	112	24	3	139	37	24	2	63
Firm foreign exchange transactions	112	24	3	139	37	24	2	63
Foreign exchange transactions								
Credit instruments		43		43		58		58
Other instruments					0	11		12
TOTAL FAIR VALUE TRADING DERIVATIVES	131	294	460	885	53	303	426	783

(€ million)	31/12/2018							
	Assets				Liabilities			
	Less than 1 year	1 to 5 years	> 5 years	Total	Less than 1 year	3 months to 1 year	> 5 years	Total
Interest rate instruments	6	222	169	397	5	206	211	421
Interest rate swaps	6	211	167	383	5	194	207	406
Options Caps-floors-collars	0	12	2	14	0	11	4	15
Other interest rate instruments								
Foreign currency instruments	13	46	0	59	34	46		80
Firm foreign exchange transactions	13	46	0	59	34	46		80
Foreign exchange transactions								
Credit instruments		2		2		13		13
Other instruments						12	3	16
TOTAL FAIR VALUE TRADING DERIVATIVES	19	271	169	458	39	277	214	530

34.3.2 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.

Reform of benchmark interest rates

The new EU Benchmark Regulation 2016/1011, also known as "BMR", is the European legislative response to strengthen the regulatory framework applicable to benchmark interest rates, and in particular InterBank Offered Rates (IBORs). Reforming benchmark interest rates entails the replacement of or change of the market-wide calculation method of a current benchmark interest rate with an alternative reference rate. It will affect rates both inside the Euro zone (EONIA, EURIBOR) and outside the Euro zone (LIBOR).

This regulation has been applicable since 1 January 2018, but a transitional period for its adoption has been granted due to operational and legal complexities. The deadline for applying the new BMR-compliant benchmark rates is 1 January 2022.

La Banque Postale group is affected by this reform, as some of its financial instruments are indexed to an IBOR rate that will be replaced or whose calculation method will be modified. As such, the Group anticipates significant operational (strategic, IT), legal and accounting impacts. In addition, a project organisation and governance has been set up to provide operational training on the various impacts of compliance with the BMR Regulation and the disappearance of certain benchmark rates (EONIA, LIBORs). This project covers, among other things:

- the mapping of the positions affected by rate reforms;
- the updating of contracts to comply with BMR requirements and new market practices. As of 31 December 2019, no renegotiations have taken place;
- remediation of existing contracts for the inclusion or improvement of fallback clauses in the event of the disappearance of a benchmark rate as of 1 January 2022. Nevertheless, the remediation effort can be considered low for the La Banque Postale group. As of 31 December 2019, the majority of contracts drafted by the Group include fallback clauses in the event of the disappearance of a benchmark rate. In addition, the number of EONIA or LIBOR indexed contracts maturing beyond 2021, including framework agreements issued by market authorities, is insignificant;
- the drafting of procedures to comply with the BMR Regulation (Robust Written Plans);
- the updating of systems to take into account the new reference rates and the possible transformation of certain rates (LIBOR, EONIA);
- the management of the risks arising from the reform, whether legal, operational or financial;
- external and internal communications in connection with the reform of reference rates.

Due to their high exposure to benchmark rates, and while maintaining a comprehensive approach to the treatment of effects for the Group as a whole, the Corporate and Regional Development and the Financing and Investment Bank departments played a key role in steering this project. Whenever deemed necessary, each project has given rise to tangible and specific actions such as the modification of the general conditions of certain contracts or adapting systems to support a new benchmark rate in the Euro zone (the €STR). However, it is expected that this project will remain active until the beginning of 2022 because of the various actions to be carried out in the future, such as the modification of contracts (amendments) and systems (updating calculations to use new rates) to the potential (LIBOR) or expected (EONIA) disappearance of certain rates at the beginning of 2022.

As a result of the reform, the contractual cash flows of financial instruments indexed to a reference rate will be changed when switching to an alternative benchmark rate. Since benchmark rates differ from one market to another, they will not be replaced at the same time and in the same way. In the period prior to replacement, uncertainties may remain regarding the timing and amount of future cash flows until the alternative benchmark rate and replacement date are known. Where the instruments affected by the reform are qualified either as hedged instruments or as hedging instruments in a hedging relationship under IAS 39, these uncertainties could affect La Banque Postale group's ability to meet certain prospective and retrospective assessment requirements. This reason alone could require the Group to discontinue the use of hedge accounting when the other criteria for applicability are met.

As of 31 December 2019, the Group is assessing the degree of uncertainty to which its FVH hedging derivatives are exposed. The Group is mainly exposed to EONIA and EURIBOR and to a lesser extent to USD LIBOR.

Euribor

In July 2019, the French Financial Markets and Services Authority (*Autorité des services et marchés financiers* - FSMA) granted the European Money Markets Institute (EMMI) an authorisation as administrator of the EURIBOR reference rate, thereby confirming that the requirements of the BMR have been met. This means that EURIBOR can still be used after 1 January 2020 for new and existing contracts. At the end of October 2019, following the new EURIBOR calculation methodology, EURIBOR became EURIBOR Hybrid. Any reference to EURIBOR will refer de facto to the new benchmark. In this regard, the Group does not envisage that EURIBOR will cease to exist in the foreseeable future nor the change of the hedged risk to a new benchmark rate. For this reason, the Group does not consider fair value hedges whose benchmark rate is EURIBOR to be directly affected by the reform as of 31 December 2019.

Eonia

As of 2 October 2019, the EONIA has been replaced by the €STR (Euro Short Term Rate) and calculated on its basis by adding a spread of 8.5bps. The two rates will coexist until 1 January 2022. As of 31 December 2019, the Group considers that there are still uncertainties regarding the dates on which the rates will be replaced in contracts, as well as the transition method (spread or cash balance, and method of calculating the cash balance).

USD Libor

The USD LIBOR is scheduled to be replaced by the SOFR (Secured Overnight Financing Rate) which has been published since April 2018. As of the balance-sheet date, the expiry date of the USD LIBOR is uncertain. In addition, the transition method has not been defined.

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

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 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 shows that it is not complied with and the ineffective portion of the hedging derivative is systematically cancelled.

Hedging instruments

La Banque Postale 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 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 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.

34.3.3 Scopes and economic ties with the hedged risk (underlying)

Underlyings

La Banque Postale 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 payer 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 deposits	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 hedge ineffectiveness, which will be all the more significant as the EONIA-EURIBOR spread will vary over time (the ineffectiveness stems from changes in the fair value of the variable component of the swap, since this rate is not a daily rate [such as Eonia] but a prefixed rate [such as Euribor]).

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.

5

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

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%]. To assess whether the hedge is highly effective, the Group assumes that the reform of benchmark interest rates does not change the benchmark interest rate on which the cash flows of the hedging instrument are based. If the Group determines that the change ratio is out of range [80%-125%] as a result of the reform, the hedging relationship does not cease but the ineffectiveness is recognised in the income statement.

Effectiveness test

La Banque Postale group conducts an effectiveness test at least twice per half year.

Cash Flow Hedge:

La Banque Postale 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 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 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

(€ million)	As at 31/12/2019		
	Assets	Liabilities	Notional ⁽¹⁾
Interest rate instruments	1,488	582	53,484
Interest rate swaps	1,488	582	53,324
Caps-floors-collars-interest-rate options			160
Foreign currency instruments		9	137
Firm foreign exchange transactions		9	137
Other instruments			
TOTAL FAIR VALUE HEDGING DERIVATIVES	1,488	591	53,622
Interest rate instruments			
Foreign currency instruments			
Other instruments			
TOTAL CASH FLOW HEDGING DERIVATIVES			
TOTAL HEDGING DERIVATIVES	1,488	591	53,622

(1) The notional amounts of hedging derivatives that fall within the scope of the amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" are as follows:

Notional amount of FVH derivatives by maturity	2 years	5 years	> 5 years
EONIA	6,766	22,336	10,699
LIBOR USD	73	1,092	190

The notional amounts of hedging derivatives that do not fall^(*) within the scope of the amendment to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform" are as follows:

Notional amount of FVH derivatives by maturity	2 years	5 years	> 5 years
EURIBOR	1,746	5,233	1,674

(*) No uncertainty on EURIBOR, as explained in 34.3.2 "Interest Rate Benchmark Reform" above.

The notional amounts of hedging derivatives are broken down according to the following maturities:

- 2 years: Period between the balance-sheet date and the deadline set at 31 December 2021 for using the new reference rates respecting the BMR;
- 5 years: Duration between 1 January 2022 and 31 December 2024. When a bank contributing to the calculation of a critically important benchmark decides to leave this panel, it remains bound to it for a period of 5 years from 1 January 2020, and is then renewed from year to year.

(€ million)	As at 31/12/2018		
	Assets	Liabilities	Notional
Interest rate instruments	1,130	329	38,848
Interest rate swaps	1,130	329	38,484
Caps-floors-collars-interest-rate options			364
Foreign currency instruments		18	346
Firm foreign exchange transactions		18	346
Other instruments			
TOTAL FAIR VALUE HEDGING DERIVATIVES	1,130	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

Hedging derivatives operations: breakdown by maturity (notional)

The breakdown of the notional amounts of derivative instruments is presented by residual contractual maturity.

(€ million)	As at 31/12/2019			
	< 1 year	1 to 5 years	> 5 years	Total
Interest rate instruments	5,504	32,112	15,881	53,497
Interest rate swaps	5,491	31,992	15,854	53,336
Caps-floors-collars-interest-rate options	13	121	27	160
Foreign currency instruments	137			137
Firm foreign exchange transactions	137			137
Other instruments				
TOTAL FAIR VALUE HEDGING DERIVATIVE NOTIONALS	5,641	32,112	15,881	53,634
Interest rate instruments				
Foreign currency instruments				
Credit instruments				
Other instruments				
TOTAL CASH FLOW HEDGING DERIVATIVE NOTIONALS				
TOTAL HEDGING DERIVATIVE NOTIONALS	5,641	32,112	15,881	53,634

(€ million)	As at 31/12/2018			
	< 1 year	1 to 5 years	> 5 years	Total
Interest rate instruments	1,927	18,707	18,214	38,848
Interest rate swaps	1,766	18,560	18,158	38,484
Caps-floors-collars-interest-rate options	161	146	56	364
Foreign currency instruments	208	137		346
Firm foreign exchange transactions	208	137		346
Other instruments				
TOTAL FAIR VALUE HEDGING DERIVATIVE NOTIONALS	2,135	18,844	18,214	39,194
Interest rate instruments	1,476			1,476
Foreign currency instruments				
Credit instruments				
Other instruments				
TOTAL CASH FLOW HEDGING DERIVATIVE NOTIONALS	1,476			1,476
TOTAL HEDGING DERIVATIVE NOTIONALS	3,611	18,844	18,214	40,670

Fair value hedge

Hedged items

31/12/2019				
Fair value micro-hedging	Existing hedging		Discontinued hedges	Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
(€ 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	11,380	219		166
Foreign exchange	147	1		(1)
Other				
Financial instruments at fair value through equity	11,527	220		165
Interest rate	329	12		(5)
Foreign exchange				
Other				
Financial instruments at amortised cost	329	12		(5)
Liabilities				
Interest rate	9,315	477		(239)
Foreign exchange				
Other				
Financial instruments at amortised cost	9,315	477		(239)

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)
(€ 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	55		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	31/12/2019	31/12/2018
(€ million)	Book value	Book value
Debt instruments recognised at fair value through equity		
Debt instruments classified at amortised cost	13,066	3,986
Total – Assets	13,066	3,986
Debt instruments classified at amortised cost	11,870	16,535
Total Liabilities	11,870	16,535
TOTAL		
Fair value hedging of the interest rate risk exposure of a portfolio of financial instruments	24,936	20,521

Fair value hedge accounting result

	31/12/2019		
	Net result (hedge accounting result)		
(€ million)	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	99	(100)	(1)
Foreign exchange	9	(8)	1
TOTAL	108	(108)	-

	31/12/2018		
	Net result (hedge accounting result)		
(€ million)	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	(0)
TOTAL	(174)	172	(2)

Cash-flow hedge

Hedging items

	31/12/2019		
	Existing hedging	Discontinued hedges	Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
	of which total fair value adjustments related to the hedge	Total fair value adjustments related to the hedge still to be amortised	
(€ million)			
Assets			
Interest rate			(29)
Foreign exchange			
Other			
TOTAL			(29)

	31/12/2018		
	Existing hedging	Discontinued hedges	Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
	of which total fair value adjustments related to the hedge	Total fair value adjustments related to the hedge still to be amortised	
(€ million)			
Assets			
Interest rate	(29)		(28)
Foreign exchange			
Other			
TOTAL	(29)		(28)

Cash-flow hedge accounting result

31/12/2019			
	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
(€ million)			
Interest rate	22	(34)	
Foreign exchange			
Other			
TOTAL	22	(34)	

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
(€ million)			
Interest rate	28	(174)	
Foreign exchange			
Other			
TOTAL	28	(174)	

34.3.4 Assessment of risk

Value at risk (VaR)

VaR is a risk indicator used to assess the potential loss which La Banque Postale 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 Group Risk Department back-tests the results of the model used to calculate the VaR, in order to assess its quality.

Stress scenarios

The VaR estimate, based on the assumption of a normal distribution law, is calculated under normal market conditions and does not provide any information on the amount of the potential loss when the VaR is exceeded. It is therefore necessary to be able to estimate potential losses by assuming exceptional market conditions (attacks, bankruptcy of a large group, etc.), and it is in this manner that stress scenarios are implemented.

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.

34.4 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.

The management of liquidity risk is based on:

- a guidelines and limits system;
- a financing plan which ensures ex ante the Bank's balanced funding position;
- a buffer of high-quality, liquid, unencumbered securities (and its central bank deposit equivalent).

In April 2019, La Banque Postale's bodies (Supervisory Board) approved the entire system for assessing liquidity and its adequacy.

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 €180 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%;
- a regularly adjusted provisional financing plan;
- 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 La Banque Postale'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 financing 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 La Banque Postale) 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 prudential liquidity risk declaration systems apply to the entire scope of prudential consolidation. Some entities within the Group are also subject to individual reporting requirements.

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. As a target, the LCR must be higher than the 100% limit respected by La Banque Postale, whose LCR reached 153% at the end of December 2019.

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.

The LCR is also one of the limitations to be adhered to under the dynamic liquidity projections.

A LCR proxy is 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 120%.

The steering system also relies on:

- a financing plan, which ensures that the projected budget path is accompanied by forward-looking liquidity management;
- as part of the implementation of the financing plan, the projected LCR is evaluated, and the Bank ensures that an adequate level is maintained over time;
- 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;
- bi-annual testing of market access in different currencies;
- a liquidity gap assessment, detailed below.

Long-term liquidity monitoring

La Banque Postale 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 maturities (including sight deposits and savings accounts) are taken into account using outflow agreements reviewed by the ALM Committee and the Group Risk 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 Financy Plan

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 Financing and Investment Bank.

The Emergency Financing Plan (PFU) is part of the internal liquidity assessment process that La Banque reports on every year. 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 La Banque Postale's liquidity risk. The presentation (during normal periods) of the indicators is carried out weekly for the Scale and Refinancing Committee and periodically at the CPRG. 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.

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 €10.3 billion potential collateral as at 31 December 2019, 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 and a €10 billion ECP (European Commercial Paper) programme with the goal of refinancing part of La Banque Postale's short-term financing needs, and to satisfy institutional clients;
- a €2 billion Neu-MTN programme with the goal of refinancing part of the La Banque Postale's short- and medium-term financing needs, and to satisfy institutional clients;
- a €10 billion EMTN programme, in retail format, allowing the issuance of senior debt (vanilla and structured), senior non-preferred and Tier 2 debt;

- a €20 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 La Banque Postale SA;
- access to refinancing by the BEI as part of La Banque Postale's commitment for eligible funds;
- a portfolio of HQLA (High Quality Liquid Asset) 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 Brokertec repurchase platform;
- 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.

In addition, La Banque Postale participated for the first time since their launch by the ECB in a targeted long-term refinancing operation (TLTRO III) in December, underscoring its contribution to stimulating lending to private individuals (excluding home loans) and non-financial companies.

34.5 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 Economic Value of Equity (EVE) and the Net Interest Margin (NIM).

The unit in charge of monitoring and managing overall interest rate risk is the Financial Risk Division, Balance Sheet Risk Department, which reports to La Banque Postale's Group Risk Department.

The department has several missions:

- ensuring the periodic monitoring of the indicators that control the overall interest rate risk for La Banque Postale and its banking subsidiaries on a consolidated basis;
- auditing the calculation processes of the different indicators (static and dynamic) and checking the integrity of the exposure calculations;
- auditing the methodologies used.

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 optimise the sensibility of the future net interest margin whilst respecting the limits set for the value sensibility indicators. This management is done dynamically, based on the business plan, through the setup of interest-rate derivative instruments (hedged), 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.

The 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 yield 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 portfolio transactions classified at fair value through income 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

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 Risk 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 35 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

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35.1 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.

	31/12/2019				
			Fair value ranking ^(b)		
(in € million)	Book value	Fair value ^(a)	Level 1	Level 2	Level 3
Assets					
Bank assets					
Customer loans and receivables	113,626	118,690	-	-	-
Credit institutions loans and receivables	70,635	70,644	-	-	-
Securities portfolio	55,584	57,263	16,896	9,723	691
Non-bank assets					
Other non-current financial assets	440	440	-	98	257
Trade and other receivables	4,014	4,014	-	-	-
Other current financial assets	475	475	-	339	-
Cash and cash equivalents	2,456	2,456	659	1,797	-
Liabilities					
Bank liabilities					
Liabilities to credit institutions	30,715	30,723	-	-	-
Customer transactions	190,546	190,547	-	-	-
Debt evidenced by a certificate and other	31,961	32,392	58	1,978	-
Non-banking liabilities					
Bonds and other financial debt	9,798	10,271	-	716	-
Trade and other payables	5,404	5,404	-	-	-

(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).

	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	-	-	-

Level 3 fair values: reconciliation of opening and closing balances (banking activities)

(in € million)	Assets at fair value through profit or loss	Hedging derivatives	Assets designated at fair value through equity	Total
Opening balance	303	-	289	591
Gains and losses recorded in income	22	-	-	22
Gains and losses recorded in equity	-	-	17	17
Purchases	35	-	53	88
Sales	(1)	-	-	(1)
Redemptions	(26)	-	-	(26)
Other movements	-	-	-	-
CLOSING BALANCE	333	-	358	691

Level 3 fair values: profits and losses for the period recognised in income

None.

35.2 Methods for calculating the fair value of financial instruments

35.2.1 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.

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.

35.2.2 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.

35.3 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.

2019

(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 and liabilities classified at amortised cost	1,970	-	-	-	322	2,292
Assets classified at fair value through OCI	165	-	237	-	126	528
Financial instruments at fair value through profit or loss	-	111	-	-	-	111
Hedging	203	-	(12)	-	-	191
TOTAL	2,338	110	225		448	3,121

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 and liabilities classified at amortised cost	1,929	-	-	-	-	1,929
Assets classified at fair value through 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

35.4 Financial hedging instruments

Non-banking activities

See Note 28.

Banking activities

See Note 34.3.

35.5 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".

35.6.1 Non-banking derivative instruments

2019

	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	111	-	111	39	73	(1)
Derivative liabilities	42	-	42	39	4	(1)

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	-	-

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

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 2019.

35.6 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.

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.

35.6.2 Banking financial instruments

2019

	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
(in € million)	A	B	C=A-B	Financial instruments D	Collateral cash D	E	F=C-D-E
Assets							
Financial instruments at fair value through profit or loss	12,392	-	12,392	1,199	1,037	-	10,156
Of which derivatives (including hedging derivatives)	2,373	-	2,373	1,199	1,037	-	136
Customer and credit institutions loans and receivables	188,379	4,116	184,263	688	57	8,006	175,512
Of which securities under repurchase agreements	12,874	4,116	8,758	688	57	8,006	7
Accruals and other assets	3,314	-	3,314	1	-	-	3,313
Of which deposits and guarantees paid	5	-	5	1	-	-	4
Other assets not offset	71,713	-	71,713	-	-	-	71,713
TOTAL ASSETS	275,799	4,116	271,683	1,888	1,094	8,006	260,694
Liabilities							
Financial instruments at fair value through profit or loss	2,178	-	2,178	1,199	151	-	828
Of which derivatives (including hedging derivatives)	1,362	-	1,362	1,199	151	-	12
Customer and credit institutions liabilities	225,846	4,116	221,731	687	1,919	25,470	193,654
Of which securities under repurchase agreements	32,208	4,116	28,092	687	1,919	25,470	16
Other liabilities not offset (excluding equity)	35,991	-	35,991	-	-	-	35,991
TOTAL LIABILITIES	264,016	4,116	259,900	1,887	2,070	25,470	230,474

5

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
(in € million)	A	B	C=A-B	Financial instruments D	Collateral cash D	E	F=C-D-E
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

NOTE 36 RELATED PARTY TRANSACTIONS

36.1	Relations with the French government and public sector companies	399	36.3	Remuneration of administration and management bodies	399
36.2	Relations with consolidated companies	399			

36.1 Relations with the French government and public sector companies

36.1.1 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 for Industry under the Minister for 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.

36.1.2 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.

36.2 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)	31/12/2019	31/12/2018
Income	657	606
Expenses	(12)	-
Accounts receivable	132	127
Liabilities	223	288

Transactions with other equity associates and joint ventures are not material.

36.3 Remuneration of administration and management bodies

The remuneration of Le Groupe La Poste senior executives amounted to €5.1 million in total for the year ended 31 December 2019 (€5.3 million in 2018). 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 2019 amounted to €0.2 million (€0.2 million in 2018).

NOTE 37 STRUCTURED ENTITIES

37.1 Consolidated structured entities	400	37.2 Unconsolidated structured entities	400

37.1 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 1 B.V. and B.V.

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 €305 million as at 31 December 2019. It is fully consolidated.

Two Dutch mutual receivables funds, LBP Dutch Mortgage Portfolio 1 B.V. and 2 B.V., 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 as at 31 December 2019 €2,058 million and €1,844 million, respectively. They are fully consolidated.

37.2 Unconsolidated structured entities

As at 31 December 2019, 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 2019, 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 €72 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 2019.

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 €55 million and are mainly comprised of management fees.

NOTE 38 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

38.1 Banking activities commitments	401	38.4 Other commitments	402
38.2 Other commitments given	401	38.5 Contingent liabilities	402
38.3 Other commitments received	402		

38.1 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)	31/12/2019	31/12/2018
Financing and guarantee commitments and commitments on securities given		
Financing commitments		
■ to credit institutions	1,723	1,576
■ to customers	24,751	23,235
Guarantee commitments		
■ to credit institutions	715	379
■ to customers ^(a)	1,861	1,938
Commitments on securities to be delivered	10,721	3,213
Financing and guarantee commitments and commitments on securities received		
Financing commitments		
■ from credit institutions ^(b)	10,890	1,967
■ from customers	-	1,620
Guarantee commitments		
■ from credit institutions	37,464	33,998
■ from customers	5,749	4,639
Commitments on securities to be received	400	461
Other commitments given ^{(b)(c)}	18,311	11,708
Other commitments received	1,372	2,417

(a) Includes capital and performance guarantees granted to holders of shares of UCITS managed by Group entities.

(b) Of which commitments given (€2,130 million) and received (€539 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 2019, this includes commitments of €15,784 million (€10,869 million in 2018) 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 €216 million as at 31 December 2019 (€236 million as at 31 December 2018).

38.2 Other commitments given

38.2.1 Guarantees and endorsements

Total guarantees and endorsements given amounted to €17 million as at 31 December 2019.

38.2.2 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.

38.2.3 Commitments to make equity investments in the Spanish companies Tipsa and Alas and their subsidiaries

As part of the equity investments in Tipsa and ALAS of 28.1% and 48% respectively in November 2019 (see Note 44), the Group committed to acquiring the outstanding equity in these companies in 2021 as well as shares in Madripaq, subsidiary of ALAS, and Andaluqa Quotas and Central Messageros.

38.2.4 Sponsorship

La Poste committed to finance several sponsorship projects for a total amount of €4 million as at 31 December 2019.

38.3 Other commitments received

38.3.1 Guarantees and endorsements

Total guarantees and endorsements received amounted to €76 million as at 31 December 2019, including €59 million for La Poste.

38.3.2 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 commitments from the eleven banks in the banking pool. This facility had not been used as at 31 December 2019.

38.3.3 Property sale commitments

La Poste has entered into property sale commitments that are expected to be completed in 2020 or later. As at 31 December 2019, the commitments received in this respect amounted to €15 million in total.

38.3.4 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.

As part of the operation set out in Note 1.2, the sell back agreement was carried out in January 2020. As such, the corresponding securities were once again held directly by the Group.

38.3.5 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.

38.3.6 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.

38.4 Other commitments

38.4.1 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.

38.4.2 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.

38.5 Contingent liabilities

The Group is not aware of any material risks for which no provision has been recorded in the consolidated financial statements.

NOTE 39 BANKING ACTIVITIES BALANCE SHEET

39.1 La Banque Postale sub-group balance sheet
(in banking format)

403

39.2 Banking assets and liabilities by residual maturity 404

39.1 La Banque Postale sub-group balance sheet (in banking format)

Assets

(in € million)	31/12/2019	31/12/2018
Cash on hand and at central banks	22,412	2,007
Financial assets at fair value through profit or loss	10,763	10,441
Hedging derivatives	1,488	1,159
Financial assets at fair value through OCI	15,059	15,996
Financial assets classified at amortised cost	28,068	23,582
Loans and receivables – Credit institutions	70,635	87,352
Loans and receivables – Customers	113,626	95,671
Revaluation adjustment on interest-rate hedged portfolios	207	82
Tax assets	240	242
Accruals and other assets	3,200	3,169
Investments in equity associates	3,585	3,260
Tangible and intangible assets, and investment properties	1,411	1,195
Net goodwill – Assets	143	143
Elimination of investments	(4,852)	(4,052)
TOTAL	265,985	240,246

Liabilities

(in € million)	31/12/2019	31/12/2018
Financial liabilities at fair value through profit or loss	1,445	631
Hedging derivatives	591	348
Inter-bank and similar transactions: Liabilities to credit institutions	30,715	18,877
Customer transactions	190,546	185,802
Debt evidenced by a certificate	23,739	16,934
Revaluation adjustment on interest-rate hedged portfolios	839	743
Tax liabilities	148	116
Accruals and sundry liabilities	5,148	4,982
Underwriting reserves of insurance companies	2,552	2,480
Provisions	337	469
Subordinated debt	3,097	3,080
Non-controlling interests	816	113
Equity, Group share	5,867	5,241
Consolidated reserves and other	5,073	4,515
Net profit/(loss) Group share	794	726
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	145	432
TOTAL	265,985	240,246

39.2 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	22,412	–	22,412
Securities portfolio	11,490	43,886	55,376
Receivables from credit institutions	53,814	16,821	70,635
Customer loans and receivables	24,087	89,539	113,626
Revaluation adjustment on portfolio interest rate hedging – Assets	1	206	207
Liabilities by residual maturity			
Other financial liabilities	68	1,968	2,036
Liabilities to credit institutions	17,824	12,891	30,715
Liabilities to customers	190,428	118	190,546
Debt evidenced by a certificate	12,087	11,652	23,739
Subordinated debt	796	2,301	3,097
Revaluation adjustment on portfolio interest rate hedging – Liabilities	0	838	839

NOTE 40 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

40.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax	404	40.5 Outflows for acquisitions of tangible and intangible assets	405
40.2 Depreciation, amortisation and impairment	405	40.6 Proceeds from new borrowings	406
40.3 Change in working capital requirement	405	40.7 Redemption of borrowings	406
40.4 Change in balance of banking sources and uses	405	40.8 Other cash flows from financing activities	406
		40.9 Change in net cash from banking activities	406

40.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax

(in € million)	Note	2019	2018
Consolidated net profit/(loss)		835	837
Share in profits of equity associates		(280)	(277)
Unrealised gains and losses on fair value adjustments (excluding Banking activities)		2	3
Gains and losses on disposal (including dilution)		(12)	(161)
Net changes in provisions		(366)	(163)
Depreciation, amortisation and impairment	40.2	1,624	1,080
Other non-cash income and expenses		(1)	(57)
Operating cash flow after the cost of net financial debt and tax		1,803	1,261
Cost of net financial debt ^(a)		213	157
Corporation tax (including deferred taxes)		134	161
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE COST OF NET DEBT AND TAXES		2,150	1,579

(a) Excluding change in unrealised gains and losses on fair value adjustments.

40.2 Depreciation, amortisation and impairment

(in € million)	2019	2018
Additions to and reversals of amortisation of operating profit/(loss)	1,591	1,009
Additions to and reversals of amortisation of financial profit/(loss)	(4)	4
Impairment of goodwill	36	67
TOTAL	1,624	1,080

40.3 Change in working capital requirement

(in € million)	2019	2018
Change in inventories and work-in-progress	(10)	(9)
Change in operating receivables	(162)	(248)
Change in operating payables and other operating assets and liabilities	47	(141)
TOTAL	(125)	(397)

40.4 Change in balance of banking sources and uses

(in € million)	2019	2018
Change in Banking activities securities portfolio	(4,250)	86
Change in Banking activities loans and receivables	(17,956)	(11,399)
Change in credit institution receivables (Banking activities)	1,323	1,709
Change in other Banking activities current financial assets	(2)	(119)
Change in liabilities to credit institutions (Banking activities)	11,943	4,193
Change in customer transactions (Banking activities)	4,744	3,246
Change in other financial liabilities (Banking activities)	8,337	5,373
Change in accruals (Banking activities)	355	847
TOTAL	4,494	3,937

40.5 Outflows for acquisitions of tangible and intangible assets

(in € million)	2019	2018
Acquisitions of intangible assets	(503)	(519)
Acquisitions of tangible assets	(965)	(998)
Change in payables to suppliers of non-current assets	(33)	25
TOTAL	(1,501)	(1,493)

40.6 Proceeds from new borrowings

(in € million)	2019	2018
Bonds	1,700	500
Borrowings from credit institutions	-	10
Commercial paper	1,276	380
Other borrowings and similar debt	5	1
TOTAL	2,981	890

40.7 Redemption of borrowings

(in € million)	2019	2018
Bonds	(800)	(500)
Borrowings from credit institutions	(17)	(20)
La Poste savings bonds	(1)	(1)
Commercial paper	(1,126)	(381)
Borrowings on finance leases	-	(19)
Other borrowings and similar debt	(3)	(2)
TOTAL	(1,948)	(924)

40.8 Other cash flows from financing activities

(in € million)	2019	2018
Collection of deposits and guarantees received	10	3
Repayment of deposits and guarantees received	(3)	(32)
Other	30	(37)
TOTAL	38	(67)

40.9 Change in net cash from banking activities

(in € million)	Note	2019	2018
Opening cash and central bank deposits (assets)		2,007	3,325
Sight loans and receivables – credit institutions (assets)		15,767	10,318
Sight loans and receivables – credit institutions (liabilities)		(1,279)	(724)
Opening		16,495	12,920
Closing cash and central bank deposits (assets)	24.2	22,412	2,007
Sight loans and receivables – credit institutions (assets)	21.2	372	15,767
Sight loans and receivables – credit institutions (liabilities)	31.1	(1,178)	(1,279)
Closing		21,607	16,495
NET DECREASE (INCREASE) IN CASH AND CASH EQUIVALENTS FROM BANKING ACTIVITIES		5,111	3,575
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		5,111	3,575

NOTE 41 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.

2019

(€ million excl. tax)	KPMG	%	PWC	%
Statutory audit, certification, review of separate and consolidated financial statements				
■ parent company	0.7	12%	0.7	22%
■ fully consolidated subsidiaries	4.1	73%	1.9	61%
	4.8	86%	2.6	83%
Service other than Statutory Auditor's assignment				
■ parent company	0.4	7%	0.2	6%
■ fully consolidated subsidiaries	0.4	7%	0.3	9%
	0.8	14%	0.4	14%
Other services provided to fully consolidated companies by the partnership	0.0	0%	0.1	2%
TOTAL	5.6	100%	3.1	100%

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	86%
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%

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 42 POST-BALANCE SHEET EVENTS

None.

NOTE 43 SCOPE OF CONSOLIDATION

		% of interest		% of control		Method of consolidation	
Company	Country	2018	2019	2018	2019	2018	2019
CONSOLIDATING COMPANY							
LA POSTE							
9 rue du Colonel Pierre Avia							
75757 PARIS CEDEX 15							
SERVICES-MAIL-PARCELS SEGMENT							
ADIMMO	France	52.63	52.54	99.90	99.90	FC	FC
ADIR ASSISTANCE	France	52.68	52.60	100.00	100.00	FC	FC
AGEVIE	France	52.68	-	100.00	-	FC	-
AIR A DOMICILE	France	52.68	-	100.00	-	FC	-
ALISEO	France	52.68	52.60	100.00	100.00	FC	FC
Asendia Austria GmbH	Austria	60.00	60.00	100.00	100.00	FC	FC
Asendia Benelux B.V.	Netherlands	60.00	60.00	100.00	100.00	FC	FC
Asendia Germany GmbH	Germany	60.00	60.00	100.00	100.00	FC	FC
Asendia Holding AG	Switzerland	60.00	60.00	60.00	60.00	FC	FC
Asendia Honk Kong Ltd	Hong Kong	60.00	60.00	100.00	100.00	FC	FC
Asendia Italy S.p.A.	Italy	60.00	60.00	100.00	100.00	FC	FC
Asendia Mgmt SAS	France	60.00	60.00	100.00	100.00	FC	FC
Asendia Mgmt SAS, branch Bern	Switzerland	60.00	60.00	100.00	100.00	FC	FC
Asendia Nordic AB	Sweden	60.00	60.00	100.00	100.00	FC	FC
Asendia Nordic AB, brench Danemark	Denmark	60.00	60.00	100.00	100.00	FC	FC
Asendia Norway A/S	Norway	60.00	60.00	100.00	100.00	FC	FC
Asendia Opérations(SCL)	Germany	60.00	60.00	100.00	100.00	FC	FC
Asendia Opérations Verwaltung GmbH	Germany	60.00	60.00	100.00	100.00	FC	FC
Asendia Press Edigroup SA	Switzerland	60.00	60.00	100.00	100.00	FC	FC
Asendia Press EDS AG	Switzerland	60.00	60.00	100.00	100.00	FC	FC
Asendia Singapore	Singapore	60.00	60.00	100.00	100.00	FC	FC
Asendia Spain S.L.	Spain	60.00	60.00	100.00	100.00	FC	FC
Asendia UK Ltd	United Kingdom	60.00	60.00	100.00	100.00	FC	FC
Asendia USA	United States	60.00	60.00	100.00	100.00	FC	FC
ASTEN Est	France	52.68	52.60	100.00	100.00	FC	FC
ASTEN Santé	France	52.68	52.60	52.68	52.60	FC	FC
Axeo Développement	France	51.00	76.00	100.00	100.00	FC	FC
Axeo Pro Services	France	51.00	76.00	100.00	100.00	FC	FC
Axeo Services	France	51.00	76.00	100.00	100.00	FC	FC
Axeo Partenariats Pro Services(P.P.S) (ex-Axeo Travaux)	France	51.00	76.00	100.00	100.00	FC	FC
Bien Être Assistance	France	24.90	24.90	24.90	24.90	EM	EM

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
BlueSom	France	50.05	52.06	95.00	99.00	FC	FC
BTB Mailflight	United Kingdom	60.00	60.00	100.00	100.00	FC	FC
BTB Mailflight Holding	United Kingdom	60.00	60.00	100.00	100.00	FC	FC
Budget Box	France	40.01	40.01	40.01	40.01	EM	EM
Cabestan	France	100.00	100.00	100.00	100.00	FC	FC
Cassiop	France	70.01	100.00	70.01	100.00	FC	FC
Coordination Axeo	France	51.00	76.00	100.00	100.00	FC	FC
Creat Direct	Romania	100.00	100.00	100.00	100.00	FC	FC
DDS	France	52.68	-	100.00	-	FC	-
DMC Santé	France	-	52.60	-	100.00	-	FC
Diadom Care	France	100.00	-	100.00	-	FC	-
Diadom SAS	France	100.00	100.00	100.00	100.00	FC	FC
EAP France	France	24.90	24.90	24.90	24.90	EM	EM
Edenext	France	-	75.10	-	75.10	-	FC
Économie d'Énergie	France	-	75.10	-	100.00	-	FC
ETHIC Santé	France	-	100.00	-	100.00	-	FC
Eurobussula LDA	Portugal	100.00	100.00	100.00	100.00	FC	FC
Financière Axeo	France	51.00	76.00	51.00	76.00	FC	FC
Fluow	France	-	51.00	-	51.00	-	FC
Geoptis	France	100.00	100.00	100.00	100.00	FC	FC
Globegisticis Inc.	United States	60.00	60.00	100.00	100.00	FC	FC
H2AD	France	50.91	50.82	96.64	96.64	FC	FC
Help Confort	France	48.45	72.20	95.00	95.00	FC	FC
Help Confort St Nazaire	France	51.00	76.00	100.00	100.00	FC	FC
Hit Mail Bulgaria	Bulgaria	100.00	100.00	100.00	100.00	FC	FC
IM Santé	France	-	100.00	-	100.00	-	FC
Inbox Marketing	Romania	98.40	99.97	98.40	99.97	FC	FC
Innovagency	Portugal	75.77	75.77	75.77	75.77	FC	FC
Innovagency Resources	Portugal	75.77	75.77	100.00	100.00	FC	FC
Interactions Marketing	Romania	90.00	95.00	90.00	95.00	FC	FC
Isoskèle (ex-Mediapost Publicité)	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Global Mail	France	100.00	100.00	100.00	100.00	FC	FC
La Poste IMS	France	60.00	60.00	100.00	100.00	FC	FC
La Poste Nouveaux services	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Services à la Personne	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
Matching SAS	France	81.67	81.67	81.67	81.67	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
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
Médiapost Holding	France	100.00	100.00	100.00	100.00	FC	FC
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	60.00	60.00	FC	FC
Mil Services	France	51.00	-	100.00	-	FC	
Mobigreen	France	100.00	100.00	100.00	100.00	FC	FC
Mobile Marketing	Romania	90.00	95.00	90.00	95.00	FC	FC
Morin Développement	France	100.00	-	100.00	-	FC	-
Morin Logistic	France	100.00	-	100.00	-	FC	-
Morin Logistic Sud	France	100.00	-	100.00	-	FC	-
MSCM2	France	50.91	50.82	100.00	100.00	FC	FC
Neolog	France	100.00	100.00	100.00	100.00	FC	FC
North America Direct, Inc.	United States	30.06	30.06	100.00	100.00	FC	FC
Nouvéal	France	-	26.44	-	26.44	-	EM
Nouvelle Attitude SAS	France	100.00	100.00	100.00	100.00	FC	FC
Organisme Formation Services	France	51.00	76.00	100.00	100.00	FC	FC
Orium	France	100.00	-	100.00	-	FC	-
Orium GmbH	Germany	100.00	-	100.00	-	FC	-
Paramedical de la Plaine	France	52.68	52.60	100.00	100.00	FC	FC
Proximy	France	25.00	25.00	25.00	25.00	EM	EM
Recygo	France	51.00	51.00	51.00	51.00	FC	FC
S2A Oxygène	France	47.25	52.59	89.69	100.00	FC	FC
S2A Santé	France	52.68	52.60	100.00	100.00	FC	FC
Sadimmo	France	47.41	47.33	90.00	90.00	FC	FC
Sadir Assistance	France	52.68	52.60	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 Datamark Services	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	60.00	100.00	100.00	FC	FC
STP SA	France	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
Tikeasy	France	100.00	100.00	100.00	100.00	FC	FC
US Direct (Singapore) PTE Ltd	Singapore	30.06	30.06	100.00	100.00	FC	FC
US Direct eCommerce Holding Ltd	Ireland	30.06	30.06	50.10	50.10	FC	FC
US Direct eCommerce AUS Pty Ltd	Australia	-	30.06	-	100.00	-	FC
US Direct eCommerce Ltd	Ireland	30.06	30.06	100.00	100.00	FC	FC
US Direct eCommerce Nominee DAC	Ireland	30.06	30.06	100.00	100.00	FC	FC
US Direct eCommerce UK	United Kingdom	-	30.06	-	100.00	-	FC
Vertical Mail	France	100.00	100.00	100.00	100.00	FC	FC
Viapost	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Ascq	France	100.00	-	100.00	-	FC	-
Viapost Dourges	France	100.00	-	100.00	-	FC	-
Viapost Maintenance	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Transport Management	France	100.00	100.00	100.00	100.00	FC	FC
Wndirect LTD	United Kingdom	100.00	60.00	100.00	100.00	FC	FC
WN TPC	United Kingdom	100.00	60.00	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	100.00	100.00	FC	FC
ACP Global Forwarding	Poland	100.00	100.00	100.00	100.00	FC	FC
Albatross Logistics Ltd	United Kingdom	71.92	-	100.00	-	FC	-
Alturing	France	100.00	100.00	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 International 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
Biologicistic SAS	France	100.00	100.00	100.00	100.00	FC	FC
Bloomsburys GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Bramosa Transportes, S.A.	Spain	-	100.00	-	100.00	-	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	-	FC	-

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
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	-	FC	
Chronopost International Maroc	Morocco	34.00	34.00	34.00	34.00	EM	EM
Chronopost (Mauritius) Ltd (ex-DPD Laser Mauritius Ltd)	Mauritius	62.25	69.00	75.00	75.00	FC	FC
Cuenca Pack, S.A.	Spain	-	100.00	-	100.00	-	FC
Delifresh IDF	France	100.00	100.00	100.00	100.00	FC	FC
DPD Austria	Austria	25.57	25.57	25.57	25.57	EM	EM
DPD Bel FLLC (ex-DPD Belarus)	Belarus	100.00	100.00	100.00	100.00	FC	FC
DPD Belgium	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	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	Germany	100.00	100.00	100.00	100.00	FC	FC
DPDgroup IT Solutions	Poland	100.00	100.00	100.00	100.00	FC	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
DPD Kazakhstan LLP (ex-GP Caspian)	Kazakhstan	100.00	100.00	100.00	100.00	FC	FC
DPDgroup IT Solutions Hungary Kft (ex-E-Radius Informatikai Szolgáltatás LLC)	Hungary	100.00	100.00	100.00	100.00	FC	FC
DPDgroup 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 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 Service GmbH	Germany	-	100.00	-	100.00	-	FC
DPD Schweiz AG	Switzerland	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
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	-	FC	-
DPD (UK) Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD RUS	Russia	77.90	86.80	100.00	100.00	FC	FC
DS Russia GmbH & Co. Asset KG	Germany	77.90	86.80	77.90	86.80	FC	FC
DS Russia GP GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
DS Russia Management GmbH	Germany	77.90	87.41	77.90	87.41	FC	FC
DTDC	India	42.52	42.52	42.52	42.52	EM	EM
Dynamic Parcel Distribution Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Eatingdesk	Belgium	100.00	-	100.00	-	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 Espana, S.L.	Spain	100.00	100.00	100.00	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
Gourmet delivery, S.L.	Spain	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	-	100.00	-	FC	
Keyopstech	France	95.00	95.00	95.00	95.00	FC	FC
Keyopstech Ivoire SARL	Ivory Coast	90.25	95.00	100.00	100.00	FC	FC
Keyopstech Sénégal SARL	Senegal	-	95.00	-	100.00	-	FC
KOT Ivoire SAS	France	90.25	95.00	95.00	100.00	FC	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 Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
Menexpres	Spain	100.00	100.00	100.00	100.00	FC	FC
Ninja Logistics Pte. Ltd	Singapore	32.27	32.60	32.27	32.60	EM	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	50.00	50.00	50.00	50.00	EM	EM
Paquetes Logrono, S.L.	Spain	100.00	-	100.00	-	FC	-
PickPoint (Russia) LLC	Russia	29.06	29.06	29.06	29.06	EM	EM
Pickpoint Delivery System Ltd. (Cyprus)	Cyprus	29.06	29.06	29.06	29.06	EM	EM
Pickup Services	France	100.00	100.00	100.00	100.00	FC	FC
Pickup Logistics (ex-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
Resto-in	France	100.00	100.00	100.00	100.00	FC	FC
Resto-in Uk Ltd	United Kingdom	100.00	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
Segui 2000, S.A.	Spain	-	100.00	-	100.00	-	FC
SEUR Espana Operaciones, S.A.	Spain	93.68	94.32	100.00	100.00	FC	FC
SEUR GeoPost, S.L.	Spain	100.00	100.00	100.00	100.00	FC	FC
SEUR Gerencia de Riesgos, S.L.	Spain	93.68	94.32	100.00	100.00	FC	FC
SEUR Logistica S.A	Spain	93.68	94.32	100.00	100.00	FC	FC
SEUR Portugal (Lisepso)	Portugal	100.00	-	100.00	-	FC	-
SEUR, S.A.	Spain	93.68	94.32	93.68	94.32	FC	FC
Signet International Holding Ltd	United Kingdom	71.92	-	100.00	-	FC	-
Signet International Ltd	United Kingdom	71.92	-	100.00	-	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	93.68	94.32	100.00	100.00	FC	FC
Speedy AD	Bulgaria	24.81	24.81	24.81	24.81	EM	EM
SPSR Express(Russie) LLC	Russia	77.90	86.80	100.00	100.00	FC	FC
SRT France Logistics	France	-	100.00	-	100.00	-	FC
SRT France SAS	France	100.00	100.00	100.00	100.00	FC	FC
SRT Group (Stuart)(ex-Groupe SRT)	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

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
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
Tigers Express Ltd	China	71.92	71.92	100.00	100.00	FC	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 Logistics co. Limited	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	Malaisie	71.92	71.92	100.00	100.00	FC	FC
Tigers(Philippines) Global Logistics	Philippines	-	39.58	-	55.05	-	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	-	EM	-
Trans-Imperial, S.L.	Spain	-	100.00	-	100.00	-	FC
Vasquez Rivas	Spain	-	100.00	-	100.00	-	FC
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
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

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
CNP Assurances	France	20.15	20.15	20.15	20.15	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 Financement	France	65.00	100.00	65.00	100.00	FC	FC
La Banque Postale Leasing & Factoring (ex-La Banque Postale Crédit aux Entreprises)	France	100.00	100.00	100.00	100.00	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	100.00	100.00	FC	FC
SCI CRSF DOM	France	100.00	100.00	100.00	100.00	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	69.75	69.86	99.89	99.89	FC	FC
Tocqueville Finance Holding	France	69.82	69.92	97.70	99.89	FC	FC
DIGITAL SERVICES SEGMENT							
Adverline	France	100.00	100.00	99.88	99.88	FC	FC
Ametix	France	70.00	-	100.00	-	FC	-
Ametix Group	France	70.03	100.00	70.03	100.00	FC	FC
Applicam Participations	France	100.00	-	100.00	-	FC	-
Arkhineo	France	-	100.00	-	100.00	-	FC
Brains	France	-	100.00	-	100.00	-	FC
Bretagne Routage	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

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
Docaposte Applicam	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte BPO IS	France	65.00	65.00	65.00	65.00	FC	FC
Docaposte BPO SAS	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte Conseil	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte CSP	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte DPS	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte E-Santé	France	-	100.00	-	100.00	-	FC
Docaposte Externalisation	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte Fast	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte IOT	France	100.00	100.00	100.00	100.00	FC	FC
Docaposte Localéo	France	100.00	100.00	100.00	100.00	FC	FC
Eukles	France	100.00	100.00	100.00	100.00	FC	FC
Going To Digital	France	70.00	-	100.00	-	FC	-
Holding B-NUM	France	100.00	100.00	100.00	100.00	FC	FC
Icanopée	France	-	80.00	-	80.00	-	FC
Maileva	France	100.00	100.00	100.00	100.00	FC	FC
Maison	France	100.00	-	100.00	-	FC	-
Marketshot	France	-	88.99	-	88.99	-	FC
Media Prisme SAS	France	82.05	82.05	82.05	82.05	FC	FC
Mix Commerce	France	100.00	100.00	100.00	100.00	FC	FC
Oxeva	France	70.03	70.03	70.03	70.03	FC	FC
PROBAYES	France	100.00	100.00	100.00	100.00	FC	FC
SBP Informatique	France	70.00	-	100.00	-	FC	-
Sefas	France	100.00	100.00	100.00	99.99	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 S.A.	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	100.00	-	100.00	-	FC	-
Sofadev Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
T2IS Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
Voxaly	France	100.00	100.00	100.00	100.00	FC	FC
LA POSTE NETWORK SEGMENT							
LP Télécom	France	51.00	51.00	51.00	51.00	EM	EM

		% of interest		% of control		Method of consolidation	
Company	Country	2018	2019	2018	2019	2018	2019
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	50.00	50.00	EM	EM
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	46.00	46.00	46.00	46.00	EM	EM
Holding PI	France	46.00	46.00	46.00	46.00	EM	EM
Holding PI2	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	100.00	100.00	FC	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	-	FC	-
SCI 44 Vaugirard	France	100.00	-	100.00	-	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

Company	Country	% of interest		% of control		Method of consolidation	
		2018	2019	2018	2019	2018	2019
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
SCI PI Bordeaux Tourville	France	100.00	100.00	100.00	100.00	FC	FC
SCI PI 17	France	100.00	100.00	100.00	100.00	FC	FC
SCI Route du Moulin Bateau Bonneuil	France	100.00	100.00	100.00	100.00	FC	FC
SCI RSS Strasbourg	France	-	100.00	-	100.00	-	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	48.33	47.50	48.33	EM	EM
Sobre GLP	France	74.28	74.28	51.00	51.00	FC	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
Urba 44	France	-	46.00	-	46.00	-	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 44 OTHER UNCONSOLIDATED EQUITY INVESTMENTS – EXCLUDING FRANCE

(€ thousand)	Country	31/12/2019		31/12/2018
		Percentage held	Balance sheet value	Balance sheet value
Alas Courier S.L. ^(b)	Spain	48%	16,000	-
Transporte Integral de Paqueteria S.A. (TIPSA) ^(b)	Spain	28%	9,157	-
Packlink Shipping, S.L.	Spain	10%	8,000	8,000
BONIAL International GmbH	Spain	44%	4,496	-
Transciudad Real, S.L. ^(b)	Spain	100%	3,651	-
Logalty Servicios	Spain	11%	1,768	1,768
Bosta Inc.	United States	20%	1,285	-
Livelihoods	Luxembourg	3%	1,000	1,000
Localz Pty Ltd.	Australia	5%	926	926
Citibox Smart Services, S.L., (ex-City Box Services, S.L.)	Spain	3%	750	750
Sérès Colombie	Colombia	100%	642	642
Sérès Argentine	Argentina	90%	581	304
Sérès Mexique	Mexico	100%	553	553
Mediapost Vietnam	Vietnam	36%	311	311
Sérès Équateur	Ecuador	100%	216	216
DPD Eurasia LLC	Uzbekistan	100%	100	-
Metrica	Bulgaria	60%	98	102
Management GmbH (ex-DPD Deutscher Paket Dienst Management)	Germany	100%	77	77
ON5 UK	United Kingdom	100%	64	-
CargoNetwork Gm	Germany	100%	40	40
CIDES	Spain	10%	25	25
Kombiverkehr Deutsche Gesellschaft	Germany	ns	16	16
Applicam Tunisie	Tunisia	95%	10	10
Divers	Portugal	ns	10	8
Bancaja	Spain	ns	9	9
Insercion Personal Discapacitados S.L. (ex-IDP)	Spain	10%	6	6
Divers	Spain	100%	4	4
ON5 Company Ltd	United Kingdom	100%	1	-
Divers	Germany	ns	1	1
Iglu Air Cargo	Germany	4%	-	11
Promarsa Portugal	Portugal	ns	-	-
ON5 SRL	Italy	100%	-	-
ON5 Company Spain S.L.	Spain	100%	-	-
Guangzhou DPD Co ^(a)	China	100%	-	-

(€ thousand)	Country	31/12/2019		31/12/2018
		Percentage held	Balance sheet value	Balance sheet value
Interattica ^(a)	Greece	100%	-	-
MPIE Limited	United Kingdom	100%	-	-
DPD Service GmbH ^(c)	Germany		-	30
Guardrisk Insurance	South Africa	-	-	173
Trans-Imperial S.L. (ex-SEUR Toledo) ^(c)	Spain	-	-	9,198
Segui 2000, S.A. (ex-San Sebastian) ^(c)	Spain	-	-	6,021
Bramosa Transportes, S.A. (ex-SEUR Granada) ^(c)	Spain	-	-	3,196
Cuenca Pack, S.A. ^(c)	Spain	-	-	2,682
Vasquez Rivas (ex-Ponferrada) ^(c)	Spain	-	-	1,287
LBP AM European Debt Fund	Luxembourg	-	-	31
TOTAL		-	49,797	37,397

(a) Companies in the process of being liquidated.

(b) Companies acquired in the end of 2019, to be consolidated in 2020.

(c) Companies consolidated in 2019.

5.2.2 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31 DECEMBER 2019)

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 and 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.

(For the year ended 31 December 2019)

To the Shareholders,

Opinion

In compliance with the engagement entrusted to us at your Annual General Meeting, we have audited the accompanying consolidated financial statements of La Poste for the year ended 31 December 2019.

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 2019 and of the results of its operations for the year then ended in accordance with the International Financial Reporting Standards 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 2019 to the date of our report and in particular we did not provide any nonaudit 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 16) to the consolidated financial statements, which describes the impact of the adoption of IFRS 16 – Leases.

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. 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 2019, goodwill amounted to €2,625 million on the balance sheet, of which €1,724 million corresponded to GeoPost's activities.

The Group verifies at least once a year, and whenever there is an indication of impairment, that the carrying amount 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 2.13 "Impairment of goodwill, intangible assets and tangible assets" and Note 15.3 "Impairment".

GeoPost operates in changing economic environments in France and internationally. As a result, 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.

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.

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 the methodology is implemented.

With regard to the GeoPost CGUs that we tested, our work consisted in:

- assessing the relevance of the approach adopted to determine the level of CGUs used for impairment testing;
- analysing the components of the carrying amount of the CGUs, and the consistency of the method used to determine the carrying amount 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 based on 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 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 for 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 for 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 2.13 (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 €1,557 million at 31 December 2019.

The measurement of these commitments and the related expenses for the year are described in Note 2.22.2 (End-of-career arrangements) and Note 30 (Employee benefits) to the consolidated financial statements and are based on various assumptions, in particular the costs relating to each plan and the probability of future membership, assessed on the basis of membership 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 relating to the measurement of these commitments;
- testing the effectiveness of the controls put in place by the Group to determine the costs 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 2.22.2 (End-of-career arrangements) and Note 30 (Employee benefits) to the consolidated financial statements.

Impact of the initial application of IFRS 16 “Leases”

Description of risk

The Group has initially applied IFRS 16 “Leases” at 1 January 2019, using the modified retrospective approach. As stated in the notes to the consolidated financial statements at 31 December 2019 and particularly Notes 1.1 “Initial application of IFRS 16 – Leases”, 2.1.1 “Standards and interpretations mandatory for the first time in 2019”, and 3 “Initial application of IFRS 16”, the approach has introduced a single, on-balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has used certain measures to modify and streamline the process, such as excluding all leases for low value assets. In addition, leases classified as finance leases under IAS 17 have been accounted for identically.

The right-of-use assets at the transition date have been determined as if IFRS 16 had applied from the lease inception date, taking into account changes that have occurred subsequently to the signature of the lease and applying the incremental borrowing rate since 1 January 2019. The lease liability at the transition date corresponds to the present value of the lease payments that are not paid at the commencement date for each lease, discounted based on the residual lease duration and incremental borrowing rate at 1 January 2019. The cumulative effect of initial implementation has been recognised in equity at 1 January 2019 and comparative information for the previous reporting period has not been restated.

As a result of the initial application of IFRS 16 at 1 January 2019, the Group recognised right-of-use assets amounting to a net book value of €2.4 billion and lease liabilities of €2.6 billion. The effect of the initial application on Group equity at 1 January 2019 was -€145 million.

Given the high volume of data to collect, analyse and restate, the significant amount of right-of-use assets and lease liabilities in the financial statements and the degree of judgement required by Management to determine the residual lease duration and incremental borrowing rate, we deemed that the initial application of IFRS 16 is a key audit matter.

How our audit addressed this risk

We assessed the conformity of the accounting methods used by Management (particularly the transition method, the modified retrospective approach, the method used to determine discount rates, the depreciation periods for fixtures and fittings and the treatment of deferred and other taxes) with generally accepted accounting principles.

We gained an understanding of the organisation, management systems and key controls used by Management to apply IFRS 16 and the instructions and procedures sent to the subsidiaries. We assessed whether all these measures would enable the identification of all leases and the information necessary to calculate right-of-use assets and lease liabilities and the other impacts on the consolidated financial statements in accordance with IFRS 16.

To test the completeness and accuracy of the valuation of right-of-use assets and lease liabilities, we:

- gained an understanding of the processes and information systems set up by the Group to collect lease data and calculate the accounting impacts of IFRS 16, and we tested the design of the information systems implemented, particularly in terms of automated calculations;
- tested the design, implementation and operational effectiveness of the automated and manual controls used to guarantee the accuracy and completeness of the accounting restatements required at the transition date, at Group level and on a sample of subsidiaries;
- verified the accuracy of the reconciliation statements relating to the consolidated financial statements at 31 December 2018 prepared under IAS 17 and the restated financial statements at 1 January 2019 after the adoption of IFRS 16;
- selected a sample of reporting entities, based on statistics and materiality, and tested the design and operational effectiveness of the controls implemented to confirm that all leases had been identified;
- selected a sample of leases for which we
 - cross checked the information collected to measure right-of-use assets and lease liabilities with the data from the initial lease, historical data and all subsequent riders;
 - assessed the relevance of the criteria implemented by Management to determine the residual lease duration at the transition date, when the lease contained termination and renewal options.

We also assessed the accuracy and appropriateness of the information provided in the notes to the consolidated financial statements relating to the impact of the first-time application of IFRS 16, and particularly Notes 1.1 “First-time application of IFRS 16 – Leases”, 2.1.1 “Standards and interpretations mandatory for the first time in 2019” and 3 “First-time application of IFRS 16”.

Provisions for credit risks relating to business customer loans

Description of risk

The La Banque Postale group recognises allowances to cover the risk of losses resulting from the incapacity of its business customers to meet their financial obligations. In accordance with IFRS 9, the La Banque Postale group recognises impairment for expected credit losses "ECL" on performing (bucket 1), underperforming (bucket 2) and non-performing loans (bucket 3).

Allowances for expected credit losses on bucket 1 and 2 loans are determined on an individual basis using internal and external ratings associated with probability of default (PD), loss given default (LGD) and forward-looking data, or based on expert analysis of the bucket 2 loans identified as requiring monitoring.

Impairment of non-performing (bucket 3) loans is measured on an individual basis. It is assessed by experts.

Measuring allowances for expected credit losses requires judgement to classify exposure (buckets 1, 2 and 3) and determine recoverable future cash flows and collection periods.

Given the importance of judgement in classifying the loans in the three buckets and determining allowances, we have deemed that estimating expected credit losses on loans to business customers is a key audit matter.

As at 31 December 2019, the gross value of outstanding loans to business customers amounted to €33,616 million, and associated impairment totalled €168 million, as indicated in the notes to the consolidated financial statements, and particularly note 34.2.5 "Exposure to credit risk". The principles used to account for allowances for credit losses are described in the notes to the consolidated financial statements and particularly in notes 2.15.7 "Impairment of financial assets" and 34.2 "Credit risk".

How our audit addressed this risk

We examined and tested the arrangements implemented to classify loans (buckets 1, 2 and 3) and measure the amount recognised for expected credit losses (ECL) in order to assess compliance with IFRS 9.

In particular, in terms of impairment of buckets 1 and 2:

- we examined the methods used to determine the various parameters for calculating expected credit losses,
- we examined the methods used to set and implement criteria relating to significant increases in credit risk (SICR),
- we also gained an understanding of the rating system and verified that it had been applied correctly,
- we then performed our own calculations of expected credit losses on a sampling basis,
- we performed our own assessment of the level of allowances determined by the bank on a selection of bucket 2 loans identified as requiring monitoring;
- finally, we tested the general automated controls and controls over the inputs for the various tools used to calculate ECL and verified that the resulting data had been correctly input into the accounting system.

For non-performing loans (bucket 3) we gained an understanding of the main conclusions of the specialised committees responsible for monitoring the loans and verified, on a sampling basis, that they had been accurately taken into account in estimating the allowances for credit losses. In addition, we performed our own assessment of the level of allowances required on a sampling basis.

Finally, we examined the information provided on mitigating credit risk in the notes to the consolidated financial statements.

Specific verifications

As required by legal and regulatory provisions and in accordance with professional standards applicable in France, we have also verified the information pertaining to the Group presented in the 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 performance report required under article L. 225-102-1 of the French Commercial Code. 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 provided in that report, 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 relating 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 have been 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 the 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 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 statement 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, 6 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Laurent Daniel
Partner

Jacques Lévi
Partner

KPMG Audit

Department of KPMG S.A.

Eric Amato
Partner

Marie-Christine Jolys
Partner

5.3 Annual financial statement

5.3.1 ANNUAL FINANCIAL STATEMENT AS OF 31 DECEMBER 2019

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.

Income statement

(€ million)	Reference appendix	31/12/2019	31/12/2018
Services-Mail-Parcels revenue		10,442	10,505
Digital Services revenue		12	11
La Poste Network revenue		843	926
Real Estate revenue		20	19
Revenue	Note 1	11,317	11,462
Other operating revenue		2,422	2,392
Operating revenue		13,739	13,853
Purchases		(476)	(426)
Other external expenses	Note 2	(4,496)	(4,488)
Miscellaneous taxes and dues	Note 3	(688)	(726)
Personnel expenses	Note 4	(8,570)	(8,704)
Depreciation, amortisation and provisions	Note 5	(357)	(172)
Operating expenses		(14,587)	(14,515)
Operating profit/(loss)		(848)	(662)
Financial profit/(loss)	Note 6	420	490
Underlying net profit/(loss)		(428)	(172)
Non-recurring items	Note 7	19	16
Profit before tax		(409)	(155)
Income tax	Note 8	325	225
NET PROFIT/(LOSS)		(83)	70

Balance sheet assets

(€ million)	Note	31/12/2019			31/12/2018
		Gross value	Depreciation, amortisation and provisions	Net value	Net value
Intangible assets	Note 9	1,470	(1,110)	360	356
Land and buildings		282	(161)	121	146
Other property, plant and equipment		3,662	(2,938)	724	711
Property, plant and equipment	Note 10	3,944	(3,099)	845	857
Non-current financial assets	Note 11	12,625	(94)	12,531	11,934
Non-current assets		18,039	(4,303)	13,736	13,148
Inventories and work-in-progress	Note 12	97	(1)	96	95
Trade receivables and related accounts		1,891	(26)	1,865	1,691
Other receivables		294	-	294	747
Operating receivables	Note 13	2,185	(26)	2,159	2,439
Other debtors	Note 15	317	(19)	298	279
Accrual accounts	Note 16	83	-	83	96
Marketable securities and cash	Note 17	2,877	(1)	2,876	2,491
Current assets		5,559	(47)	5,512	5,398
GRAND TOTAL		23,598	(4,351)	19,248	18,547

Balance sheet liabilities

(€ million)	Reference notes	31/12/2019	31/12/2018
Share capital		3,800	3,800
Share premium account		900	900
Reserves		572	568
Retained earnings		853	986
Net profit/(loss) for the year		(83)	70
Equity	Note 19	6,042	6,323
Other equity	Note 19	750	750
Regulated provisions	Note 20	40	46
Contingency and loss provisions	Note 20	1,802	1,755
Borrowings		6,484	5,593
Miscellaneous loans and borrowings		470	316
Bank accounts and bills of exchange payable		37	87
Financial liabilities	Note 21	6,991	5,996
Trade payables and related accounts		1,272	1,274
Tax and employee-related payables		1,291	1,364
Other operating payables		627	591
Operating payables	Note 13	3,190	3,229
Miscellaneous creditors	Note 15	253	264
Accrual accounts	Note 16	180	184
Debt		10,614	9,673
GRAND TOTAL		19,248	18,547

Cash flow statement

(€ million)	Reference notes	31/12/2019	31/12/2018
Net profit		(83)	70
Elimination of non-cash and non-operating items			
■ Gains/(losses) on disposals		(19)	(2)
■ Net changes in provisions	Note 26	41	(142)
■ Changes in CICE provisions	Note 26	-	40
■ Depreciation, amortisation and impairment	Note 26	368	305
Cash flows from operating activities before cost of debt and taxes		307	271
■ Financial income and expenses		21	(10)
■ Income tax		(325)	(225)
Cash flows from operating activities after cost of debt and taxes		3	36
■ Change in working capital requirement	Note 27	(188)	(20)
■ CICE tax credit received in the year		(1)	(292)
■ Taxes paid		369	294
■ CICE monetisation		414	297
Cash flows from operating activities		597	316
■ Purchase of intangible assets and property, plant and equipment	Note 28	(359)	(333)
■ Purchase of financial assets		(872)	(661)
■ Inflows from disposals of intangible assets and property, plant and equipment	Note 29	52	10
■ Inflows from disposals of financial assets	Note 29	222	444
Cash flows used in investing activities		(957)	(540)
■ Dividends paid		(199)	(171)
■ Issue of undated hybrid subordinated notes		-	744
■ Interest		(23)	21
■ Bond issues	Note 30	2,976	880
■ Bond redemptions	Note 31	(1,927)	(883)
■ Other cash flows from financing activities		(3)	(36)
Cash flows from financing activities		824	555
CHANGE IN CASH AND CASH EQUIVALENTS		464	331
■ Cash and cash equivalents at the beginning of the period		2,424	2,093
■ Cash and cash equivalents at the balance-sheet date	Note 32	2,888	2,424

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 2019 price increases

Price increases for domestic and international mail and parcels took effect on 1 January 2019 following the opinion issued by the French Authority for regulation of the electronic communications and postal Sectors (*Autorité de régulation des communications électroniques et des postes* – Arcep) on 10 July 2018 (No. 2018-0826). All these changes comply with the multi-annual price cap for the 2019-2022 period, as set by Decision No. 2017-1252 of 26 October 2017.

4.75% and the other of €220 million issued on 9 November 2007 at a rate of 4.75%.

In addition, on 17 September 2019, La Poste issued two fixed-rate bonds:

- €900 million to reach maturity in 2027 at a rate of 0.375%;
- €600 million to reach maturity in 2034 at a rate of 1%.

An additional contribution to each of these bond issues was made on 18 October 2019, for a total amount of €200 million.

II. Conversion of La Banque Postale's perpetual subordinated bonds issued on 13 December 2013 into common shares

As part of the conversion into common shares of €800 million in perpetual subordinated bonds, issued by La Banque Postale on 13 December 2013, La Poste SA subscribed a capital increase of the same amount on 21 May 2019 and thus purchased 5,089,102 new shares in La Banque Postale.

V. Creation of a large public financial group

As part of the project of a strategic equity alliance between La Poste and Caisse des Dépôts for the creation of a large public financial group, the French State, Caisse des Dépôts, La Poste and La Banque Postale signed a binding memorandum of understanding on 31 July 2019.

The creation of this public financial group aims to strengthen regional cohesion and combat regional divides in mainland France and the overseas territories through La Poste and Caisse des Dépôts.

This project is scheduled to be completed during the first half of 2020, by means of a contribution by the French State and Caisse des Dépôts to La Poste, and then from La Poste to La Banque Postale, of their respective 1.1% and 40.9% equity investments in CNP Assurances.

Following this transaction, Le Groupe La Poste, including La Banque Postale, will be fully consolidated by Caisse des Dépôts.

III. Assignment of CICE receivables

On 14 June 2019, La Poste, as the parent company of the tax group, assigned its 2018 CICE tax credit receivable of €329 million, as well as its outstanding 2017 CICE receivable of €85 million, to a credit institution within the Group, which became its owner. The assigned receivables can no longer be credited against taxes.

IV. Bonds

On 8 July 2019, La Poste repaid upon maturity two outstanding bond issues, one of €580 million issued on 8 July 2004 at a rate of

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 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.

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;
- items related to force majeure (fire, storms, etc.).

D. Taxes

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^o 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 quinquies of Appendix III to the French General Tax Code as amended by Decree No. 2019-1542 of 30 December 2019 establishes the direct tax base allowance rates enjoyed by La Poste for its regional planning mission. For 2019, this allowance was set at 95% 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.

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. Property, plant and equipment

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:

- the real estate portfolio, 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 works: 20 to 40 years;
- large-scale equipment: 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 property, plant and equipment

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 fiscal 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 undated subordinated notes 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 fiscal 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).

O. 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, possibly 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 Act 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 undated 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.

In application of ANC Regulation No. 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

La Poste's share capital amounts to €3.8 billion, divided into 950 million common shares with a par value of €4 each. It is 73.7% held by the French state and 26.3% by Caisse des Dépôts.

This breakdown is the result of a capital increase approved by the Board of Directors on 10 February 2011 and approved by the General Shareholders' Meeting on 6 April 2011.

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 equity 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 statements

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NOTES TO THE INCOME STATEMENT

NOTE 1 REVENUE AND OTHER OPERATING REVENUE

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1.2	Revenue of the Digital Services business unit	443	1.4	Revenue of the Real Estate business unit	444
			1.5	Other operating income	444

Revenue from La Poste broke down as follows:

(€ million)	31/12/2019	31/12/2018
Services-Mail-Parcels revenues	10,442	10,505
Digital Services revenue	12	11
La Poste Network revenue	843	926
Real Estate revenue	20	19
TOTAL	11,317	11,462

As at 31 December 2019, revenue by geographic area was as follows:

- France/domestic sales: 92.4%;
- European Union: 5.6%;
- Other: 2.0%.

The breakdown by geographic area was unchanged compared to the end of December 2018.

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:

(€ million)	31/12/2019	31/12/2018
Services-Mail revenue	8,492	8,661
Parcels revenue	1,950	1,844
TOTAL	10,442	10,505

■ **Services-Mail revenue by activity** broke down as follows:

(€ million)	31/12/2019	31/12/2018
Correspondence	5,447	5,693
Advertising (direct marketing and PA*)	989	1,054
Press	353	375
International	758	726
Other Mail services	945	813
TOTAL	8,492	8,661

* PA: printed advertising.

“Correspondence” revenue included:

- €4,090 million in business mail (companies and other legal entities), compared with €4,250 million at the end of December 2018;
- and €1,357 million in single-piece mail (private individuals) compared with €1,443 million at the end of December 2018.

International mail revenue broke down as follows:

(€ million)	31/12/2019	31/12/2018
Mail franked at post office counters	90	88
Terminal dues	295	286
Other international mail revenue	373	353
TOTAL	758	726

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:

(€ million)	31/12/2019	31/12/2018
BtoC (Business to Consumer)	1,441	1,355
CtoC (Consumer to Consumer)	414	419
Other	95	69
TOTAL	1,950	1,844

1.2 Revenue of the Digital Services business unit

The revenue from the Digital Services business unit was as follows:

(€ million)	31/12/2019	31/12/2018
Digital Services revenue	12	11
TOTAL	12	11

1.3 Revenue of the La Poste Network business unit

Revenue from La Poste Network was as follows:

(€ million)	31/12/2019	31/12/2018
La Poste Network revenue	843	926
TOTAL	843	926

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 €752 million at 31 December 2019 compared with €856 million at 31 December 2018.

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 Revenue of the Real Estate business unit

Revenue from Real Estate activity was as follows:

(€ million)	31/12/2019	31/12/2018
Real Estate revenue	20	19
TOTAL	20	19

Real Estate revenue primarily consists of the services provided by La Poste to its real estate subsidiaries.

1.5 Other operating income

(€ million)	31/12/2019	31/12/2018
Press contribution	104	112
Banking services	1,968	1,986
Capitalised production	137	107
Services performed with subsidiaries	87	77
Other operating revenue	126	110
TOTAL	2,422	2,392

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 €104 million for 2019 (versus €112 million at 31 December 2018).

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:

(€ million)	31/12/2019	31/12/2018
"Financial services" personnel expenses	818	831
Costs of the "La Poste Network banking advisory line"	1,150	1,155
TOTAL	1,968	1,986

Services performed for subsidiaries were as follows:

(€ million)	31/12/2019	31/12/2018
Services charged to subsidiaries	44	32
Personnel expense recharges	5	3
Management fees charged to first-level subsidiaries	39	41
of which La Banque Postale	20	23
TOTAL	87	77

NOTE 2 OTHER EXTERNAL EXPENSES

Other external expenses broke down as follows:

(€ million)	31/12/2019	31/12/2018
External services	1,998	2,038
Transport	746	734
International mail delivery services	194	194
Rental expenses	981	961
Maintenance and repair costs	303	290
Telecommunications expenses	101	93
Travel and assignments	106	111
Customer transaction costs	68	68
TOTAL	4,496	4,488

The "External services" item consists mainly of outsourced services (€936 million) and of intermediaries' expenses and fees (€278 million).

The "Rentals" item includes property expenses (leases and rental expenses in the amount of €797 million) and vehicle rentals (€152 million).

The "Transport" item includes national and international mail transport (€713 million) as well as the costs of the sub-contracted transport of funds (€27 million).

NOTE 3 TAXES AND DUTIES

Taxes, levies and similar payments broke down as follows:

(€ million)	31/12/2019	31/12/2018
Payroll taxes	461	468
Public transport allowance	83	81
Local taxes	10	15
Voluntary apprenticeship tax payments	9	46
Housing tax contributions (F.N.A.L)	28	28
Vocational training tax charge	39	37
Employer construction tax charge	28	28
Miscellaneous taxes	30	23
TOTAL	688	726

Following changes in the payment of **voluntary apprenticeship tax** under the French Freedom to Choose a Professional Future Act of 5 September 2018, no voluntary apprenticeship tax will be payable in respect of 2019 compensation. However, under the 2019 Budget Act this exemption does not apply to the additional contribution to apprenticeships payable in respect of 2019 compensation.

The **"Local taxes" item** primarily consists of the Regional Economic Contribution tax (€9 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 2019 was published in the form of a decree on 30 December 2019.

NOTE 4 PERSONNEL EXPENSES

Personnel expenses broke down as follows:

(€ million)	31/12/2019	31/12/2018
Wages and salaries, bonuses and allowances	6,247	6,357
Civil servant pension contributions	561	732
Social contributions	1,427	1,536
Employee welfare costs	197	195
Other personnel expenses	139	134
Tax credit for competitiveness and employment (CICE)	(1)	(252)
TOTAL	8,570	8,704

The change in personnel expenses (–€383 million, excluding CICE) largely arose from:

- the change recorded on the "Wages and salaries, bonuses and allowances" item (–€110 million);
- the decline observed on civil servant pension contributions (–€171 million) due to the combined fall in the number of civil servants and the voluntary contribution rate (26.9% in 2019 compared to 32.5% in 2018);
- the change recorded under the item "Social contributions" (–€109 million), related to the reduction in employer social contributions applicable from 1 January 2019 to compensate for the ending of the CICE regime, except for seconded staff in Mayotte.

Applicable from 2019, **the 2018 Budget Act** removed, with the exception of Mayotte, the tax credit for competitiveness and employment (CICE) introduced by the 2012 Supplementary Budget Act, replacing it with reduced employer social contributions on small salaries.

The headcount was as follows (based on equivalent employees/year):

Number of employees	31/12/2019	31/12/2018
TOTAL	182,183	186,184

NOTE 5 NET DEPRECIATION, AMORTISATION, PROVISIONS AND IMPAIRMENT

Net depreciation, amortisation, provisions and impairment broke down as follows:

(€ million)	31/12/2019	31/12/2018
Depreciation and amortisation	305	302
Deferred expense charges	1	1
Net asset impairment charges/reversals	5	(5)
Net contingency and loss provision charges/reversals	46	(127)
TOTAL	357	172

- 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:

(€ million)	31/12/2019	31/12/2018
Net profit/(loss) from foreign currency	2	-
Net result on loans, borrowings and other fixed asset investments	(25)	5
Income from equity investments	488	479
Other financial revenue and expenses	(45)	6
TOTAL	420	490

Financial profit/(loss) at 31 December 2019 primarily consisted of:

- income from equity investments, which broke down as follows:

(€ million)	31/12/2019	31/12/2018
La Banque Postale	327	344
GeoPost	89	130
Poste Immo	65	4
Other	7	1
TOTAL	488	479

- net result from borrowings (-€167 million), loans (+ €117 million) and fixed asset investments (+ €26 million);
- other financial revenue and expenses which are mainly formed by the impairment of securities and loans as well as the return on term investments.

NOTE 7 NON-RECURRING ITEMS

Non-recurring items broke down as follows:

(€ million)	31/12/2019	31/12/2018
Net results from asset disposals	18	2
Net accelerated depreciation	6	15
Miscellaneous non-recurring income and expenses	(6)	(1)
TOTAL	19	16

NOTE 8 INCOME TAX

(€ million)	31/12/2019	31/12/2018
Income or expenses on tax consolidation	316	216
Tax net (income or expense)	9	9
TOTAL	325	225

At 31 December 2019, the whole La Poste tax group recorded a loss. The tax group included 127 subsidiaries at 31 December 2019 (versus 129 at 31 December 2018).

For the 2019 fiscal year, the French corporate tax rate was 28% up to a ceiling of €0.5 million in taxable profit. For amounts exceeding €0.5 million the French Corporate Tax rate was 31% for companies with revenue of under €250 million and 33.33% for companies with revenue of over €250 million.

Social contributions amount to 3.3% of the reference French Corporate Tax, less a deduction of €763,000.

The tax group stood at €316 million. This corresponds to the sum of tax expenses of the subsidiaries belonging to the tax group.

The amount of the subsidiaries' losses used by the Group under the tax consolidation group rules totalled €307 million as at 31 December 2019.

Under the La Poste's tax group agreement with its fully-consolidated subsidiaries, 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 corresponds to the tax credits of La Poste SA for the fiscal year.

(€ million)	31/12/2019	31/12/2018
Items that reduce future tax liability		
Temporary differences		
of which:		
■ Provisions for early retirement and retirement benefits	1,330	1,210
■ Non-deductible provisions	55	99
■ Swaps and swap-related items	4	7
■ Other temporary differences (including unrealised foreign exchange gains)	77	66
TOTAL	1,466	1,382
Items that increase future tax liability		
Poste Immo – Roll-over relief on capital contribution	121	145
Miscellaneous	32	46
TOTAL	153	191

NOTES TO THE BALANCE SHEET

NOTE 9 INTANGIBLE ASSETS

9.1	Gross value	449	9.2	Depreciation, amortisation and impairment	449

Movements in intangible assets and the corresponding depreciation, amortisation and impairments broke down as follows:

9.1 Gross value

(€ million)	31/12/2018	Acquisitions	Disposals	Reclassifications	31/12/2019
Research and development costs	168	-	(37)	39	170
Licences, patents and similar rights	54	-	-	1	55
Software	1,015	7	(25)	66	1,063
Leasehold rights	11	-	(1)	-	10
Goodwill	3	-	-	-	3
Intangible assets under construction	144	133	(2)	(106)	169
TOTAL	1,395	140	(65)	-	1,470

The "reclassifications" column corresponds to non-current assets commissioned during the fiscal year.

9.2 Depreciation, amortisation and impairment

(€ million)	31/12/2018	Increase	Decrease	Reclassifications	31/12/2019
Research and development costs	107	30	(36)	-	101
Licences, patents and similar rights	53	1	-	-	54
Software	865	98	(24)	-	939
Leasehold rights	11	-	(1)	-	10
Intangible assets under construction	-	-	-	-	-
Other intangible assets	1,036	129	(61)	-	1,104
Goodwill impairment	2	-	-	-	2
Impairment of software	-	4	-	-	4
TOTAL	1,039	133	(61)	-	1,110

Research and development costs expensed during year 2019 amounted to €53 million.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

10.1 Gross values	450	10.2 Depreciation, amortisation and impairment	450

Movements in property, plant and equipment and the corresponding depreciation, amortisation and impairments broke down as follows:

10.1 Gross values

(€ million)	31/12/2018	Acquisitions	Disposals	Reclassifications	31/12/2019
Land	83	-	(26)	-	57
Buildings	230	-	(13)	8	225
Land and buildings	313	-	(39)	8	282
Plant and machinery	1,418	36	(44)	79	1,488
Vehicles	80	2	(4)	-	78
IT equipment	453	38	(29)	(2)	462
Other property, plant and equipment	1,582	39	(52)	7	1,577
Property, plant and equipment in progress	64	83	-	(92)	57
Other property, plant and equipment	3,597	198	(129)	(8)	3,662
TOTAL	3,910	198	(168)	-	3,944

10.2 Depreciation, amortisation and impairment

(€ million)	31/12/2018	Increase	Decrease	Reclassifications	31/12/2019
Buildings	166	6	(11)	-	161
Plant and machinery	1,231	56	(44)	-	1,243
Vehicles	64	6	(4)	-	66
IT equipment	390	35	(29)	-	396
Other property, plant and equipment	1,202	80	(48)	-	1,232
Other property, plant and equipment	3,052	183	(136)	-	3,098
Land and building impairment	1	-	-	-	1
TOTAL	3,053	183	(136)	-	3,099

NOTE 11 NON-CURRENT FINANCIAL ASSETS

This item broke down as follows:

(€ million)	31/12/2018	Increase	Decrease	31/12/2019
Equity investments	7,336	823	-	8,159
Impairment on equity investments	(28)	(35)	-	(63)
Net equity investments	7,308	788	-	8,096
Intercompany loans	3,769	843	(216)	4,396
Other loans	61	1	(4)	58
Impairment on loans	(14)	(22)	4	(32)
Net loans receivable	3,816	822	(216)	4,422
Net other non-current financial assets	810	10	(808)	12
TOTAL	11,934	1,620	(1,024)	12,530

La Poste's equity investments are mostly held through the holding companies GeoPost, Poste Immo, La Banque Postale and Véhiposte in which La Poste holds 100% of the capital.

- The primary changes recorded on La Poste's equity investments came from:
 - the capital conversion of La Banque Postale's perpetual subordinated bonds (TSDI) for €800 million,

- the capital increase of La Poste Telecom, subscribed by La Poste for €20.4 million,
- the capital increase of Toit et Joie, wholly subscribed by La Poste for €3 million;
- The impairment of the equity investments concerns the Viapost, Mediapost Holding, Somepost and Sofrepost subsidiaries.

The “loans” item consists mostly of loans granted by La Poste to its subsidiaries.

■ The changes in intercompany loans recorded at the end of December 2019 broke down as follows:

(€ million)	Increase	Decrease
GeoPost	306	15
Docaposte	261	-
Véhiposte SAS	118	126
La Poste Nouveaux Services	48	-
Holding BNUM	20	-
La Poste Silver	19	3
Mediapost SAS	2	4
Asendia Holding	-	2
Neolog	-	1
Change in accrued interest not due	69	65
TOTAL	843	216

■ The impairment on loans relates to those granted to the subsidiary Viapost and to the subsidised housing construction entities (included in “Other loans”).

Other non-current financial assets consisted primarily of perpetual subordinated bonds issued by La Banque Postale in December 2013 and converted into common shares on 21 May 2019.

The breakdown of loans and other non-current financial assets by maturity was as follows:

(€ million)	31/12/2019	Maturity			31/12/2018
		<1 year	1 to 5 years	>5 years	
Equity investments	8,159	-	-	8,159	7,336
Gross loans	4,454	955	1,373	2,126	3,830
Other non-current financial assets	12	4	8	-	810
TOTAL	12,625	959	1,381	10,285	11,977

NOTE 12 INVENTORIES AND WORK-IN-PROGRESS

(€ million)	31/12/2019			31/12/2018
	Gross value	Impairment	Net value	
Inventories of raw materials, supplies, traded goods and other supplies	84	(1)	83	83
Finished and semi-finished product inventories	13	-	13	11
TOTAL	97	(1)	96	94

NOTE 13 OPERATING RECEIVABLES AND PAYABLES

13.1 Operating receivables	453	13.2 Operating payables	453

13.1 Operating receivables

Operating receivables broke down as follows:

(€ million)	31/12/2019	Maturity			31/12/2018
		<1 year	1 to 5 years	>5 years	
Trade receivables and related accounts	1,021	1,021	-	-	937
Impairment of trade receivables	(26)	(26)	-	-	(24)
International mail receivables	869	869	-	-	778
Trade receivables and related accounts	1,865	1,865	-	-	1,691
Tax and employee-related receivables	238	238	-	-	683
Other operating receivables	56	56	-	-	64
Other receivables	294	294	-	-	747
TOTAL	2,159	2,159	-	-	2,439

Tax and employee-related receivables include, in particular, the Press Subsidy for €50 million.

13.2 Operating payables

Operating payables broke down as follows:

(€ million)	31/12/2019	Maturity			31/12/2018
		<1 year	1 to 5 years	>5 years	
Trade payables and related accounts	911	911	-	-	929
International mail payables	361	361	-	-	345
Tax and employee-related receivables	1,291	1,291	-	-	1,364
Other operating payables	627	627	-	-	591
TOTAL	3,190	3,190	-	-	3,229

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	454	14.2 Liabilities	454

14.1 Assets

(<i>€ million</i>)	Note	31/12/2019		31/12/2018	
		Accrued income	Balance sheet	Accrued income	Balance sheet
Intercompany loans	11	69	4,396	65	3,769
Other non-current financial assets	11	-	12	3	810
Trade receivables and related accounts	13	80	1,021	57	937
Other international mail accounts receivable	13	761	869	721	778
Tax and employee-related receivables	13	80	238	65	683
Other operating receivables	13	24	56	24	64
TOTAL		1,013		934	

14.2 Liabilities

(<i>€ million</i>)	Note	31/12/2019		31/12/2018	
		Accrued expenses	Balance sheet	Accrued expenses	Balance sheet
Financial liabilities	21	84	6,991	93	5,996
Trade payables and related accounts	13	721	911	741	929
Other international mail liabilities	13	306	361	318	345
Tax and employee-related receivables	13	739	1,291	786	1,364
Other operating payables	13	192	627	206	591
TOTAL		2,042		2,144	

Accrued tax and employee-related expenses mostly included a provision for paid leave (€251 million in expenses at 31 December 2019 compared with €228 million at 31 December 2018).

NOTE 15 MISCELLANEOUS RECEIVABLES AND PAYABLES

This item broke down as follows:

(€ million)	31/12/2019		31/12/2018	
	Assets	Liabilities	Assets	Liabilities
Current accounts	260	183	232	185
Receivables/payables with La Banque Postale	3	32	13	32
Other debtors/creditors	54	38	53	47
TOTAL	317	253	298	264

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;
- €12 million in issue premiums on bonds;

- €10 million in deferred bond issue expenses.

The other payables balance mostly consisted of:

- repayable cash amounts received on behalf of third parties (€28 million in 2019 versus €32 million in 2018), 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 €8.6 million, and to the XPansion 2 fund for €0.5 million.

NOTE 16 ACCRUAL ACCOUNTS

16.1 Assets	455	16.2 Liabilities	456

16.1 Assets

(€ million)	31/12/2019	31/12/2018
Unrealised foreign exchange losses ^(a)	30	38
Pre-paid expenses	38	43
Other transactions	15	15
TOTAL	83	96

(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 €14 million (€17 million at 31 December 2018);
- pre-paid operating expenses of €20 million (€22 million at 31 December 2018), which primarily corresponded to property rent invoiced in advance.

16.2 Liabilities

(€ million)	31/12/2019	31/12/2018
Unrealised foreign exchange gains ^(a)	31	39
Deferred income	149	144
TOTAL	180	183

(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 €5 million (€8 million at 31 December 2018);
- pre-paid operating income, which amounted to €144 million (versus €136 million at 31 December 2018).

NOTE 17 MARKETABLE SECURITIES AND CASH

This item broke down as follows:

(€ million)	31/12/2019	31/12/2018
Marketable securities	650	577
Impairment of marketable securities	(1)	-
Marketable securities	649	577
Cash at bank	2,223	1,910
Cash on hand	4	4
TOTAL	2,876	2,491

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 2019, they were exclusively made up of mutual funds (FCP) for €650 million.
- Unrealised losses on marketable securities (UCITS only) at 31 December 2019 amounted to €0.7 million (versus a gain of €0.7 million at 31 December 2018).

Cash at bank consists of:

- cash investments (term account and term deposit outstandings) with €1,478 million in outstandings at 31 December 2019 (compared to €1,476 million at 31 December 2018);
- bank accounts and bills of exchange payable for €745 million at 31 December 2019 (compared to €434 million at 31 December 2018).

NOTE 18 ASSET IMPAIRMENT

Changes in asset impairment in 2019 were as follows:

(€ million)	31/12/2018	Increase	Reversals used	Reversals unused	Reclassifications	31/12/2019
Intangible assets	2	4	-	-	-	6
Property, plant and equipment	1	-	-	-	-	1
Impairment of property, plant and equipment and intangible assets	3	4	-	-	-	7
Equity investments	28	35	-	-	-	63
Loans	13	22	(4)	-	-	31
Impairment of non-current financial assets	41	57	(4)	-	-	94
Inventories and work-in-progress	1	1	(1)	-	-	1
Trade receivables and related accounts	24	9	(2)	(5)	-	26
Other debtors	19	1	(1)	-	-	19
Marketable securities	-	1	-	-	-	1
Impairment of current assets	44	12	(4)	(5)	-	47
TOTAL	88	73	(8)	(5)	-	148

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:

(€ 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	4	-	-	-	-	-
Equity investments	-	35	-	-	-	-
Loans	-	22	-	-	(4)	-
Inventories and work-in-progress	1	-	-	(1)	-	-
Trade receivables and related accounts	9	-	-	(7)	-	-
Other debtors	1	-	-	(1)	-	-
Marketable securities	-	1	-	-	-	-
TOTAL	15	58	-	(9)	(4)	-
GRAND TOTAL		73			(13)	

NOTE 19 EQUITY

The changes in equity broke down as follows:

(€ million)	Share capital	Share premium account	Reserves	Retained earnings	Net profit/(loss) for the year	Total Equity
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
Appropriation of earnings			4		(4)	
Dividend payments				(133)	(66)	(199)
Net profit/(loss) for the period					(83)	(83)
BALANCE AT 31/12/2019	3,800	900	572	853	(83)	6,042

As at 31 December 2019, La Poste's share capital amounted to €3.8 billion, divided into 950 million common 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.

In 2019, La Poste paid its shareholders a dividend of €0.21 per share, amounting to a total of €199.5 million broken down as follows:

- French State: €147 million;
- CDC: €52.5 million.

Other equity:

On 3 May 2018, La Poste issued undated hybrid debt securities for €750 million.

NOTE 20 CONTINGENCY AND LOSS PROVISIONS

The following changes occurred in contingency and loss provisions:

(€ million)	Amount 31/12/2018	Increase 2019	2019 reversals		Amount 31/12/2019
			used	unused	
End-of-career arrangements	894	430	(384)	-	940
Retirement benefits for contract staff	316	75	-	-	391
Long-term sick leave/paid holiday/local taxes	344	14	(13)	-	345
Legal risks	28	2	-	(5)	25
Refurbishment	26	-	(12)	-	14
Employee-related disputes	45	13	(6)	(17)	35
Claims and damages	21	9	(8)	(1)	21
Other contingency and loss provisions	81	11	(12)	(49)	31
TOTAL	1,755	554	(435)	(72)	1,802
Accelerated depreciation	46	4	(10)	-	40

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).

As at 31 December 2019, the schedule for contingency and loss provisions was as follows:

(€ million)	Amount 31/12/2019	Period Y+1	Period Y+2	Period Y+3	Period Y+4	Period Y+5
End-of-career arrangements	940	357	270	174	93	46
Retirement benefits for contract staff	391	15	7	8	9	352
Long-term sick leave/paid holiday/local taxes	345	177	86	75	6	1
Legal risks	25	17	1	-	-	7
Refurbishment	14	8	2	2	1	1
Employee-related disputes	35	24	6	3	1	1
Claims and damages	21	3	11	4	1	2
Other contingency and loss provisions	31	13	7	5	3	3
TOTAL	1,802	614	390	271	114	413

Allowances and reversals over the period broke down as follows:

(€ 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	430	-	-	(384)	-	-
Retirement benefits for contract staff	75	-	-	-	-	-
Long-term sick leave/paid holiday/local taxes	14	-	-	(13)	-	-
Legal risks	2	-	-	(5)	-	-
Refurbishment	-	-	-	(12)	-	-
Employee-related disputes	13	-	-	(23)	-	-
Claims and damages	9	-	-	(9)	-	-
Other contingency and loss provisions	10	1	-	(61)	-	-
TOTAL	553	1	-	(507)	-	-
GRAND TOTAL		554			(507)	
Accelerated depreciation	-	-	4	-	-	(10)

NOTE 21 FINANCIAL DEBT

Financial debt broke down as follows:

(€ million)	31/12/2019	31/12/2018
Bonds (excluding AIND)	5,950	5,050
Other borrowings (excluding AIND)	470	470
Accrued interest not due (AIND)	64	73
Borrowings	6,484	5,593
La Poste savings bonds (excluding AIND)	54	54
Accrued interest not due (AIND)	20	20
La Poste savings bonds	74	75
Deposits and guarantees received	96	91
Short-term borrowings	300	150
Bank accounts and bills of exchange payable	37	87
TOTAL	6,991	5,996

The change in borrowings is essentially associated with maturities and new issues that occurred throughout the fiscal year (see highlights).

The debt maturity schedule (excluding bank accounts and bills of exchange payable) was as follows:

(€ million)	Maturity in <1 year		Maturity in 1 to 5 years		Maturity in >5 years		Total	
	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018	31/12/2019	31/12/2018
Bonds (excluding AIND)	-	800	3,000	2,000	2,950	2,250	5,950	5,050
Other borrowings (excluding AIND)	-	-	-	-	470	470	470	470
La Poste savings bonds (excluding AIND)	54	54	-	-	-	-	54	54
Deposits and guarantees received	73	68	23	22	-	-	96	91
Short-term borrowings (excluding AIND)	300	150	-	-	-	-	300	150
Accrued interest not due (AIND)	84	93	-	-	-	-	84	93
TOTAL	511	1,166	3,023	2,022	3,420	2,720	6,954	5,908

The change in borrowings, excluding accrued interest not due, was as follows:

(€ million)	31/12/2018	Increase	Decrease	Translation adjustments	31/12/2019
Borrowings	5,520	1,700	(800)	-	6,420

As at 31 December 2019, the breakdown of borrowings by interest-rate type was as follows:

(€ million)	Debt breakdown before impact of interest-rate swaps		Impact of fixed-for-floating swaps	Debt breakdown after impact of interest-rate swaps	
	Amount	%		Amount	%
Fixed-rate borrowings	6,420	100%	-	6,420	100%
Variable-rate borrowings	-	0%	-	-	0%
TOTAL BORROWINGS	6,420	100%	-	6,420	100%

As at 31 December 2019, the breakdown of outstanding borrowings by currency was as follows:

(€ million)	Debt breakdown before impact of currency swaps		Impact of currency swaps	Debt breakdown after impact of currency swaps	
	Amount	%		Amount	%
Euro	5,950	83%	470	6,420	100%
US dollars	470	17%	(470)	-	0%
TOTAL BORROWINGS	6,420	100%	-	6,420	100%

Issue premium on bonds

Unamortised issue premiums stemming from the difference between the issue price received and the redemption price amounted to €12 million for all bonds (premiums paid) at 31 December 2019, versus €13 million (premiums paid) at 31 December 2018.

La Poste savings bonds

This item corresponds to La Poste's savings bond 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 deposits received in conjunction with hedges amounting to €73 million at 31 December 2019, versus €68 million at 31 December 2018.

Short-term borrowings

In 2019, La Poste issued new commercial paper. At 31 December 2019, commercial paper outstandings amounted to €300 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 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 act confirmed and clarified La Poste's regional planning responsibilities.

Relations with Caisse des Dépôts

Following the decision of La Poste's Extraordinary General 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

(€ million)	31/12/2019		31/12/2018	
	Notional	Fair value	Notional	Fair value
Hedging	1,739	71	1,689	71
Transactions in isolated open positions	-	-	-	-
TOTAL	1,739	71	1,689	71

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.

At 31 December 2019, these transactions are with La Banque Postale and Société Générale.

Other hedging transactions

Foreign currency loans are hedged by currency swaps.

In addition, La Poste performed forward foreign exchange purchase and sales transactions, particularly involving pound sterling.

At 31 December 2019, as yet unsettled forward foreign exchange transactions translated to a mutual commitment of €53 million. These transactions relate to pound sterling only.

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	464	24.5	Retirement allowances for La Poste's contract staff	465
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24.4	Post-employment benefits granted to retired employees	465	24.8	Individual Training Account	466

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	
	2019	2018	2019	2018
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 fiscal year 2019, 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)	0.2%	1.1%

Inflation rate

The inflation rate used to measure employee benefit obligations at 31 December 2019 is 2% (rate unchanged from 31 December 2018).

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 No. 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 commitments for post-employment benefits are:

- 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 €250 million as at 31 December 2019, versus €241 million at 31 December 2018.

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 €391 million at 31 December 2019 (€316 million at 31 December 2018).

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 €940 million at 31 December 2019 (€894 million at 31 December 2018).

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 €617 million at 31 December 2019.

In a decision dated 23 December 2019, the terms for implementing the TPAS were extended to 31 March 2021, including in the case of the ASFC (special end-of-career benefit).

The main features of this scheme 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 €345 million at 31 December 2019 (€344 million at 31 December 2018). 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 (Act No. 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

467

25.2 Off-balance sheet commitments given

467

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 was implemented in October 2011 with nine banks for an amount of €650 million. This new facility had not been used as at 31 December 2019;
- in November 2017, an amendment was made to the overdraft authorisation obtained by La Poste from La Banque Postale in 2012, increasing the authorised overdraft from €300 million to €400 million. This overdraft authorisation renews automatically every year. This overdraft had not been used at 31 December 2019;
- 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 2019.

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 €59 million at 31 December 2019;

- Property sale commitments for transactions that could occur in the next year: N/A;

- The total value of property rental commitments received by La Poste from its subsidiaries (GeoPost, Poste Immo and La Banque Postale) amounted to €58 million at 31 December 2019.

25.2 Off-balance sheet commitments given

a) Off-balance sheet commitments given in relation to the consolidated Group

On 27 June 2019, 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 €2 billion.

This commitment cancels and replaces the previous agreement signed on 26 June 2018.

At 31 December 2019, 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 €1,904 million of which €1,542 million in respect of property rental (Poste Immo) and €361 million in respect of vehicle rental (Véhiposte).
- La Poste has committed to paying leases outside the Group: the amount of this commitment is €426 million.

Miscellaneous commitments:

- La Poste's miscellaneous commitments (purchase of goods and services) amount to €202 million.

Obligation to employ disabled workers:

- On 10 May 2019, La Poste and unions signed a national agreement to promote the employment of disabled people (AGEFIPH). Under this agreement, covering the period 2019-2022, €23 million will be spent on improving the quality of life at work of employees with disabilities. At 31 December 2019, the outstanding commitment was €18 million.

Finance leases: none.

Investment commitments:

- Orders to non-current asset suppliers at the end of 2019 amounted to €27 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 2019, this commitment amounted to €1 million.
- La Poste's other commitments relating to sponsorship initiatives totalled €4 million at 31 December 2019.

NOTES TO THE CASH FLOW STATEMENT

NOTE 26 ALLOWANCES AND REVERSALS OF AMORTISATION, DEPRECIATION AND IMPAIRMENT

(€ million)	31/12/2019	31/12/2018
Charges/Reversals to operating profit/(loss)	355	176
Changes in CICE provisions	-	40
Charges/Reversals to financial profit/(loss)	54	1
Charges/Reversals to non-recurring items	-	(14)
TOTAL	409	203

NOTE 27 CHANGE IN WORKING CAPITAL REQUIREMENTS

(€ million)	31/12/2019	31/12/2018
Change in inventories and work-in-progress	(1)	(6)
Change in operating receivables	(176)	(130)
Change in operating payables	(20)	171
Change in other operating assets and liabilities	9	(55)
TOTAL	(188)	(20)

NOTE 28 PAYMENTS FOR ACQUISITIONS OF NON-CURRENT ASSETS

(€ million)	31/12/2019	31/12/2018
Acquisitions of intangible assets	(140)	(146)
Acquisitions of property, plant and equipment	(198)	(184)
Change in non-current asset accounts payable	(21)	(3)
TOTAL	(359)	(333)

NOTE 29 PROCEEDS FROM DISPOSALS OF NON-CURRENT ASSETS

(€ million)	31/12/2019	31/12/2018
Intangible assets and property, plant and equipment	52	10
Non-current financial assets	222	444
Securities	-	-
TOTAL	274	454

NOTE 30 BOND ISSUES

(€ million)	31/12/2019	31/12/2018
Bonds	1,700	500
La Poste savings bonds	-	-
Commercial paper	1,276	380
Other borrowings and similar debt	-	-
TOTAL	2,976	880

NOTE 31 BOND REDEMPTIONS

(€ million)	31/12/2019	31/12/2018
Bonds	(800)	(500)
La Poste savings bonds	(1)	(1)
Commercial paper	(1,126)	(381)
Other borrowings and similar debt	-	-
TOTAL	(1,927)	(883)

NOTE 32 CASH AND CASH EQUIVALENTS AT THE BALANCE-SHEET DATE

(€ million)	31/12/2019	31/12/2018
Marketable securities and cash	2,876	2,491
Bank account credit balances	(37)	(88)
Subsidiaries' current accounts	48	21
TOTAL	2,888	2,424

NOTE 33 SUBSIDIARIES AND EQUITY INVESTMENTS

(€ million)	Capital	Equity other than share capital	% equity interest	Gross amount of the securities held		Balance of loans and advances granted by given the parent company	Pledges and guarantees by the Company	Revenue before tax 31/12/2019	Profit/ (loss) at 31/12/2019	Dividends received by La Poste
				Gross value	Net value					
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	1,150	100%	1,240	1,240	2,044	-	56	108	89
La Banque Postale										
115 rue de Sèvres 75275 Paris Cedex 06	4,632	1,988	100%	4,852	4,852	-	-	4,409	289	327
Poste Immo										
111 bd Brune 75618 Paris Cedex 14	1,471	159	100%	1,493	1,493	930	-	116	136	65
Mediapost SAS										
19 rue de la Villette 69425 Lyon Cedex 3	24	94	100%	155	155	33	-	413	(2)	
Mediapost Holding										
17 rue de la Vanne 92120 Montrouge	64	(23)	100%	64	42	4	-	0	(10)	
Docaposte										
10-12 avenue Charles de Gaulle 94220 Charenton-le-Pont	70	(59)	100%	136	136	461	-	5	(1)	
La Poste Telecom										
855 avenue Roger Salengro 92370 Chaville	166	(254)	51%	67	67	26	-	282	(51)	
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				151	111	898	-			7
TOTAL				8,159	8,096	4,396				488

5.3.2 STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS (FOR THE YEAR ENDED 31 DECEMBER 2019)

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 and 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 at your General Meeting, we have audited the accompanying financial statements of La Poste for the year ended 31 December 2019.

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 as at 31 December 2019 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 those standards are further described in the "Responsibilities of the Statutory Auditors relating to the audit of the financial statements".

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from 1 January 2019 to the date of our report and specifically we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No 537/2014 or in 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 risks of material misstatement that, in our professional judgment, 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 2019, equity investments totalled €8,159 million (gross) and €8,096 million (net). They are recognised at cost less any provisions for impairment.

As stated in Note II.H (Equity investments) to the financial statements, impairment is recognised at the reporting date when an asset's fair value is less than its carrying amount. Fair value is generally calculated on the basis of the subsidiary's or entity's share of (potentially) consolidated equity or using the discounted cash flow method.

At 31 December 2019, equity investments represented a significant portion of La Poste SA's assets, and their fair values are based partly on estimates that require judgement by management. We therefore deemed their measurement to be a key audit matter.

How our audit addressed this risk

We assessed the conformity of the methodology used with applicable accounting standards and the arrangements implemented to measure fair value.

When the fair value of equity investments was determined on the basis of the equity of the subsidiary or entity in question, we compared the fair value of the investments with the amount of equity shares held in the net assets of the subsidiary or entity.

When the fair value of equity investments was calculated on the basis of the discounted future cash flows of the subsidiary or entity in question, we:

- compared the fair value to that of the discounted future cash flows for the subsidiary or entity in question;
- assessed the relevance of the assumptions made by management, in particular the reasonableness of the cash flow projections based on our knowledge of the economic environment, 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 the costs relating to employees who had joined the plan at 31 December 2019, which represented €940 million at 31 December 2019. Future enrolments are not recorded as provisions but are mentioned under off-balance sheet commitments in the notes to the financial statements. They represented €617 million at 31 December 2019.

The measurement of these commitments and the related expenses for the reporting period 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 various assumptions, in particular the costs relating to each plan, the estimated number of enrolments at year-end and, for off-balance sheet commitments, the probability 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, authorisations, determination of the cost of each plan, etc.), which we considered to be key audit matters.

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.

Specific verifications

In accordance with professional standards applicable in France, we have also performed the specific variations 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 article L.225-37-4 of the French Commercial Code.

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 2019, PricewaterhouseCoopers Audit and KPMG Audit were in the fifth and eleventh 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 relating 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 a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report, as applicable, 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 statement 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, 6 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Laurent Daniel
Associé

Jacques Lévi
Associé

KPMG Audit

Département de KPMG S.A.

Eric Amato
Associé

Marie-Christine Jolys
Associée

5.4 Dividend policy

The dividend that will be paid in 2020 for 2019 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 3 June 2020.

La Poste paid a dividend of €171 million for fiscal years 2016 and 2017, and €200 million for 2018.

5.5 Legal and arbitration proceedings

Le Groupe La Poste is involved in a certain number of arbitrations, 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.

The provisions for contingencies recorded for all the disputes in which the Group is involved amounted to €278 million as at 31 December 2019 (€323 million as at 31 December 2018). 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 Exapaq (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. Chronopost, DPD France and La Poste lodged a cassation appeal against this decision

on 16 August 2018. The procedure is ongoing. A legal advisor has been appointed;

- on 21 December 2018, the Sanctions Commission of the French Prudential Supervision and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – 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. The Council of State rejected the appeal by La Banque Postale in its decision of 15 November 2019.

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.

In a registered letter sent on 21 November 2018, the French Competition Authority (*Autorité de la concurrence*) was informed of practices in the postal service sector. The case is currently being investigated by the Competition Authority's services.

In a registered letter sent on 6 June 2019, the Competition Authority was informed of practices in the unaddressed advertising mail distribution sector. The case is currently being investigated by the Competition Authority's services.

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.

5.6 Pro forma financial information

5.6.1 SUMMARISED PRO FORMA FINANCIAL INFORMATION

1 DESCRIPTION OF THE TRANSACTION

On 30 August 2018, the State and Caisse des Dépôts announced their intention to create a large public financial pole to provide services in every region and to constitute a public bank-insurance division, La Banque Postale / CNP Assurances. In the course of creating this public financial group, securities were exchanged and transferred on 4 March 2020 by the French State, Caisse des Dépôts, La Poste and La Banque Postale (contribution by the State and Caisse des Dépôts to La Poste, then by La Poste to La Banque Postale, of their respective equity investments of 1.1% and 40.9% in CNP Assurances, collectively the "Transactions"). Following these Transactions, Le Groupe La Poste holds a 62.13% stake in CNP Assurances.

2 PRINCIPLES IN PRESENTING THE SUMMARISED PRO FORMA FINANCIAL INFORMATION

2.1 Objectives of the summarised pro forma financial information

The summarised pro forma information presented is intended to illustrate, for information purposes only, the impact of the Transactions on Le Groupe La Poste's income statement and balance sheet in respect of the fiscal year ended 31 December 2019, as if these Transactions had been undertaken on 1 January 2019, in the case of the summarised pro forma income statement, and 31 December 2019, in the case of the summarised pro forma balance sheet.

2.2 Regulatory basis

The summarised pro forma information is prepared pursuant to Annex 20 of Delegate Regulation No. 2019/980 supplementing European Regulation No. 2017/1129. It incorporates the recommendations issued by ESMA (ESMA/2013/319 of 20 March 2013) and AMF Recommendation No. 2013-08 on consolidated pro forma financial information, amended on 21 July 2019.

The summarised pro forma financial information is treated in accordance with AMF Recommendation No. 2013-08; in particular paragraph 1.3.3 "The acquisition of an additional interest in a company of the group" of which the following is an extract: "When an issuer acquires an additional interest in another entity, this transaction may lead the issuer to change the consolidation method that applies to this entity. For instance, the issuer may switch from the equity method to the full consolidation method. Insofar as this additional interest produces similar effects to those produced by a new acquisition – it has a significant material effect on certain line items of the financial statements (after the 25% threshold has been assessed) – AMF recommends that issuers provide pro forma information in the event of such a transaction."

Indeed, the Transactions involve a change in size of over 25% of the main aggregates of La Banque Postale which is considered to be the acquirer under the provisions of IFRS 3 – Business combinations.

2.3 Assumptions

The summarised pro forma financial information as of 31 December 2019, presented in this chapter, was prepared on the basis of the annual consolidated financial statements for the fiscal year ended 31 December 2019 of Le Groupe La Poste and the CNP Assurances Group, as certified by the Statutory Auditors. The basis for preparing the summarised pro forma financial information is as follows:

- The summarised pro forma financial information was prepared in accordance with the accounting policies used to prepare Le Groupe La Poste's annual consolidated financial statements in respect of the fiscal year ended 31 December 2019.
- Full consolidation of CNP Assurances as of 1 January 2019 in the case of the pro forma income statement, and 31 December 2019 in the case of the pro forma balance sheet (i.e. 12 months of consolidation).
- Presentation of the summarised pro forma financial information in the same format of publication as Le Groupe La Poste's financial statements.
- The CNP Assurances balance sheet used to prepare the summarised pro forma financial information is the consolidated balance sheet dated 31 December 2019 published as IAS39 data.
- Similarly, the income statement used to prepare the summarised pro forma financial information is the consolidated income statement dated 31 December 2019 published by CNP Assurances, converted into the format of Le Groupe La Poste's financial statements. In terms of the impact of IFRS 9 on the income statement, the flows attached to the financial instruments were reclassified using the "overlay" approach under the standard, applied by Le Groupe La Poste in preparing its consolidated financial statements (overlay approach which is used to reclassify the volatility in earnings resulting from IFRS 9 as equity, applicable to the Group's insurance companies, see Note 2.15.14 on the Group's accounting principles in Chapter 5.2). The income statement does not include the losses forecast in respect of credit risk on the CNP Assurances asset investment portfolio, which are not material after factoring in deferred profits and tax liabilities.
- Inter-company transactions have been eliminated in accordance with the policies on preparing Le Groupe La Poste's consolidated financial statements. They relate in particular to balances and flows from fees, rebilling and reinsurance transactions between CNP Assurances and Le Groupe La Poste companies.
- On the basis of the information currently available, for the purposes of the summarised pro forma financial information, there has been no provisional allocation of the cost of acquisition in accordance with IFRS 3 – "Business combinations". According to this standard,

when transactions are considered a business combination, the acquired identifiable assets and liabilities are assessed on the basis of their fair value on the acquisition date. This assessment is currently under way. If not reassessed on the basis of fair value,

the difference between the acquisition cost and the book value of the acquired assets and liabilities is recorded as equity. This pro forma adjustment, calculated on the basis of the financial data as of 31 December 2019, is provisional.

3 SUMMARISED PRO FORMA FINANCIAL INFORMATION

The aggregates presented in this chapter are indicators deemed relevant to understanding the new combination.

3.1 Summarised pro forma income statement

(€ million)	Le Group La Poste 31 December 2019	CNP Assurances 31 décembre 2019	Pro forma adjustments	Summarised pro forma financial information at 31 December 2019
Revenues from commercial activities	20,359			20,359
Net banking income	5,624	3,583		9,207
Operating revenue	25,983	3,583		29,566
Purchases and other expenses	(10,662)	(344)		(11,006)
Personnel expenses	(12,683)	(514)		(13,197)
Taxes and levies	(347)	(56)		(404)
Depreciation, amortisation, provisions and impairment	(1,803)	(177)	22	(1,957)
Other operating expenses and income	413			413
Proceeds from asset disposals	13	(17)		(4)
Net operating expenses	(25,069)	(1,108)	22	(26,154)
Share in profit of joint ventures	(25)			(25)
Current operating profit/(loss) after share in results of joint ventures	889	2,475	22	3,387

3.2 Summarised pro forma balance sheet: assets

(€ million)	Le Group La Poste 31 December 2019	CNP Assurances 31 décembre 2019	Pro forma adjustments	Summarised pro forma financial information at 31 December 2019
Goodwill	2,625	230	(230)	2,625
Property, plant and equipment and Intangible assets	7,536	618		8,155
Right of use assets	2,582			2,582
Investments in joint ventures and associates	4,384	488	(3,531)	1,341
Other non-current financial assets	1,066	216		1,282
Non-current assets	18,193	1,553	(3,761)	15,984
Investment property		2,315		2,315
Customer loans and receivables	113,626	25		113,651
Credit institutions loans and receivables	70,635	1,807		72,442
Securities portfolio	55,338	400,523		455,862
Other current financial assets	3,157	33,592	(271)	36,478
Cash and central bank deposits	22,412			22,412
Current banking and insurance assets	265,169	438,262	(271)	703,160
Trade and other accounts receivable	4,014	58		4,072
Cash and cash equivalents	2,456			2,456
Other	1,169	493		1,662
Other current assets	7,638	551		8,190
TOTAL ASSETS	291,000	440,366	(4,032)	727,334

The pro forma adjustments to the assets correspond mainly to the elimination of transactions between Le Groupe La Poste and CNP Assurances companies, the deconsolidation of CNP Assurances securities that were previously consolidated using the equity method, and the cancellation of goodwill in the CNP Assurances financial statements prior to the takeover.

3.3 Summarised pro forma balance sheet: liabilities

(€ million)	Le Group La Poste 31 December 2019	CNP Assurances 31 décembre 2019	Pro forma adjustments	Summarised pro forma financial information at 31 December 2019
Equity, group share	12,624	19,393	(12,186)	19,832
Non-controlling interests	907	1,795	8,425	11,127
Non-controlling interests	13,531	21,188	(3,761)	30,959
Medium and long-term bonds and other financial debt	6,589			6,589
Medium and long-term lease liabilities	2,133			2,133
Employee benefits – non-current liabilities	2,152	250		2,402
Non-current provisions for contingencies and losses	116	4		120
Deferred tax liabilities	198	782		980
Non-current liabilities	11,188	1,035		12,223
Specific provisions for the Banking and Insurance activities	2,736	378,310	(131)	380,915
Current provisions for contingencies and losses	386	321		708
Current provisions for contingencies and losses	3,122	378,631	(131)	381,623
Short-term bonds and other financial debt	584			584
Short-term lease liabilities	492			492
Liabilities due to credit institutions	30,715	192		30,907
Liabilities to customers	190,546			190,546
Debt evidenced by a certificate and other financial liabilities	31,961	20,839		52,800
Accrual accounts – Liabilities	2,306	16,023		18,330
Current banking and insurance liabilities	255,527	37,055		292,582
Other current liabilities	6,555	2,456	(140)	8,871
TOTAL LIABILITIES	291,000	440,366	(4,032)	727,334

The pro forma adjustments to the liabilities correspond mainly to the elimination of transactions between Le Groupe La Poste and CNP Assurances companies, the impact on equity of the change in method of consolidation of CNP Assurances, and the increase in La Poste's capital.

The pro forma group share of Le Groupe La Poste's equity totalled €19,832 million at the end of December 2019.

5.6.2 STATUTORY AUDITORS' REPORT ON THE PRO FORMA FINANCIAL INFORMATION FOR THE YEAR ENDED

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

(Year ended 31 December 2019)

LA POSTE
9 rue du Colonel Pierre Avia
75015 Paris

To the President-General Director,

In our capacity as statutory auditors of your company and in accordance with Regulation (EU) n°2017/1129 supplemented by the Commission Delegated Regulation (EU) n°2019/980, we hereby report to you on the pro forma financial information of the company La Poste for the year ended 31 December 2019 set out in section 5.6 of the universal registration document (the "Condensed Pro Forma Financial Information").

The Pro Forma Financial Information has been prepared for the sole purpose of illustrating the impact that the takeover of CNP Assurances by La Banque Postale might have had on the consolidated balance sheet at 31 December 2020 and the consolidated income statement of the company had it taken place with effect from 31 December 2019 for the consolidated balance sheet and 1st January 2019 for the consolidated income statement. By its very nature, this information is based on a hypothetical situation and does not represent the financial position or performance that would have been reported, had the operation or event taken place at an earlier date than the actual date.

It is your responsibility to prepare the Condensed Pro Forma Financial Information in accordance with the provisions of Regulation (EU) n°2017/1129 and ESMA's recommendations on condensed pro forma financial information.

It is our responsibility to express a conclusion, based on our work, in accordance with Annex 20, section 3 of Commission Delegated Regulation (EU) n°2019/980, as to the proper compilation of the Condensed Pro Forma Financial Information on the basis stated.

We performed those procedures that we deemed necessary in accordance with the professional standards applicable in France to such engagements. These procedures, which did not include an audit or a review of the financial information used as a basis to prepare the condensed pro forma financial information, mainly consisted in ensuring that the information used to prepare the condensed pro forma financial information was consistent with the underlying financial information, as described in the notes to the condensed pro forma financial information, reviewing the evidence supporting the pro forma adjustments and conducting interviews with the management of the Company to obtain the information and explanations that we deemed necessary.

In our opinion:

- the Condensed Pro Forma Financial Information has been properly compiled on the basis stated;
- the basis is consistent with the accounting policies of the issuer.

This report has been issued solely for the purposes of filing the universal registration document with the French financial markets authority (Autorité des marchés financiers or "AMF") and cannot be used for any other purpose.

Neuilly-sur-Seine et Paris-La Défense, 16 March 2020

The statutory auditors

PricewaterhouseCoopers Audit

Laurent Daniel
Partner

Jacques Lévi
Partner

KPMG Audit

Department of KPMG S.A.

Eric Amato
Partner

Marie-Christine Jolys
Partner



6

SHARE OWNERSHIP, SHARE CAPITAL, ARTICLES OF ASSOCIATION

6.1 Principal shareholders

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6.2 Additional information

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6.1 Principal shareholders

6.1.1 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.

	2019			2018			2017		
Share ownership	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%
Caisse des Dépôts	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%

	Since 4 March 2020 (see 6.2.1)		
Share ownership	No. of shares	% capital	% voting rights
Caisse des Dépôts	1,770,400,950	66%	66%
French State	912,024,732	34%	34%
TOTAL	2,682,425,682	100%	100%

6.1.2 CONTROL OF LA POSTE

Article 1-2 of Act No. 90-568 of 2 July 1990, as modified by Act No. 2019-486 of 22 May 2019, provides that the share capital of La Poste shall be entirely public. It is held by the French State and Caisse des Dépôts, with the exception of the percentage of the share capital that may be held by staff under the conditions set out in the same act.

Following La Poste's General Shareholders' Meeting on 4 March 2020, Caisse des Dépôts et Consignation holds exclusive control of La Poste SA."

6.1.3 KNOWN AGREEMENTS THAT COULD LEAD TO A CHANGE OF CONTROL

There are no other agreements that could result in a change of control as of the date of this document.

6.2 Additional information

6.2.1 SHARE CAPITAL

Amount of issued share capital as at 31 December 2019

As at 31 December 2019, 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
Amount of the share capital:	€3,800,000,000 fully paid-up

Amount of the share capital at 4 March 2020

Number of fully paid-up shares issued:	2,682,425,682
Nominal value of the shares:	€2
Type of shares issued:	common shares
Amount of the share capital:	€5,364,851,364 fully paid-up

Shares not representing share capital

None.

Shares held by the issuer or its subsidiaries

None.

Other securities giving access to share capital

None.

Terms of any acquisition rights and/or requirements attached to subscribed but unpaid share capital

None.

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.

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.

Since the transformation of the Company, the share capital has changed on several occasions.

- 6 April 2011: the Extraordinary General Meeting voted to increase the share capital 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 common shares with a nominal value of €4 each.

The same Extraordinary General Meeting voted to increase the share capital by €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 and Consignations (CDC) 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.
- As part of the overall process through which the French State and CDC aim to create a large public financial group serving the regions allowing the creation of a public banking and insurance division from La Banque Postale and CNP Assurances through various transactions – including the acquisition of a majority stake by Caisse des Dépôts in La Poste – the French State, CDC, La Banque Postale and La Poste entered into a memorandum of understanding on 31 July 2019 (the “memorandum of understanding”).

Under the terms of this memorandum of understanding:

- Caisse des Dépôts and the French State committed to transferring their respective equity investments in CNP Assurances (“CDC Contribution” and “French State Contribution” respectively) to the Company, i.e. 280,616,340 common shares in CNP Assurances in the case of Caisse des Dépôts and 7,645,754 common shares in CNP Assurances in the case of the French State (the “Contributions”), subject to the conditions precedent in the memorandum of understanding;
- La Poste committed to transferring all shares in CNP Assurances provided by Caisse des Dépôts and the French State (i.e. 288,262,094 common shares in CNP Assurances) to its subsidiary La Banque Postale (“LBP Contribution”), which will then have a combined direct and indirect stake of 62.13% in the share capital of CNP Assurances;
- concomitantly with the contribution transactions, Caisse des Dépôts is to buy 131,729,136 shares in La Poste from the French State resulting in an ultimate stake of 66% in the share capital upon the completion of these transactions;
- the contribution from Caisse des Dépôts to La Poste is subject to the provisions of Section VII – Accounting for and evaluating mergers and associated transactions – in ANC Regulation No. 2014-03 of 5 June 2014 on the French General Chart of Accounts. Insofar as this contribution is a reverse transaction

between two separately-controlled entities as defined by Article 743-1 of ANC Regulation No. 2014-03, its book value is valued at €1,862,927,317.75, i.e. around €6.64 per share;

- the contribution from the French State to La Poste is also subject to the provisions of Section VII – Accounting for and evaluating mergers and associated transactions – in ANC Regulation No. 2014-03 of 5 June 2014 on the French General Chart of Accounts. Insofar as this contribution is a reverse transaction between two jointly-controlled entities as defined by Article 741-1 of ANC Regulation No. 2014-03, its total book value is €105,411,751.52;
- the parity of the contributions of the French State and Caisse des Dépôts to La Poste was determined on the basis of the actual value of the securities resulting in a parity of around 2.7143 shares in La Poste for 1 share in CNP Assurances;
- in order to make all Contributions at book value and release subsequent capital increases as remuneration for said Contributions, a reduction in La Poste’s share capital not arising from losses of €1,900,000,000 is required prior to the Contributions through a reduction of the nominal value of shares in the Company from €4 per share to €2 per share and the allocation of the amount of share capital reduction to a premium category;
- indeed, without this prior capital reduction, the book value of the shares in CNP Assurances, i.e. €1,862,927,317.75, would be insufficient to release the capital increase as remuneration for the Contribution of Caisse des Dépôts to La Poste. Indeed, without the prior reduction in the nominal value of La Poste’s shares, the capital increase would have been in the amount of €3,046,691,688.

- On 21 November 2019, the Extraordinary General Meeting of La Poste’s shareholders voted to:

- reduce La Poste’s share capital by €1,900,000,000, from €3,800,000,000, its current amount, through a reduction of the nominal value of each of its 950,000,000 shares comprising the Company’s share capital from €4 to €2;
- allocate the total amount of this reduction in La Poste’s share capital, i.e. €1,900,000,000, to an issue premium account, not available for distribution but to be reincorporated in La Poste’s share capital following the increases in La Poste’s share capital remunerating the Contributions;
- carry out this reduction in share capital at the Extraordinary General Meeting of La Poste’s shareholders called to approve the increases in La Poste’s share capital to remunerate the Contributions, subject to the condition precedent of the approval by that meeting of the increases in La Poste’s share capital for the remuneration of the Contributions.

On 4 March 2020, the Extraordinary General Meeting of La Poste’s shareholders voted as follows:

- i) French State Contribution:
 - to approve the valuation of the French State Contribution given in the State Contribution Contract of €105,411,751.52; and

- to approve the terms and amount of the remuneration for the French State Contribution through the allocation to the State of:
 - 20,752,760 common shares of a nominal value of €2 each (subject to the recognition of the reduction in La Poste's share capital through the reduction in the nominal value of La Poste's shares), to be created by La Poste through a total share capital increase of €41,505,520, with a total contribution premium of €63,906,231.52, and
 - a cash payment of €6.32 subject to the provision of a valid receipt for the payment of said cash payment, under the terms of Article 3.1(b) of the State Contribution Contract.
 - Consequently, the Extraordinary General Meeting voted to:
 - increase La Poste's share capital by a total nominal amount of €41,505,520, through the creation of 20,752,760 common shares of a nominal value of €2 each (subject to the recognition of the reduction in the Company's share capital through the reduction in the nominal value of the Company's shares), allocated to the French State as remuneration for its Contribution; and
 - create a contribution premium of €63,906,231.52 under La Poste's liabilities, in an account entitled "Contribution premium" to which any La Poste shareholders, old and new, shall be entitled and to which any allocation voted by the General Shareholders' Meeting will be made, to be calculated as the difference between the value of the State Contribution (i.e. €105,411,751.52) and the nominal value of the shares allocated as remuneration for the State Contribution (i.e. €41,505,520).
 - ii) Caisse des Dépôts Contribution:
 - to approve the valuation of the CDC Contribution in the CDC Contribution Contract of €1,862,927,317.75; and
 - to approve the terms and amount of the remuneration for the CDC Contribution through the allocation to CDC of:
 - 761,672,922 common shares of a nominal value of €2 each (subject to the recognition of the reduction in La Poste's share capital through the reduction in the nominal value of La Poste's shares), to be created by La Poste through a total capital increase of €1,523,345,844, with a total contribution premium of €339,581,473.75, and
 - a cash payment of €6.32 subject to the provision of a valid receipt for the payment of said cash payment, under the terms of Article 3.1(b) of the CDC Contribution Contract.
 - As a consequence of the above, the Extraordinary General Meeting voted to:
 - increase La Poste's share capital by a total nominal amount of €1,523,345,844, through the creation of 761,672,922 common shares of a nominal value of €2 each (subject to the recognition of the reduction in the Company's share capital through the reduction in the nominal value of La Poste's shares) allocated to CDC as remuneration for its Contribution, and
 - create a contribution premium of €339,581,473.75 (the "CDC Contribution Premium") under La Poste's liabilities, in an account entitled "Contribution premium" to which any La Poste shareholders, old and new, shall be entitled and to which any allocation voted by the General Shareholders' Meeting will be made, to be calculated as the difference between the value of the CDC Contribution (i.e. €1,862,927,317.75) and the nominal value of shares allocated as remuneration for the CDC Contribution (i.e. €1,523,345,844).
 - iii) As a consequence of the French State and CDC contributions and the corresponding increases in the share capital of La Poste to remunerate them, the Extraordinary General Meeting noted that:
 - the condition precedent of the reduction in share capital voted by the Extraordinary General Meeting on 21 November 2019 had been met; and
 - the immediate and permanent reduction in the share capital agreed at La Poste's General Shareholders' Meeting of 21 November 2019 in the amount of €1,900,000,000, bringing La Poste's share capital from €3,800,000,000, its current amount, to €1,900,000,000, through the reduction of the nominal value of each of the 950,000,000 shares that make up La Poste's share capital from €4 to €2, with the allocation of the total amount of this reduction in La Poste's share capital, i.e. €1,900,000,000, to a contribution premium account (the "Issue premium") that is unavailable for distribution but intended to be reincorporated into La Poste's share capital following the completion of the increases in La Poste's share capital made to remunerate the French State Contribution and the CDD Contribution.
 - iv) Subsequently, the Extraordinary General Meeting noted the immediate and permanent completion of the French State Contribution and the increase in La Poste's share capital and the immediate and permanent completion of the CDC Contribution and the increase in La Poste's share capital, as described above.
 - v) Finally, the Extraordinary General Meeting voted to increase La Poste's share capital by incorporating the total capital of the Issue premium, i.e. €1,900,000,000, bringing the share capital from €3,464,851,364 to €5,364,851,364. The total increase in share capital will be allocated to the "Issue premium" item, the amount of which is brought from €2,800,000,000 to €900,000,000;
- This capital increase is achieved through the creation of 950,000,000 new free and fully paid-up common shares, of a nominal value of €2 each, allocated to shareholders on a pro rata basis according to their respective equity investments in La Poste.
- As a result of these transactions, La Poste's share capital now stands at €5,364,851,364 divided into 2,682,425,682 common shares with a nominal value of €2 each.

Pledging of Company securities

To La Poste's knowledge, none of the ordinary shares making up the share capital is included in any pledge.

6.2.2 MEMORANDUM OF ASSOCIATION AND ARTICLES OF ASSOCIATION

Corporate purpose

The Company fulfils a public service mission and general interest role and conducts other business in accordance with Act 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 the rules of ordinary law, the Company performs any other activities involving the collection, sorting, transportation and delivery of postal items, mail of any type, objects and goods, and any other local services, digital solutions, services to individuals, e-commerce and urban logistics, and, through its subsidiaries, banking and insurance activities.

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 companies or 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.

Management bodies

The Company is administered by a Board of Directors, the composition of which complies with the provisions of Article 10 of the Act of 2 July 1990, as amended, and Title II of the aforementioned Order of 20 August 2014, to which this Article 10 refers explicitly.

La Poste's Board of Directors has 21 members. As an exemption to the provisions of the aforementioned Order No. 2014-948 of 20 August 2014, it is made up of:

- seven members representing employees elected under the conditions set out under Article 12 of the aforementioned Act of 2 July 1990;
- a representative of the French State appointed under the conditions set out under Article 4 of the aforementioned Order No. 2014-948 of 20 August 2014; and
- 13 members appointed by the General Shareholders' Meeting, of which (i) two members are proposed by the French State on the basis of Article 6 of the aforementioned Act No. 2014-948 of 20 August 2014 and (ii) 11 members are appointed by the General Shareholders' Meeting on the proposal of Caisse des Dépôts.

The term of office for the Board of Directors' members is five years.

In accordance with the provisions of Article R. 225-15 of the French Commercial Code, the term of office of a director appointed by the General Shareholders' Meeting ends at the end of the Ordinary General Shareholders' Meeting having approved the accounts of the previous year and held in the year in which his or her term of office expires.

The terms of office of Board members who are not appointed by the General Shareholders' Meeting are free. The General Shareholders' Meeting agrees any annual sum allocated to the other Directors. The Board of Directors determines how this sum is to be divided between the Directors.

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.

Moreover, two members representing the municipalities and their groups and one member representing users, all appointed by decree, attend Board of Directors meetings in a non-voting capacity.

Other than the three representatives referred to in the previous paragraph, on the proposal of its Chairman, the Board of Directors may appoint one or more additional non-voting members whether from among the shareholders or not. These may be individuals or legal entities. Their term of office is set by the Board of Directors and may not exceed five years. There is no limit on the re-election of non-voting members. The Board of Directors may terminate their term of office at any time.

Should it deem it necessary and depending on the agenda, at the initiative of its Chairman, the Board of Directors may invite members of the Company or outside personalities to attend meetings of the Board of Directors in a non-voting capacity.

Anyone invited to take part in the deliberations of the Board of Directors is subject to the same duty of discretion as the Directors.

The Chairman of the Company's Board of Directors is appointed by a decree by the President of the French Republic from among the members of the Board of Directors on the basis of Article 6 of the aforementioned Order No. 2014-948 of 20 August 2014, on the proposal of the Company's Board of Directors, on the basis of a majority of the Directors present or represented. The Chairman's term of office is identical to his or her term of office as a director. These terms may be renewed under the same conditions.

On the basis of a majority of the Directors present or represented, the Board of Directors is entitled to recommend that the Chairman of the Board of Directors be dismissed, or to oppose his or her dismissal. The Chairman may be dismissed by a decree by the President of the French Republic.

The Chairman of the Board of Directors also serves as Chief Executive Officer of the Company. He or she 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 or her duties will end after the first General Shareholders' Meeting held after his or her 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 ceases to perform, or is prevented from performing his or her duties, the executive officers retain their positions and duties until the appointment of a new Chairman and Chief Executive Officer, unless the Board decides otherwise.

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.

Shares 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.

General Shareholders' Meetings

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 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.

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.

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 or her 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.

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.

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. The votes cast do not include those attached to shares for which the shareholder has not voted, has abstained or has cast a ballot that was blank or void.

Provisions that could delay or prevent a change of control

In accordance with the provisions of Article 1-2 of the aforementioned Act of 2 July 1990 in the wording introduced by Act No. 2019-486 of 22 May 2019 for the growth and transformation of businesses, the Company's share capital is 100% public. It is held by the French State and Caisse des Dépôts, with the exception of the percentage of the share capital that may be held by staff under the conditions set out in the aforementioned Act of 2 July 1990.

Provisions setting the threshold above which all equity investments must be disclosed

None.

Conditions governing changes in share capital

The share capital may be increased, reduced or written down under the conditions set forth by law.



ADDITIONAL INFORMATION

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7.1 Person responsible

7.1.1 PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

Mr Philippe Wahl

Chairman and Chief Executive Officer

7.1.2 DECLARATION BY THE PERSON RESPONSIBLE FOR THE UNIVERSAL REGISTRATION DOCUMENT

I hereby certify, having taken all reasonable measures to this end, that the information contained in this Universal 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 the 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, the items of which are identified in the cross-reference table found in appendix 5, 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.

Drawn up in Paris, 16 March 2020

Chairman and Chief Executive Officer

Philippe Wahl

7.2 Statutory Auditors

7.2.1 PRINCIPAL STATUTORY AUDITORS

PricewaterhouseCoopers Audit

Represented by Laurent Daniel and Jacques Lévi

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

PricewaterhouseCoopers Audit 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.

7.2.2 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 Principal 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.

7.3 Information about the Company

7.3.1 COMPANY NAME

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

7.3.2 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.

7.3.3 DATE OF INCORPORATION AND DURATION OF THE COMPANY

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

La Poste was converted to a public limited company by Act 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.

7.3.4 REGISTERED OFFICE, LEGAL FORM AND GOVERNING LAW

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.

Legal form and governing law

La Poste is a public limited company (société anonyme) 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 Act No. 90-568 of 2 July 1990 relating to the organisation of La Poste and France Télécom's public service, as amended by Act No. 2019-486 of 22 May 2019 (Pacte Act).

The regulations applying to La Poste as sole provider of the universal postal service are described in Section 1.14 of this document.

7.4 Exceptional events

None.

7.5 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.

Also available on the website ("Our financial information", section "Publications"):

- le Groupe La Poste's consolidated financial statements pertaining to the last ten fiscal years.



ANNEXES

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A1 Vigilance plan

This vigilance plan recaps the compliance and risk management measures rolled out as part of the first two plans published in the previous registration documents and presents their changes for 2019.

The risks pertaining to the duty of due diligence are mapped as part of the measures presented in Chapter 2 "Risk management".

In addition, La Poste is presenting its system for assessing tier 1 suppliers and the tangible results of its implementation in 2019.

Le Groupe La Poste's vigilance plan is now linked to Chapter 3 "Corporate social responsibility information" in this Universal registration document. This provides an overview of all prevention measures and the effective roll-out of policies on personal safety, human rights and incorporating environmental matters across the whole of the value chain.

As such, references to the sections presenting the social, societal, ethical and environmental policies are included in this plan.

1) AREAS COVERED BY LE GROUPE LA POSTE'S VIGILANCE PLAN

Le Groupe La Poste has introduced measures to control and report risks covering its commitments under its duty of due diligence. These measures:

- proscribe any risk of serious infringement of human rights and fundamental freedoms;
- strengthen the prevention measures related to occupational health and safety;
- manage the risks associated with the environmental transition (Energy and Resources);
- guarantee that the duty of due diligence requirements are met in its contractual relationships with tier 1 suppliers and subcontractors;
- provide whistle-blowing procedures accessible to the employees of La Poste and its subsidiaries, but also to the employees of its tier 1 suppliers.

2) SCOPE OF THE VIGILANCE PLAN

The scope of Le Groupe La Poste's vigilance plan covers:

- the business activities of La Poste SA;
- the business activities of Le Groupe La Poste's subsidiaries, held directly or indirectly and controlled within the meaning of Article L. 233-3 of the French Commercial Code;
- the business activities of tier 1 suppliers in contact with a Group company performed in the name of or on behalf of La Poste or its subsidiaries.

3) GOVERNANCE OF THE VIGILANCE PLAN

The vigilance plan is coordinated by the Group's Human Resources Department and the Societal Commitment Department. An Operational Committee comprising the Group's Human Resources Department, the Societal Commitment Department, La Poste Solutions Juridiques, the Ethics Department and the Group's Purchasing Department defines the Group's diligence actions and ensures they are rolled out at operational level.

A Group Steering Committee comprising the members of the Operational Committee, the Risk Department and the Executive Management of the business units produces a review of the measures taken in the previous year and approves those to be taken in the following year.

The risk mapping associated with due diligence is presented to the Group's Risk Committee.

In accordance with this vigilance plan, through their governance bodies subsidiaries roll out due diligence measures aimed at limiting, preventing and mitigating risks of serious infringement in their area of responsibility.

The measures taken were presented to the representative trade unions in 2019 within the framework of a La Poste Social Dialogue Committee.

4) LE GROUPE LA POSTE'S RISK MAPPING ASSOCIATED WITH THE DUTY OF DUE DILIGENCE

The risk mapping is informed by internal processes for identifying and assessing risks in areas included in the duty of due diligence: human rights, fundamental freedoms, health and safety of individuals, and the environment. These processes are presented in Chapter 2 of this document.

A review of the operational risks reported by the various companies within La Poste and the Group's subsidiaries confirms the scope of the Group's risk mapping in 2018.

The risk analysis takes into account the following criteria:

- the nature of the Group's business activities:

The postal activities are not structurally exposed to this type of risk in the same way as other business segments;

- the Group's geographic positioning:

In 2019, 97% of the Group's headcount were in Europe;

- the nature of the Group's purchases:

In 2019, 97% of purchases were made in the European Union;

- compliance policies and associated risk management:

These compliance and risk management policies are rolled out across the Group's sites taking into account local regulations as well as international standards.

The conclusion that the Group has limited exposure to risks of serious infringement of the rights covered by the duty of due diligence is confirmed.

5) INTERNAL RISK MANAGEMENT SYSTEMS

Assessment systems

La Poste implements internal control and auditing measures based on the risk mapping associated with the duty of due diligence. The annual review of the internal control systems within La Poste's companies and subsidiaries includes questions on the duty of diligence, *i.e.*:

- the effective implementation of the human resources and Purchasing Policies;
- the monitoring of the measures taken to prevent and limit risks of serious infringement in the areas covered by the duty of due diligence;
- the roll-out of systems to control activities by suppliers in the areas covered by due diligence.

The 2019 review revealed that La Poste's companies incorporate due diligence obligations, the prevention of risks of serious infringement of fundamental rights, health and safety of individuals and environmental protection in their processes.

To complement this system, an internal audit of compliance with the vigilance plan is planned for 2020.

Moreover, the Group's acquisitions and disposals policy includes the implementation of due diligence under the duty of due diligence. All acquisition plans give rise to a specific questionnaire to offer initial analysis of the business's degree of risk with regard to its obligations under the duty of due diligence. The questionnaires relating to the plans reviewed by the Group's Investment Committee are reviewed by the Financial Transactions and Treasury Department and by La Poste's Ethics Department. Additional specific due diligence measures or post-acquisition audits may be performed if needed.

Measures to prevent and mitigate risks of serious infringement implemented at La Poste and in its subsidiaries

These measures to prevent and mitigate risks cover the areas of Group employee health and safety, respect for their fundamental rights (human rights and fundamental freedoms), but also environmental protection as part of the Group's activities.

Chapter 3 of this document details the social, societal, ethical and environmental policies of Le Groupe La Poste, their degree of progress and implementation, as well as the processes of risk prevention and compliance implemented across its business activities.

6) EXTERNAL RISK MANAGEMENT MEASURES RELATED TO THE USE OF SERVICE PROVIDERS

Legal compliance process

La Poste has included a specific due diligence clause in its service provision contracts. This clause reminds service providers of their obligation to comply with regulations and asks them to sign up to the commitments of the Group's responsible and ethical purchasing Charter. This clause also includes the obligation of suppliers to agree to a site audit at the request of La Poste covering, in particular, the areas of due diligence. In 2020, this clause will be added to La Poste's general terms and conditions of purchase.

Moreover, two platforms for managing information have been introduced to identify businesses wishing to be referenced by La Poste and to check that businesses under contract supply the regulatory documents requested by La Poste. One of these platforms is used by La Poste to provide its service providers with information on its internal policies (internal rules of procedure, whistle-blowing procedure, gifts and hospitality policy, etc.).

Roll-out of a system to assess La Poste's suppliers

In 2018, La Poste introduced a system for assessing its tier 1 suppliers. This system comprises three distinct steps: self-assessment, paper-based audit and site audit.

A self-assessment platform for tier 1 suppliers has been introduced to enable them to assess themselves against the areas covered by due diligence.

La Poste has invited 3,550 suppliers to complete this self-assessment process. At the end of 2019, 592 suppliers had completed or were in the process of completing the self-assessment.

A scheme for auditing suppliers was agreed in 2018.

The analysis of the Group's purchasing risks was used to set criteria for prioritising the suppliers to be audited at the end of 2018 and in 2019:

- suppliers based in countries where there is an extreme or high risk of serious infringements of human rights and international conventions on labour, health and safety, and the environment;

- labour-intensive services;
- services operated on La Poste's sites;
- strategic suppliers for business continuity.

Based on these criteria and the analysis of the circumstances of the suppliers, the segments to be audited as a priority were identified, namely subcontracting in the construction industry, purchasing of transport and delivery services, temporary work and cleaning.

As of 31 December 2019, 103 audits had been performed.

In the event of non-compliance of a supplier, La Poste works with the supplier to decide on the measures to take as part of a development plan monitored by the buyer and the specifier.

The summary of the self-assessments and audits performed in 2019 was used to identify the business segments and types of supplier to be included in the 2020 audit plan.

As a result of the findings of the audits conducted in 2019, the assessments of the internal regulatory compliance management processes of temporary work providers (mainly franchises or small businesses) will be continued. In terms of delivery, collection and sorting services, efforts will be continued to enable these business segments to better understand and properly take into account CSR issues.

Raising the awareness of employees involved in the purchasing process

La Poste has developed two charters aimed at its buyers and specifiers reminding them of the principles to be followed as part of the purchasing procedure in terms of ethics and compliance with the duty of due diligence.

Both charters were circulated to all buyers and specifiers of La Poste SA, La Banque Postale and La Poste Immo and were signed at the end of 2019 and in the first quarter of 2020.

In 2020, all new specifiers receive this declaration to be signed at the time of their first purchase.

7) WHISTLE-BLOWING PROCEDURES

Since 2011, La Poste has made a whistle-blowing procedure available to its employees. In accordance with the act on the duty of due diligence, La Poste introduced a specific whistle-blowing procedure for its tier 1 suppliers and for their employees. This procedure is presented in Section 3.6. The ethical whistle-blowing procedure aimed at Group employees was standardised in 2019 to make it clearer and more accessible. It is hosted on a web interface providing all guarantees in terms of confidentiality, traceability and personalised handling of reports.

In 2019, a number of communications about this whistle-blowing procedure were circulated first to the main managers at La Poste and later to all La Poste employees.

A whistle-blowing procedure aimed at the suppliers of La Poste SA, La Banque Postale and Poste Immo has also been set up on the same Internet platform.

La Poste's suppliers have been notified of the new address for the whistle-blowing procedure through a clause in their contracts on the duty of due diligence.

At the end of 2019, a written communication on the "supplier" whistle-blowing procedure, as well as on La Poste's commitments under the duty of due diligence, was sent to its 3,500 biggest suppliers by the Group's Purchasing Department.

Each whistle-blower report from a tier 1 supplier or one of their employees must be processed by the Purchasing Department and by the Executive Management of the business unit in question. The Purchasing Department checks the contractual relationship with La Poste and ensures that the reported facts are indeed linked to an activity performed in the name of or on behalf of La Poste.

Lastly, the analysis of these whistle-blower reports may impact the scope of La Poste's auditing programme.

A2 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 reports on corporate governance is included in the management report in application of 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
Section 4.1	■ List of terms of office and functions
Section 4.2	■ Possible limitations of the powers of the Chief Executive Officer
Section 4.3	■ Compensation of corporate officers ■ Commitments made by La Poste to corporate officers
Section 4.1 Section 4.2	■ 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)
Section 6.3.2	■ 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:
 - several agreements to which Article L. 225-38 of the French Commercial Code relates were entered into during the fiscal year ended 31 December 2019: a mission agreement with two Directors and a firm protocol between the French State, Caisse des Dépôts, La Poste and La Banque Postale; all of these documents were approved at the meeting of the Board of Directors held on 31 July 2019;
 - no agreement entered into and authorised in prior years continued during the year ended 31 December 2019.
- 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.

2 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED-PARTY AGREEMENTS

This is a free translation into English of the Statutory Auditors' report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and is construed in accordance with, French law and professional standards applicable in France.

(General Meeting for the approval of the financial statements for the year ended 31 December 2019)

To the Shareholders:

LA POSTE
9 rue du Colonel Pierre Avia
75015 Paris

In our capacity as Statutory Auditors of La Poste, we hereby report to you on related-party agreements.

It is our responsibility to report to shareholders, based on the information provided to us, on the main terms and conditions of agreements that have been disclosed to us or that we may have identified as part of our engagement, as well as the reasons given as to why they are beneficial for the Company, without commenting on their relevance or substance or identifying any undisclosed agreements. Under the provisions of article R.225-31 of the French Commercial Code (Code de commerce), it is the responsibility of the shareholders to determine whether the agreements are appropriate and should be approved.

Where applicable, it is also our responsibility to provide shareholders with the information required by article R.225-31 of the French Commercial Code in relation to the implementation during the year of agreements already approved by the General Meeting.

We performed the procedures that we deemed necessary in accordance with professional standards applicable in France to such engagements. These procedures consisted in verifying that the information given to us is consistent with the underlying documents.

Agreements submitted for the approval of the General Meeting

Agreements authorised and entered into during the year

In accordance with article L.225-40 of the French Commercial Code, we were informed of the following agreements entered into during the year and authorised in advance by the Board of Directors.

1. Agreement with Mr Lemoine

Date of authorisation by the Board of Directors: 31 July 2019

Contracting entity: N/A

Person concerned: Philippe Lemoine, a director of La Poste SA

Nature and purpose: the purpose of the agreement is to define the conditions under which Philippe Lemoine, a director of La Poste SA, performs an independent consulting assignment in relation to the updating of the digital strategy of the La Poste Group, particularly with regard to integrating the concept of trusted third parties into the digital strategy.

Terms and conditions: as consideration for the assignment, Philippe Lemoine will receive an overall fixed annual fee of €7,800, excluding taxes. His travel costs in the Ile-de-France region (greater Paris) are included in the aforementioned fixed fee amount. Subject to being approved in advance and in writing by La Poste, other travel costs are reimbursed by La Poste upon presentation of supporting documents and according to the conditions of the travel costs reimbursement schedule defined in the agreement.

Reason provided by the Company: the assignment was entrusted to Philippe Lemoine due to his specific knowledge of digitalisation and new technologies, gained during his career.

Amount recognised during the year: La Poste SA paid €5,850 to Philippe Lemoine for the work performed in connection with the assignment during the year ended 31 December 2019.



2. Agreement with Ms Lejbowicz

Date of authorisation by the Board of Directors: 31 July 2019

Contracting entity: N/A

Person concerned: Corinne Lejbowicz, a director of La Poste SA

Nature and purpose: the purpose of the agreement is to define the conditions under which Corinne Lejbowicz, a director of La Poste SA, performs an independent consulting assignment in relation to the updating of the digital strategy of the La Poste Group, particularly with regard to integrating the concept of trusted third parties into the digital strategy.

Terms and conditions: as consideration for the assignment, Corinne Lejbowicz will receive an overall fixed annual fee of €7,800, excluding taxes. Her travel costs in the Ile-de-France region (greater Paris) are included in the aforementioned fixed fee amount. Subject to being approved in advance and in writing by La Poste, other travel costs are reimbursed by La Poste upon presentation of supporting documents and according to the conditions of the travel costs reimbursement schedule defined in the agreement.

Reason provided by the Company: the assignment was entrusted to Corinne Lejbowicz due to her specific knowledge of digitalisation and new technologies, gained during her career.

Amount recognised during the year: La Poste SA paid €5,850 to Corinne Lejbowicz for the work performed in connection with the assignment during the year ended 31 December 2019.

3. Memorandum of understanding between the French State, Caisse des Dépôts et Consignations, La Poste and La Banque Postale

Date of authorisation by the Board of Directors: 31 July 2019

Contracting entities: the French Republic (hereinafter “the French State”), Caisse des Dépôts et Consignations and La Banque Postale

Persons concerned: Philippe Wahl (Chairman and Chief Executive Officer of La Poste and Chairman of the Supervisory Board of La Banque Postale), Eric Lombard (a director of La Poste and Chief Executive Officer of Caisse des Dépôts et Consignations), Charles Sarrazin (a director of La Poste and representative of the French State on the Board of Directors of La Poste), Caisse des Dépôts et Consignations and the French State (each holding more than 10% of the share capital of La Poste).

Nature and purpose: in 2019, as part of the overall transaction through which the French State and Caisse des Dépôts et Consignations intend to create a large public financial division serving the regions and thereby create a public banking and insurance division around La Banque Postale and CNP Assurances via various transactions, including the acquisition by Caisse des Dépôts et Consignations of a majority interest in the share capital of La Poste, the French State, Caisse des Dépôts et Consignations, La Banque Postale and La Poste entered into a binding Memorandum of Understanding on 31 July 2019.

Terms and conditions: under the terms of the Memorandum of Understanding:

- Caisse des Dépôts et Consignations and the French State have undertaken, each acting on its own behalf, to contribute to the Company their entire stakes in the share capital of CNP Assurances (“the Contributions”), i.e., 280,615,140 ordinary CNP Assurances shares by Caisse des Dépôts et Consignations and 7,645,754 ordinary CNP Assurances shares by the French State, subject to fulfilment of the conditions precedent provided for in the Memorandum of Understanding. Once the contributions have been made, the French State and Caisse des Dépôts et Consignations will respectively hold 41.60% and 58.40% of the share capital and voting rights of La Poste; and
- La Poste has undertaken to contribute all of the CNP Assurances shares contributed by Caisse des Dépôts et Consignations and the French State (i.e., 288,260,894 ordinary CNP Assurances shares) to its subsidiary La Banque Postale, which will thereby – directly and indirectly – hold approximately 62.13% of the share capital of CNP Assurances through Sopassure; and
- Concurrently with the Contributions, Caisse des Dépôts et Consignations will purchase 131,729,136 La Poste shares from the French State, thereby ultimately holding a 66% interest in the share capital of the Company upon completion of the Contributions and the transfer of the Shares sold.

Reason provided by the Company: the aim of the project to create a large public financial division is to strengthen regional cohesion and address regional divide in mainland France and the overseas regions and departments through La Poste and Caisse des Dépôts et Consignations, local operators serving French citizens. La Poste will create a public bancassurance division around its La Banque Postale subsidiary.

Agreements already approved by the General Meeting

We were not informed of any agreements already approved by the General Meeting that remained in force during the year ended 31 December 2019.

Neuilly-sur-Seine and Paris La Défense, 13 March 2020

The Statutory Auditors

PricewaterhouseCoopers Audit

Department of KPMG S.A.

Laurent Daniel

Partner

Jacques Lévi

Partner

KPMG Audit

Eric Amato

Partner

Marie-Christine Jolys

Partner



A3 Corporate social responsibility - additional information

Below, Le Groupe La Poste provides a summary of the information relating to the social 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.

This appendix consists of the following items:

- SNFP cross-reference table;
- methodological note on the non-financial indicators;
- report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated statement on extrafinancial performance provided in the management report.

METHODOLOGICAL NOTE ON THE EXTRAFINANCIAL INDICATORS

Reference

The Group's corporate social responsibility reporting process was carried out 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 employee indicators are developed in accordance with the methodology used for the employee 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,
 - emission factors and other sources from the Base Carbone;
- international guidelines:
 - GHG Protocol, to define scopes 1, 2, 3,
 - Global Reporting Initiative (GRI), sustainable development reporting guidelines,
 - the consumption or emission factors provided by the International Energy Agency (2018 report) to calculate emissions related to electricity consumption abroad (average over the last three years);
- specific cases:
 - renewable electricity emission factors:
 - the 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 2019 employee reporting reference period was based on a calendar year (from 1 January to 31 December 2019) to ensure consistency with French regulations and the employee report for French corporations.

The environmental reporting reference period was created on a year-on-year basis from December 2018 to the end of November 2019, with the exception of paper consumption and number of vehicles (31 December 2019).

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 the employee indicators has been expanded to French express courier companies since 2015 (GeoPost business unit, DPD France and Chronopost). Since 2016, the scope of the employee indicators has encompassed 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 fiscal year at the consolidated Group data level. The 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 kg.eq per €1,000 in revenue. Typically, the extrapolated data is included in scope 3 in the Group emissions table. The change in the extrapolated emissions between 2018 and 2019 is attributable primarily to the acquisitions that were carried out.

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 equivalents)
Scope commitment to reduce La Poste's GHG emissions by 2020	39	73
Social indicators for La Poste excluding subsidiaries abroad	70	84.5
GHG emissions related to transport and buildings for the Group	100	100

Protocol

The indicators are described in a detailed reporting memorandum drawn up by the Group's Societal Commitment 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.

- Scope 3 GHG emissions: mainly include transport subcontractors and subcontracted employee business travel.

The 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.

The 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 GHG emissions related to transportation and buildings are calculated over a rolling (fourth quarter 2018 to third quarter 2019) period.

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, financial services (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, steam, heating or cooling and emissions including transportation subcontractors and subcontracted employee business travel. The modes of transportation taken into account are road transport, air transport, rail transport and maritime transport.

Energy consumption of buildings

The types of energy taken into account are electricity, gas, domestic fuel, municipality heating, propane and GLP. They cover scopes 1, 2 and 3.

The reporting on the energy consumption of buildings was based on the amounts invoiced from 1 December 2018 to 30 November 2019. 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, the consumption was extrapolated from the occupied surfaces.

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.

The energy consumption of the buildings disposed of during the year was not included.

The electricity consumption and the 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 93% 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 the 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 accidents at work, 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 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. Starting in 2017, a new method has been used to calculate the frequency rate, with calculation at 31 December, one month of consolidation and the inclusion of all contracts (excluding interns). The numbers are provided according to the new calculation method for 2016 and later years.

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.

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 the 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.

SNFP CROSS-REFERENCE TABLE

Statement on non-financial performance	Chapter	N° of pages
I. Description of the business model		
Main activities of Le Groupe La Poste	chap. 1	10 to 85
Strategy and outlook	chap. 1	15 to 21
Organisation	chap. 1	77 to 80
Business model	chap. 1	22 to 23
II. Description of the main risks pertaining to the social and environmental consequences of its activities		
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III. CONSEQUENCES OF THE ACTIVITIES OF LE GROUPE LA POSTE		
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Actions aimed at reducing risk		
2. Employment and skills	chap. 3.1	132 to 134
Description of the risks linked to employment and skills		
Risk management policy		
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B. Societal and environmental consequences		
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2. Personal data protection	chap. 3.3	157 to 158
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C. Anti-corruption programme	chap. 3.3	167
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Statement on non-financial performance	Chapter	N° of pages
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IV. Other regulatory topics		
Upholding human rights	chap. 3.1	140 to 143
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Tackling food insecurity	chap. 3.6	175
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V. Methodology		
Methodological note	annexe 3	504 to 506
Statement on accuracy	annexe 3	509 to 511
Statement on compliance	annexe 3	509 to 511

REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED NON-FINANCIAL STATEMENT REFERENCES

This is a free English translation of the Statutory Auditor's report issued in French and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional standards applicable in France.

For the year ended 31 December 2019
To the Annual General Meeting,

In our capacity as Statutory Auditor of your company (hereinafter the "entity") appointed as independent third party, and accredited by the French Accreditation Committee (*Comité Français d'Accréditation or COFRAC*) under number 3-1049⁽¹⁾ and, as a member firm of the KPMG International network, one of your statutory auditors, we hereby report to you on the consolidated non-financial statement for the year ended the 31 December 2019 (hereinafter the "Statement"), included in the Company Management Report pursuant to the requirements of articles L.225-102-1, R. 225-105 and R. 225-105-1 of the French Commercial Code (*Code de commerce*).

Responsibility of the entity

The Management Board's is responsible for preparing the Statement, including a presentation of the business model, a description of the principal non-financial risks, a presentation of the policies implemented considering those risks and the outcomes of said policies, including key performance indicators.

The Statement has been prepared in accordance with the entity's procedures (hereinafter the "Guidelines"), the main elements of which are presented in the Statement and available upon request at the entity's head office.

Independence and quality control

Our independence is defined by the requirements of article L.822-11-3 of the French Commercial Code and the French Code of Ethics (*Code de déontologie*) of our profession. In addition, we have implemented a system of quality control including documented policies and procedures regarding compliance with applicable legal and regulatory requirements, the ethical requirements and French professional guidance.

Responsibility of the Statutory Auditor appointed as independent third party

On the basis of our work, our responsibility is to provide a report expressing a limited assurance conclusion on:

- the compliance of the Statement with the requirements of article R. 225-105 of the French Commercial Code;
- the fairness of the information provided in accordance with article R.225-105 I, 3° and II of the French Commercial Code, i.e., the outcomes, including key performance indicators, and the measures implemented considering the principal risks (hereinafter the "Information").

However, it is not our responsibility to comment on the entity's compliance with other applicable legal and regulatory requirements, in particular the French duty of care law and anti-corruption and tax avoidance legislation, nor on the compliance of products and services with the applicable regulations.

Nature and scope of our work

The work described below was performed in accordance with the provisions of Article A.225-1 et seq. of the French Commercial Code, as well as with the professional guidance of the French Institute of Statutory Auditors (*Compagnie nationale des commissaires aux comptes* or CNCC) applicable to such engagements and with ISAE 3000⁽²⁾:

(1) Accreditation scope available at www.cofrac.fr

(2) ISAE 3000: international standard on assurance engagements other than audits or reviews of historical financial information



- We obtained an understanding of all the consolidated entities' activities, and the description of the principal risks associated;
- We assessed the suitability of the criteria of the Guidelines with respect to their relevance, completeness, reliability, neutrality and understandability, with due consideration of industry best practices, where appropriate;
- We verified that the Statement includes each category of social and environmental information set out in article L.225-102-1 III as well as information regarding compliance with human rights and anti-corruption and tax avoidance legislation;
- We verified that the Statement provides the information required under article R.225-105 II of the French Commercial Code, where relevant with respect to the principal risks, and includes, where applicable, an explanation for the absence of the information required under article L.225-102-1 III, paragraph 2 of the French Commercial Code;
- We verified that the Statement presents the business model and a description of principal risks associated with all the consolidated entities' activities, including where relevant and proportionate, the risks associated with their business relationships, their products or services, as well as their policies, measures and the outcomes thereof, including key performance indicators associated to the principal risks;
- We referred to documentary sources and conducted interviews to:
 - assess the process used to identify and confirm the principal risks as well as the consistency of the outcomes, including the key performance indicators used, with respect to the principal risks and the policies presented;
 - corroborate the qualitative information (measures and outcomes) that we considered to be the most important⁽¹⁾. Concerning certain risks⁽²⁾ our work was carried out on the consolidating entity. For the other risks, our work was carried out on the consolidating entity and on a selection of entities⁽³⁾.
- We verified that the Statement covers the scope of consolidation, i.e. all the consolidated entities in accordance with article L.233-16 of the French Commercial Code.
- We obtained an understanding of internal control and risk management procedures the entity has put in place and assessed the data collection process to ensure the completeness and fairness of the Information;
- For the key performance indicators and other quantitative outcomes that we considered to be the most important⁽⁴⁾, we implemented:
 - analytical procedures to verify the proper consolidation of the data collected and the consistency of any changes in those data;
 - tests of details, using sampling techniques, in order to verify the proper application of the definitions and procedures and reconcile the data with the supporting documents. This work was carried out on a selection of contributing entities and covers between 51% and 98% of the consolidated data selected for these tests;
- We assessed the overall consistency of the Statement based on our knowledge of all the consolidated entities.

We believe that the work carried out, based on our professional judgment, is sufficient to provide a basis for our limited assurance conclusion; a higher level of assurance would have required us to carry out more extensive procedures.

(1) *Collective agreements related to the organisation of the social dialogue; Policy related to employee health and well-being; Policy related to the continuous development of employee skills; Measures taken to promote gender equality and associated results; Commitments and actions to reduce the environmental impacts of activities; Policies implemented to guarantee the accessibility of products and services to all customers; Policies and systems implemented in terms of ethical and responsible digital management; Procedures implemented in terms of business management and fight against corruption; Policy for the satisfaction of people using the network.*

(2) *Risks linked to the legal compliance of the Group's practices as regards personal data protection; Risks linked to the legal compliance of the Group's practices as regards prevention of corruption; Risk of customer dissatisfaction.*

(3) *Véhiposte; Direction du Réseau Logistique du Courrier et du Colis; Direction Technique du Courrier/Colis international; Recy'go; Poste Immo; Direction des approvisionnements (DAPO); Geopost Head Office; La Poste Head Office.*

(4) *Total headcount at 31.12; 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 among total headcount at 31.12; Total number of training hours; Share of employees trained at least once during the year; 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 employee agreements signed; Proportion of women on the Management Committee; Total greenhouse gas emissions related to transportation and buildings; Energy consumption of buildings; Share of environmentally-responsible paper consumed; Tons of paper collected for recycling (Recy'go and Nouvelle Attitude offers).*

Means and resources

Our work was carried out by a team of seven people between September 2019 and March 2020 and took a total of approximately 18 weeks.

We were assisted in our work by our specialists in sustainable development and corporate social responsibility. We conducted approximately 20 interviews with the individuals responsible for preparing the Statement, particularly from Financial Management, Tax Management, Risk Management, Human Resources Management, and Corporate Social Responsibility Management.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the non-financial statement is not presented in accordance with the applicable regulatory requirements and that the Information, taken as a whole, is not presented fairly in accordance with the Guidelines, in all material respects.

Comment

Without modifying our conclusion and in accordance with article A.225-3 of the French Commercial Code, we have the following comment:

- The results presented in relation to the “risks linked to health and safety at work” and to the “risks linked to the need to adapt jobs and skills to the Group’s transformation priorities” are communicated on the scope of the Group’s activities in France, representing 85% of the Group’s consolidated workforce, with the exception of the “Total workforce at 31 December” indicator communicated on the Group’s scope of consolidation. However Le Groupe La Poste initiated a process to broaden the scope of social indicators to Group subsidiaries abroad.

Paris-La Défense, on 6 March 2020

KPMG S.A.

Anne Garans
Partner
Sustainability Services

Eric Amato
Partner



A4 Glossary

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 process outsourcing (BPO)

Outsourcing of certain processes to an outside service provider, a subcontractor.

CDPPT

Departmental Commission on Local Postal Coverage: 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.

Literature for the blind

Mail or parcels containing documents sent or received by visually-impaired people or by organisations that assist them (non-profit organisations, specialised educational institutions, etc.). In France, the universal postal service includes mailing literature for the blind free of charge.

Shipper

A term used in the express sector for an ordering customer who pays for the transport.

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.

Packing units

Packing units for their shipments.

Customs agent

A company that carries out customs formalities on behalf of its customers.

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.

Addressed mail

Type of targeted mail that includes a specific recipient and address (as opposed to unaddressed mail).

Single-piece mail

Items posted and handled individually, as opposed to bulk mail. Another term for individual mail.

Advertising mail

Mail that promotes a brand, its products or its services (may be addressed or unaddressed).

Business mail

Mail whose purpose is to manage and cultivate a brand or company relationship with customers.

Crowdfunding

English term for collective funding. 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 mail or parcel sent from one consumer to another consumer.

Delivery times

The number of business days between when goods are received by the carrier and when they are delivered to the end-customer.

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.

Eco-driving

Style of driving based on using a vehicle modestly to limit CO₂ emissions and fuel consumption.

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).

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.

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.).

ULA

Urban Logistics Area: an area intended for delivering and collecting express parcels that weigh less than 30 kg in an urban area.

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.

SSE

Social and Solidarity Economy: a group of companies organised in the form of cooperatives, mutual companies, non-profit organisations or foundations whose internal functioning and business principles are based on solidarity and social benefits.

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).

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.

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 to create a business plan, file patents, etc. They provide them with premises, offices and help them to establish a network.

Items on hold

Postal items awaiting pick-up at a retail outlet.

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 non-profit organisation 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.

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).

Local and inter-communal postal agencies

La Poste 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).

“La Poste Relais” outlets (rural/urban)

A La Poste 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.

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.).

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.).

Personal microcredit

Loan for consumers who wish to complete a project (excluding start-up), but who do not have access to traditional bank credit.

Social microcredit

Loan system that aims to promote the social and professional integration of disadvantaged consumers or those outside the banking system.

Electronic transactions management

All electronic, computerised and telematic procedures needed to manage bank cards and associated transactions.

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 Coverage 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.

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 Crédit Mutuel Arkéa and Crédit Agricole.

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.

La Poste 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 Coverage Observatory (ONPP).

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.

Press delivery

Transport and delivery of pressprint media through La Poste’s traditional circuit.

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.

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, enable customers to access information on final delivery.

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.

URBY

Network of local logistics sites established in cities by Le Groupe La Poste to focus on goods so as to pool deliveries and prevent lorries with small loads from entering towns. These pooling hubs offer services, particularly to shopkeepers and traders in the town centre: home delivery for their customers, managing returns, collecting recycling, etc. Urby is a subsidiary of GeoPost.

VAD

Distance sales (for example, e-commerce and mail order).

VAE

Electric bike.

Mail order companies

Mail order professionals (VPC).

Catchment areas

Commercial area surrounding a sales outlet and in which consumers and/or prospects live.

Rural area

A municipality with fewer than 2,000 inhabitants.

A5 Cross-reference tables

UNIVERSAL REGISTRATION DOCUMENT

This registration document includes all of the items required under Appendices I and II of Regulation (EU) No. 2019/980, as presented in the table below:

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		Chapter 1.13	81
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5.3	Milestones in the development of the issuer's business activities	Chapter 1.2	11
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		Chapter 7.4	495
5.4	Strategy and objectives	Chapter 1.4	15
5.5	Dependence on patents or licences, industrial, commercial or financial contracts or new manufacturing processes	NA	-
5.6	Competitive position	Chapters 1.6-1.11	24-77
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In accordance with Article 19 of Regulation (EU) No. 2017/1129 of the European Parliament and Council of 14 June 2017, the following information is included for reference in this Universal registration document:

- for 2018: the consolidated financial statements for the year ending 31 December 2018 and the related Statutory Auditors' report, the parent company financial statements, the related Statutory Auditors' report and the financial information from the management report featured in the registration document

filed with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) on 15 March 2019 under no. D. 19 – 0156;

- for 2017: the consolidated financial statements for the year ending 31 December 2017 and the related Statutory Auditors' report, the parent company financial statements, the related Statutory Auditors' report and the financial information from the management report featured in the registration document filed with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF) on 15 March 2018 under no. D. 18 – 0132.



Annual financial report

This Universal registration document includes all items from the financial report referred to under Article L. 451-1-2 of the French Financial and Monetary Code and Article 222-3 of the General Regulations of the AMF:

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Management report

This Universal 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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