

CONSOLIDATED FINANCIAL STATEMENTS  
**31 December 2018**



LE GROUPE LA POSTE

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## CONSOLIDATED INCOME STATEMENT

(€ million)	NOTE	2018	2017
Revenues from commercial activities	6	19,154	18,463
Net banking income	7	5,545	5,647
<b>Operating revenue</b>		<b>24,699</b>	<b>24,110</b>
Purchases and other expenses	8	(10,144)	(9,212)
Personnel expenses	9	(12,769)	(12,840)
Taxes and levies	10	(257)	(258)
Depreciation, amortisation, provisions and impairment	11	(1,197)	(1,160)
Other operating expenses and income	12	412	315
Proceeds from asset disposals		162	49
<b>Net operating expenses</b>		<b>(23,793)</b>	<b>(23,106)</b>
<b>Operating profit/(loss) before share in results of joint ventures</b>		<b>906</b>	<b>1,004</b>
Share in profit of joint ventures	18	(14)	8
<b>Operating profit/(loss) after share in results of joint ventures</b>		<b>892</b>	<b>1,012</b>
Cost of net financial debt		(160)	(154)
Other financial items		(25)	(14)
<b>Financial profit/(loss)</b>	13	<b>(186)</b>	<b>(168)</b>
<b>Profit before tax of consolidated companies</b>		<b>706</b>	<b>844</b>
Income tax	14	(161)	(248)
Share in profits of associates		291	297
<b>CONSOLIDATED NET PROFIT/(LOSS)</b>		<b>837</b>	<b>893</b>
<b>Net profit/(loss), Group share</b>		<b>798</b>	<b>851</b>
Attributable to non-controlling interests		39	42

## CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

Amounts after tax (€ million)	NOTE	2018	2017
<b>CONSOLIDATED NET PROFIT / (LOSS)</b>		<b>837</b>	<b>893</b>
<b>OTHER COMPREHENSIVE INCOME RECOGNISED IN EQUITY</b>			
<b>Recyclable items</b>			
Change in unrealised gains and losses on financial instruments	14.2	(358)	(62)
<i>Reclassification under net income</i>		(198)	(65)
Translation adjustments	14.2	(26)	(28)
<i>Reclassification under net income</i>			
Impact of the overlay approach	3	(10)	
Share in other comprehensive income of associates and joint ventures	18.1	(259)	1
<i>Of which - change in unrealised gains and losses on financial instruments – CNP</i>		(219)	56
<i>- other unrealised gains and losses on financial instruments</i>			1
<i>- cumulative translation adjustments</i>		(40)	(56)
<b>Non-recyclable items</b>			
Actuarial adjustments on employee benefits	29	18	74
Change in credit risk of liabilities designated as at fair value through profit or loss	27.3	(5)	(8)
<b>Total other comprehensive income recognised in equity (after tax)</b>		<b>(639)</b>	<b>(21)</b>
<b>Total comprehensive income/(loss)</b>		<b>198</b>	<b>871</b>
<b>TOTAL COMPREHENSIVE INCOME/(LOSS), GROUP SHARE</b>		<b>159</b>	<b>827</b>
Total comprehensive income/(loss) attributable to non-controlling interests		39	44

## CONSOLIDATED BALANCE SHEET

### ASSETS

(€ million)	NOTE	31/12/2018	31/12/2017
Goodwill	15	2,478	2,332
Intangible assets	16	1,359	1,102
Property, plant and equipment	17	5,989	5,771
Investments in joint ventures and associates	18	3,982	4,098
Other non-current financial assets	19	500	599
Deferred tax assets	14	412	192
<b>NON-CURRENT ASSETS</b>		<b>14,721</b>	<b>14,092</b>
<b>Current banking assets</b>			
Customer loans and receivables	20.1	95,671	88,048
Credit institutions loans and receivables	20.2	87,352	84,088
Securities portfolio	20.3	51,052	46,953
Other current financial assets	20.4	1,608	1,493
Accrual accounts	20.5	1,513	1,815
Cash and central bank deposits	23.2	2,007	3,325
<b>Other current assets</b>			
Inventories and work-in-progress	21	132	121
Trade and other accounts receivable	22	4,156	3,930
Other current financial assets	19	532	712
Income tax credit		368	212
Other accrual accounts – Assets		95	84
Cash and cash equivalents	23.1	2,286	1,735
<b>Assets held for sale</b>	24	17	55
<b>CURRENT ASSETS</b>		<b>246,788</b>	<b>232,570</b>
<b>TOTAL ASSETS</b>		<b>261,509</b>	<b>246,662</b>

## LIABILITIES

(€ million)	NOTE	31/12/2018	31/12/2017
Share capital		3,800	3,800
Issue premium		900	900
Reserves		5,432	4,790
Unrealised gains and losses on financial instruments		590	1,207
Translation reserve		(250)	(184)
Undated hybrid subordinated notes	1.1	744	
Net profit/(loss), group share		798	851
<b>Equity, group share</b>		<b>12,014</b>	<b>11,364</b>
Non-controlling interests		197	169
<b>CONSOLIDATED EQUITY</b>		<b>12,210</b>	<b>11,534</b>
Medium and long-term bonds and other financial debt	27.1	5,004	5,313
Employee benefits – non-current liabilities	29	2,388	2,463
Non-current provisions for contingencies and losses	26.2	124	207
Deferred tax liabilities	14	188	188
<b>NON-CURRENT LIABILITIES</b>		<b>7,703</b>	<b>8,171</b>
<b>Current provisions for contingencies and losses</b>			
Specific provisions for the Banking and Insurance activities	26.1	2,732	2,669
Current provisions for contingencies and losses	26.2	491	459
<b>Short-term bonds and other financial debt</b>	27.1	<b>1,225</b>	<b>984</b>
<b>Current banking liabilities</b>			
Liabilities due to credit institutions	30.1	18,877	14,154
Liabilities to customers	30.2	185,802	182,556
Debt evidenced by a certificate and other financial liabilities	30.3	23,759	17,875
Accrual accounts – Liabilities	20.5	2,360	2,099
<b>Other current liabilities</b>			
Trade and other payables	31	5,432	5,154
Government – Income tax		49	42
Employee benefits – current liabilities	29	679	743
Other accrual accounts – Liabilities		189	222
<b>CURRENT LIABILITIES</b>		<b>241,596</b>	<b>226,958</b>
<b>TOTAL LIABILITIES</b>		<b>261,509</b>	<b>246,662</b>

## CHANGES IN CONSOLIDATED EQUITY 2018

Amounts after tax (€ 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 <sup>(b)</sup>	Other reserves	<b>Total, Group share</b>	Non- controlling interests	<b>Total</b>
<b>Consolidated equity as at 31/12/2017</b>	<b>3,800</b>	<b>900</b>	<b>851</b>	<b>(184)</b>	<b>823</b>	<b>384</b>		<b>4,790</b>	<b>11,364</b>	<b>169</b>	<b>11,534</b>
First-time application of IFRS 9 <sup>(a)</sup>								(118)	<b>(144)</b>	1	<b>(143)</b>
<b>Consolidated equity as at 01/01/2018</b>	<b>3,800</b>	<b>900</b>	<b>851</b>	<b>(184)</b>	<b>823</b>	<b>358</b>		<b>4,672</b>	<b>11,220</b>	<b>170</b>	<b>11,391</b>
Dividend payments			(171)						<b>(171)</b>	(3)	<b>(174)</b>
Call options on non-controlling interests								55	<b>55</b>	(8)	<b>47</b>
Transactions with non-controlling interests								3	<b>3</b>	(3)	<b>1</b>
Appropriation of 2017 net profit/(loss)			(680)					680			
Issue of undated hybrid subordinated notes <sup>(b)</sup>							744		<b>744</b>		<b>744</b>
Comprehensive income for the year			798	(66)	(219)	(372)		18	<b>160</b>	39	<b>198</b>
Of which: - Net profit			798						<b>798</b>	39	<b>837</b>
- Actuarial adjustments								18	<b>18</b>		<b>18</b>
- Other comprehensive income items				(66)	(219)	(372)			<b>(657)</b>		<b>(657)</b>
Other								3	<b>3</b>	1	<b>4</b>
<b>CONSOLIDATED EQUITY AS AT 31/12/2018</b>	<b>3,800</b>	<b>900</b>	<b>798</b>	<b>(250)</b>	<b>604</b>	<b>(14)</b>	<b>744</b>	<b>5,432</b>	<b>12,014</b>	<b>197</b>	<b>12,210</b>

(a) Impacts of the first-time adoption of IFRS 9 (see Note 3).

(b) The nominal amount of the issue is €750 million, of which the issue premium has been deducted (see Note 1.1).

## CHANGES IN CONSOLIDATED EQUITY 2017

Amounts after tax (€ million)	Share capital	Issue premium	Unallocated profit/(loss)	Translation reserve	Unrealised gains and losses on financial instruments – CNP	Other unrealised gains and losses on financial instruments	Other reserves	Total, Group share	Non- controlling interests	Total
<b>Consolidated equity as at 31/12/2016</b>	<b>3,800</b>	<b>900</b>	<b>849</b>	<b>(101)</b>	<b>767</b>	<b>456</b>	<b>4,247</b>	<b>10,917</b>	<b>115</b>	<b>11,033</b>
Dividend payments			(171)					(171)	(14)	(185)
Call options on non-controlling interests							(206)	(206)	(59)	(265)
Transactions with non-controlling interests							(1)	(1)	(20)	(21)
Appropriation of 2016 net profit/(loss)			(678)				678			
Comprehensive income for the year			851	(84)	56	(71)	74	827	44	871
<i>Of which: - Net profit</i>			851					851	42	893
<i>- Actuarial adjustments</i>							74	74		74
<i>- Other comprehensive income items</i>				(84)	56	(71)		(99)	3	(96)
Other							(2)	(2)	103	101
<b>CONSOLIDATED EQUITY AS AT 31/12/2017</b>	<b>3,800</b>	<b>900</b>	<b>851</b>	<b>(184)</b>	<b>823</b>	<b>384</b>	<b>4,790</b>	<b>11,364</b>	<b>169</b>	<b>11,534</b>



## GENERAL ITEMS

## NOTE 1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- 1.1 Hybrid subordinated notes issue
- 1.2 First-time application of IFRS 9
- 1.3 Bonds
- 1.4 Exceptional purchasing power bonus
- 1.5 Sanction decision from the ACPR
- 1.6 Changes in the consolidation scope

**1.1 Hybrid subordinated notes issue**

In April 2018, Le Groupe La Poste carried out a public €750 million hybrid securities issue denominated in euros. The securities issued are undated and have an initial call date of 29 January 2026. According to IAS 32 standard, they were recorded in consolidated equity (see changes in consolidated equity).

The purpose of this operation is to strengthen La Poste's balance sheet, support its rating and help the Group to finance its development.

**1.2 First-time application of IFRS 9**

IFRS 9, adopted by the European Union on 22 November 2016, became mandatory on 1 January 2018. The impacts of this standard as at this date are detailed in Note 3 and can be seen in particular in a decrease in consolidated equity, Group share of €144 million.

**1.3 Bonds**

On 30 November 2018, Le Groupe La Poste carried out a €500 million green bond issue with a 10-year maturity and a 1.45% interest rate.

**1.4 Exceptional purchasing power bonus**

Following the declarations of the French President of the Republic, and under French law no. 2018-1213 of 24 December 2018 relating to emergency economic and social measures, Le Groupe La Poste decided to grant its employees an exceptional bonus.

This exceptional bonus amounts to €300 for employees with an annual gross salary up to 1.5 times the minimum salary, and €200 for employees with an annual gross salary between 1.5 and 3 times the minimum salary. These bonuses were paid at the beginning of the year 2019, and an amount of €50 million has been accrued in the Group accounts in this respect.

**1.5 Sanction decision from the ACPR**

The ACPR Sanctions Commission has issued a reprimand and a financial penalty of €50 million against La Banque Postale further to the report on measures to combat money laundering and the financing of terrorism (LCB-FT). A provision for risks has been set up for this purpose (see Note 26).

Considering this sanction to be particularly harsh regarding the alleged facts used in evidence, La Banque Postale has decided to appeal against this decision with the Conseil d'Etat.

**1.6 Changes in the consolidation scope**

The main changes in the consolidation scope are presented in Note 4.

## NOTE 2 ACCOUNTING RULES AND POLICIES

- 2.1 Accounting guidelines
- 2.2 Valuation basis and use of estimates
- 2.3 Consolidation methods
- 2.4 Translation of financial statements of foreign companies
- 2.5 Foreign currency transactions
- 2.6 Consolidation of the La Banque Postale segment
- 2.7 Business combinations
- 2.8 Operating revenue
- 2.9 Taxes
- 2.10 Intangible assets
- 2.11 Property, plant and equipment
- 2.12 Impairment of goodwill, intangible assets and property, plant and equipment
- 2.13 Other financial assets
- 2.14 Banking activities assets and liabilities
- 2.15 Bond debt and financial derivatives relating to the management of the bond debt
- 2.16 Commitments to buy out non-controlling interests
- 2.17 Inventories and work-in-progress
- 2.18 Trade receivables
- 2.19 Provisions
- 2.20 Employee benefits
- 2.21 Assets held for sale
- 2.22 Cash flow statement

La Poste, the parent company of Le Groupe La Poste ("Le Groupe La Poste" or "the Group") has been a *Société Anonyme* (public limited company) since 1 March 2010, and has its registered office at 9, rue du Colonel Pierre Avia in Paris. It had previously been an independent state-owned entity, which was already subject to the same financial management and accounting rules as commercial businesses.

The consolidated financial statements of Le Groupe La Poste for the year ended 31 December 2018 were signed off by the Board of Directors (meeting on 21 February 2019), and the General Shareholders' Meeting will be asked to approve them.

### 2.1 Accounting guidelines

Pursuant to European Regulation No. 1606/2002 of 19 July 2002, the consolidated financial statements of Le Groupe La Poste for the year ended 31 December 2018 were prepared in accordance with international financial reporting standards (IFRS) as adopted by the European Union. These standards are available on the website of the European Commission ([ec.europa.eu/internal\\_market/accounting/ias/index\\_fr.htm](http://ec.europa.eu/internal_market/accounting/ias/index_fr.htm)).

The accounting principles applied as at 31 December 2018 are unchanged from those applied as at 31 December 2017, except for the items described in Point 2.1.1 below.

#### 2.1.1 Standards and application interpretations that are mandatory for the first time in 2018

##### IFRS 9

IFRS 9 – *Financial instruments* was adopted on 22 November 2016 by the European Union and is mandatory from 1 January 2018.

IFRS 9 – *Financial instruments* replaces IAS 39 – *Financial instruments: Recognition and measurement*. It defines new rules for the classification and measurement of financial instruments, a new financial asset impairment methodology and introduces a reformed hedge accounting model.

The impacts of this standard mainly concern La Banque Postale business unit. They are not significant for the Group's other business units.

The primary changes introduced by this standard for the Group's banking activities are described in Note 3.

##### IFRS 15

The impacts of IFRS 15 – *Revenue from Contracts with Customers*, on the Group's financial statements are not significant.

#### Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The application of these amendments did not have any impact on the Group's consolidated accounts as at 31 December 2018.

### Amendments to IAS 40 – Transfers of Investment Property

The application of these amendments did not have any impact on the Group's consolidated accounts as at 31 December 2018.

### IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The application of this interpretation did not have any impact on the Group's consolidated accounts as at 31 December 2018.

#### 2.1.2 Standards and application interpretations that are mandatory for the first time after 31 December 2018

The Group did not apply any accounting standard early as at 31 December 2018.

### IFRS 16

IFRS 16 - *Leases* will be applied on 1 January 2019 using the modified retrospective approach and consequently:

- a lease liability equal to the discounted value of lease payments not yet paid will be recognised under liabilities;
- the right-of-use asset, depreciated over the term of the lease, will be recognised under assets.

With regard to the right-of-use assets covered by the majority of its leases, the Group has chosen to apply, for the transition on 1 January 2019, the provision which allows for the calculation of the book value of the right-of-use asset as if this standard had been applied on the date of entry into force of the lease, taking account of known changes to the lease since its signing.

The difference between the value of lease liabilities and the net value of right-of-use assets on the date of first application will be recorded as equity.

For the transition, the Group has decided to apply the simplified measurements provided by the standard, namely:

- the exclusion of leases for low-value assets;
- the exclusion of leases with a remaining term of less than 12 months;
- the option not to capitalise costs directly linked to the signing of leases;
- as an alternative to performing an impairment test, the right-of-use asset will be adjusted by the amount of any provisions for onerous leases.

In addition, as stipulated by the standard, the finance leases will be recognized as provided for by IAS 17.

Terms of leases are determined on the basis of an analysis of termination options before the lease term and renewal options that can exist.

Discount rates are determined on the transition date, in accordance with the standard and in reference to the incremental borrowing rate of the lessee for each term.

- rates are determined on the basis of the risk-free rate for the currency of the lease, on the Group's credit

risk and on the estimated additional credit risk for subsidiaries;

- on the transition date, the Group uses the term of each lease as at the date of its entry into force so as to ensure consistency with the method used to determine the book value of the aforementioned right-of-use asset.

The Group has developed and implemented a dedicated IT system used to collect contractual data and to perform the calculations required by the standard. This system is accessible by all Group entities.

An inventory of leases and their characteristics was carried out in 2017 and 2018. Audits are currently under way to reinforce this data and the main assumptions used.

The number of contracts thus listed is close to 11000. The majority of the rights of use relates to operational or administrative buildings.

The additional lease liability generated by IFRS 16 should fall within the range of €2.4 to €2.7 billion at 1 January 2019, compared with lease commitments amounting to €2.7 billion (see Note 37.1).

The standard does not allow for the restatement of comparative years under the modified retrospective transition approach. However, the Group has prepared 2018 restated data comparable with its 2019 consolidated financial statements for the purposes of its financial communication.

The impact of the application of IFRS 16 on operating profit/(loss) and net profit/(loss) is not expected to be significant. The cash flow statement will show a significant improvement in EBITDA, mainly offset by the repayment of the lease liability and the payment of interest.

### IFRIC 23

The Group does not expect any significant impact of this interpretation, which will be mandatory in 2019.

## 2.2 Valuation basis and use of estimates

The consolidated financial statements are prepared using the historical cost method, with the exception of certain financial instruments measured at fair value.

When preparing the financial statements, the Group is required to make the best possible estimates and to select assumptions that affect the values of assets and liabilities in the balance sheet, and the contingent assets and liabilities disclosed in the notes to the consolidated financial statements, as well as the income and expenses in the income statement. The actual amounts may subsequently differ from the estimates and assumptions.

The items primarily concerned are:

- the calculation of employee benefits;
- the estimates for provisions for contingencies and losses, especially the Home Loan Savings provision;

- the assumptions selected for impairment tests on goodwill and on intangible and tangible assets;
- the measurement of financial instruments not listed on organised markets;
- the credit risk assessments performed by La Banque Postale;
- the assumptions and estimates used to measure the effectiveness of hedges.

## 2.3 Consolidation methods

### 2.3.1 Full consolidation

Subsidiaries that are controlled by the Group are fully consolidated.

Control is defined as the power over the relevant activities of the investee, exposure to variable returns from the investee and the ability to use its power to affect these returns

### 2.3.2 Equity method

Associates and joint ventures are accounted for under the equity method.

Joint ventures are those joint arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Joint control is defined as the sharing of control over a company operated in common by a limited number of partners or shareholders, in such a way that they unanimously set the financial and operating policies.

Associates are entities over which the Group has significant influence.

Significant influence is defined as the power to participate in the financial and operating policies of a company, without having exclusive or joint control over that company.

Shares accounted for under the equity method are recorded in the balance sheet under "Investments in joint ventures and associates" at their historical cost adjusted for the share of net assets earned subsequent to the acquisition, less impairment.

Their profits or losses are presented in the consolidated income statement under "Share in profits of joint ventures and associates".

### 2.3.3 CNP Assurances

Le Groupe La Poste considers that it has significant influence over CNP Assurances due to its close business ties with the company and its representation on its governing bodies.

La Poste sold 2% of its holding in CNP Assurances to the Caisses d'Épargne Group in 2000, as part of the restructuring of CNP Assurances' share capital. This sale was accompanied by the Caisses d'Épargne Group's agreement to sell back the shares, enabling Le Groupe La Poste to recover its shareholding when the shareholders' agreement expires.

In Le Groupe La Poste's consolidated financial statements, it was considered that the Group would

continue to bear the risks and enjoy the benefits relating to these shares. As a result, the 20.15% interest in CNP Assurances, which includes the 2% interest held by the Caisses d'Épargne Group, is accounted for under the equity method.

### 2.3.4 Non-material controlled entities

Non-material and/or dormant entities, the consolidation of which would not have a material impact on the presentation of a true and fair view of the net assets, financial position or profits and losses of the Group's business activities, are not consolidated.

### 2.3.5 Intra-group transactions

All material transactions between consolidated companies, and proceeds on internal disposals, are eliminated.

### 2.3.6 Acquisition and disposal of non-controlling interests

Acquisitions and disposals of non-controlling interests that do not result in a change in control over the company in question are recognised in equity.

## 2.4 Translation of financial statements of foreign companies

The consolidated financial statements are presented in euros, which is the functional and reporting currency for La Poste, the Group's parent company.

The financial statements of all Group companies that use a functional currency other than the reporting currency are converted into the reporting currency in the following manner: the balance sheets of foreign companies are converted into euros based on the closing exchange rate, and their income statements are converted based on the average rate for the financial year. The resulting translation adjustments are recorded directly in the consolidated balance sheet in equity, under "Translation reserves".

Goodwill and fair value adjustments resulting from the acquisition of a foreign operation are treated as the assets and liabilities of the foreign operation and converted at the closing exchange rate.

Exchange differences stemming from transactions consisting of net investments between Group companies are recognised in balance sheet equity under "Translation reserves". Foreign exchange differences resulting from the translation of loans and other foreign exchange instruments designated as hedging instruments for these net investments are charged to equity on consolidation.

When a foreign operation is disposed of, the translation adjustments initially recognised in equity are recognised under gains and losses on disposal in the income statement.

## 2.5 Foreign currency transactions

Transactions denominated in foreign currencies are recognised based on the applicable exchange rates at the recognition date.

At the closing date, assets and liabilities denominated in foreign currencies are translated at the applicable closing rate.

Foreign exchange differences arising on transactions denominated in foreign currencies are recognised on the "Net foreign exchange gains/(losses)" line under "Other financial income" in the income statement (see Note 13).

## 2.6 Consolidation of the La Banque Postale segment

In order to improve the clarity of financial statements, specific items relating to banking and insurance activities in La Banque Postale segment have been combined on distinct lines in the consolidated balance sheet and consolidated income statement. A detailed presentation of these items is provided in the Notes, in accordance with the requirements listed in the IFRS guidelines.

Comments on the principles applied are presented in the notes 2.8 - *Operating revenue* and 2.14 - *Banking activities assets and liabilities*.

## 2.7 Business combinations

Business combinations are recognised according to the acquisition method, in line with the provisions of IFRS 3 - *Business Combinations*.

When an exclusively controlled company is first consolidated, the acquisition cost represents the fair value of the assets transferred, the equity instruments issued, and of the liabilities incurred or assumed at the date of exchange, plus any contingent consideration.

**Goodwill** represents the excess of the cost of the business combination over the Group's share in the fair value of the assets, liabilities and contingent liabilities of the acquired company.

Negative goodwill is immediately recognised in income in the year in which the acquisition is made.

Goodwill is not amortised and is subject to impairment tests at least once a year, and whenever there are indications that it may have been impaired, using the method described in Note 2.12.

## 2.8 Operating revenue

### 2.8.1 Revenue from commercial activities

Revenue from the sale of goods or services is recognised upon transfer of the major risks and rewards of ownership to the customer. It is recognised as and when the related service is provided, except for postage stamps and pre-paid envelopes, where income is recognised at the time of sale.

As a result, the time taken for shipping of mail and parcels is taken into consideration when assessing revenue at the balance-sheet date.

### 2.8.2 Net Banking Income

Net Banking Income in the consolidated income statement is the net balance of banking revenue and expenses for La Banque Postale and all its subsidiaries. It is prepared in accordance with the accounting rules applicable to banks. A breakdown of Net Banking Income is provided in Note 7.

## 2.9 Taxes

The La Poste parent company has opted for a tax consolidation regime where it is the umbrella company.

Deferred taxes are recognised whenever there is a temporary timing difference between the book value of balance sheet items and their taxable value.

Deferred taxes recognised in prior financial years are adjusted to reflect any tax rate changes. The corresponding impact is recorded as an increase or decrease in the deferred tax expense in the income statement unless it relates to items recorded directly in equity, in which case the tax is recorded in equity.

All deferred tax liabilities relating to taxable temporary timing differences are recognised. Deferred tax assets resulting from timing differences, tax loss carry-forwards and tax credits are recognised if they are likely to be recovered (i.e. insofar as it is likely that future taxable profit will be available against which the timing differences can be charged). The assessment is based on the scheduled reversal dates for all the deferred tax bases, using the entity's best estimates of the future changes in its taxable profit (see Note 14).

Deferred tax assets and liabilities are offset within a single taxable entity.

The income tax consequences of dividends relating to financial instruments recorded in equity are recognised in profit or loss.

## 2.10 Intangible assets

IAS 38 - *Intangible Assets* defines an intangible asset as an identifiable non-monetary asset without any physical substance, i.e. arising from legal or contractual rights or a separable asset.

Intangible assets primarily involve software and leasehold rights, and are recorded at their acquisition cost less amortisation and impairment.

Software is amortised on a straight-line basis over its useful life, usually a period of one to three years. Leasehold rights are not amortised.

### Research and development costs

Research costs are expensed in the year in which they are incurred.

Development costs are recorded as intangible assets, provided they meet the criteria set out in IAS 38. They

are amortised on a straight-line basis over their useful life (on average 3 years, and up to 5 years maximum) from the day they are commissioned.

Development expenditure that does not satisfy the above criteria is expensed in the year in which it is incurred.

## 2.11 Property, plant and equipment

Property, plant and equipment consists primarily of land, buildings, plants, tools, equipment and computer hardware. They are recorded at cost less depreciation and impairment.

### 2.11.1 Acquisition cost of property, plant and equipment

Only expenditure giving rise to a controlled resource as a result of past events and from which the Group expects to generate future economic benefits is capitalised.

The incidental costs directly attributable to the acquisition of non-current assets or to bringing them into working condition are included in the cost of the non-current asset.

Borrowing costs are included in the purchase cost of qualifying assets, in accordance with IAS 23 – *Borrowing Costs*.

Investment subsidies received in respect of the acquisition of a non-current asset are recorded as balance sheet liabilities and recognised in income over the useful lives of the underlying assets for which they were awarded.

### 2.11.2 Breakdown of the original value of non-current assets by component

A component is a part of a non-current asset that has a different useful life, or that generates economic benefits at a rate that differs from that of the overall non-current asset.

Le Groupe La Poste has identified the following components:

Non-current assets	Components
Real Estate portfolio	structural frame, roof, joinery and external works, large equipment items, small equipment items, fixtures and fittings, and land
Sorting machines	mechanical parts, intelligence, peripherals a 4 <sup>th</sup> 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
<b>Buildings</b>	
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
<b>Machinery and equipment</b>	
Sorting machines	5 to 15 years
Sorting-area equipment	5 to 8 years
Office and computer equipment	3 to 5 years
Office furniture	10 years
ATMs	5 to 10 years
Transportation vehicles (other than TGV railcars)	3 to 5 years

Land is not depreciated.

### 2.11.4 Finance leases

Leases where the Group assumes, in substance, all the risks and benefits, are deemed to be finance leases. An asset acquired under a finance lease is recognised at the lower of fair value or the present value of minimum future payments as at the date the lease is signed, less cumulative depreciation and impairment.

Leases that meet the definition of a finance lease, but where the restatement would not have a material impact on the presentation of a true and fair view of the net assets, financial position or profits or losses of the Group's business activities, are treated as operating leases.

## 2.12 Impairment of goodwill, intangible assets and property, plant and equipment

Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at least once a year, and whenever an indication that the asset may be impaired is identified.

Other intangible assets and property, plant and equipment are only tested for impairment where there is an indication that they may have been impaired.

An impairment test involves comparing the net book value of an asset, or of the Cash Generating Unit to which it belongs with its recoverable value, which is the higher of its fair value less sale costs and its value-in-use. Where the recoverable amount of a capitalised asset or group of assets falls below the net book value, an impairment is recognised to bring the net book value in line with the recoverable amount.

Fair value less sale costs represents the amount that could be obtained by selling an asset at the measurement date in an arms'-length transaction, net of any disposal costs.

The value-in-use of an asset or group of assets is the present value of the future cash flows expected to arise from using the asset or Cash Generating Unit.

The value-in-use of goodwill is determined based on the forecast net cash flows set out in business plans, and based on the assumptions approved by the Group as part of the budgetary process. These forecasts generally cover a five-year period, beyond which cash flows are extrapolated to infinity using a low growth rate, which usually corresponds to inflation. The cash flows are discounted by applying the weighted average cost of capital for each relevant asset or group of assets.

## 2.13 Other financial assets

### 2.13.1 Other non-current financial assets

This item primarily includes:

- loans granted for local authority housing, recorded at their amortised cost under the effective interest rate method. Provisions are recorded so as to take the maturities and repayment terms of these loans into account, as well as the estimated risk of non-recovery;
- unconsolidated investments. IFRS 9 offers an irrevocable option to classify them at fair value through non-recyclable equity, at each instrument's first recognition date. In this case, the unrealised gains or losses through equity are not recycled to profit or loss if they are sold. The income statement will only be impacted if there are any dividends related to these securities. The Group has chosen to classify its unconsolidated equity investments in this category, with the exception of the Visa securities. In the event that no active market exists, and where the fair value cannot be reliably determined using alternative measurement methods, they are retained on the balance sheet at cost.
- the non-current portion of the fair value of financial derivatives relating to La Poste's bond debt (see Note 27).

### 2.13.2 Other current financial assets

These primarily involve the current portion of the fair value of financial derivatives relating to La Poste's bonds (see Notes 2.15 and 27).

## 2.14 Banking activities assets and liabilities

### 2.14.1 General accounting principles for financial assets and liabilities

#### Initial recognition

For their initial recognition, financial assets and liabilities are measured at their fair value plus or minus the transaction costs directly attributable to the acquisition (with the exception of financial assets and liabilities recognised at fair value through profit or loss for which the transaction costs are recognised in income or expenses at the time of their initial recognition).

In practice, the fair value is most often the sale or transaction price of the financial instrument.

#### Date of initial recognition

Securities are recorded in the balance sheet at the settlement-delivery date whilst derivatives are recorded at the trading date. Changes in fair value between the trading date and the settlement-delivery date are recorded in profit or loss.

Loans and receivables are recorded in the balance sheet at the disbursement date.

#### Distinction between debt instruments and equity instruments

A debt instrument constitutes a contractual obligation to pay out cash or some other financial asset, or to exchange instruments.

An equity instrument is a contract that evidences a residual interest in an entity's net assets, without a contractual obligation to pay out cash or exchange instruments.

### 2.14.2 Recognition of financial assets

According to IFRS 9, financial assets are classified according to the entity's defined accounting business model and contractual cash flow characteristics ("basic loan" criterion).

#### Business models

An accounting business model corresponds to the way in which a group of financial assets is collectively managed to generate revenue. Its aim is to best reflect the management practices for the assets concerned. It is identified within the Group from the objective facts that may be observed such as the analysis of the business line organisation, its information systems, its internal reports, its risk-monitoring method, or its past management decisions (for example, disposal history).

There are three types of business model:

- a model which consists of holding financial assets to collect their contractual cash flows ("hold to collect" model);
- a model which consists of collecting the contractual cash flows and selling the financial assets ("Collect and Sell" model);
- a specific model for other financial assets, notably those managed for transaction purposes.

The identification of a business model is supported by documentation within each Group business line.

By definition, it is very rare to change business models. Changes in business models must be decided by the business management team in agreement with the General Management in view of the internal and external changes that are significant for the business and observable by external parties. Thus, a change in business model may only correspond to the termination or launch of a significant activity. For example, it might concern the sale of a business line previously managed according to the "Hold and Collect" model: in this case, the entity no longer markets this type of financial instrument and reclassifies all the concerned assets in a "Transaction" type business model.

The reclassification of debt instruments that meet the "SPPI" test is mandatory if the business model changes and prohibited in all other cases.

This reclassification must be carried out on a prospective basis, without restating the balance sheet or income statement for previous periods.

Moreover, the reclassification must take place at the opening date of the first financial year starting after the effective date of the change in business model.

#### "Basic loan" criterion or "SPPI" test

The SPPI criterion aims to ensure that the contractual cash flows generated by the instrument are solely made up of principal repayment flows and interest payments on the remaining principal owed. In other words, the instrument must be a "basic loan".

The principal is defined as the fair value of the financial instrument at the time of its initial recognition in the balance sheet.

Interest may include several components, including:

- compensation received in respect of passing time or "the time value of the money";
- compensation for the credit risk incurred on the loaned amount;
- compensation to offset the liquidity or administrative costs, and;
- the sales margin.

Financial assets that meet the "basic loan" criterion are debt instruments that notably include classical loans, fixed rate and floating rate bonds and trade receivables.

Financial assets that do not meet the "basic loan" criterion notably include debt instruments such as UCITS and structured securities.

Derivative instruments and share-based or unconsolidated equity investments by definition do not comply with the "basic loan" criterion.

According to IFRS 9, financial assets are classified into one of the following four categories:

#### 2.14.3 Financial assets measured at amortised cost

Debt instruments whose contractual flows are solely made up of payments of principal and interest on the remaining principal owed ("basic loan" or "SPPI" test criterion) are classified under amortised cost if the aim of the business model is to hold these financial assets to collect the contractual cash flows.

The aim of the "Hold to Collect" contractual flow model is to hold assets over a long period or up to maturity to collect the contractual flows. In this business model, few or no disposals take place. Some disposals are authorised (disposals carried out as part of an increase in credit risk, disposals close to the instrument's maturity date, frequent but insignificant disposals as well as isolated disposals even if these are significant).

Following their initial recognition, financial assets at amortised cost are recognised under the effective

interest rate method and can be subject to impairment in accordance with IFRS 9.

The effective interest rate is the exact interest rate that discounts the future cash flows forecast over the expected lifetime of a financial asset to the financial asset's initial fair value. It includes the transaction costs and incidental revenue (administrative fees, commitment commissions if the drawdown is more probable than improbable or investment commissions) as well as all other premiums or discounts. It is an actuarial rate.

Within the Group, this financial asset category includes most of its large customer loans and receivables, as well as most securities that come under banking activity investments.

#### 2.14.4 Financial assets measured at fair value through recyclable equity

Debt instruments whose contractual flows are solely made up of payments of principal and interest on the remaining principal owed ("basic loan" or "SPPI" test criterion) are classified at fair value through recyclable equity if the aim of the business model is to hold these financial assets to collect the contractual cash flows and sell the assets.

These assets are recognised at their fair value at their initial recognition in the balance sheet and can be subject to impairment in accordance with IFRS 9.

This category of financial instruments has the specific feature of being measured at fair value in the balance sheet, but presenting the impacts of a valuation at amortised cost in the income statement. Changes in fair value are recorded in recyclable reserves which ensure the balance between the two accounting methods in the balance sheet and income statement.

This is notably the case for the recognition of impairment. The book value of the asset remains the fair value and is not impacted by the amount of impairment calculated. The income statement is impacted by any change upwards (expense) or downwards (income) in the amount of impairment. The counterparty to these movements is recorded in recyclable reserves.

When these securities are sold, unrealised gains or losses previously recorded in equity are recycled to the income statement under "Net gains and losses on financial assets at fair value through recyclable equity".

#### 2.14.5 Financial assets at fair value through non-recyclable reserves

For investments in equity instruments that are not held for trading, IFRS 9 offers an irrevocable option to classify them at fair value through non-recyclable equity, at each instrument's first recognition date.

In this case, the unrealised gains or losses through equity are not recycled to profit or loss if they are sold. The income statement will only be impacted if there are any dividends related to these securities. The Group has chosen to classify its unconsolidated equity investments in this category, with the exception of the Visa securities.

Moreover, in the event of disposal, the Group has chosen to reclassify in reserves as at 1st January of the following financial year, the portion of non-recyclable reserves corresponding to any recorded gains or losses on disposal.

#### 2.14.6 Financial assets at fair value through profit or loss

The "Financial assets at fair value through profit or loss" category is the default category under IFRS 9.

It includes debt securities that do not correspond to "basic loan" criteria (for example, UCITS), as well as investments in equity instruments that are not classified in the Financial assets at fair value through non-recyclable equity category.

This category also includes financial assets, including asset derivatives held for trading, i.e. acquired or issued with the aim of selling them within a short timescale. Within the Group, they notably include loans to local authorities eligible for assignment to Caffil.

Changes in the fair value of the financial assets in this category are recorded in the income statement.

#### 2.14.7 Impairment of financial assets

The new provisioning methodology defined by IFRS 9 has now shifted toward an expected credit loss impairment model and away from an incurred loss only model.

IFRS 9 defines a provisioning model that applies to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, and notably to all financial assets measured at amortised cost and fair value through recyclable reserves. This model also applies to loan receivables, loan commitments and financial guarantees.

Accordingly, impairments representing "one-year expected credit losses", are accounted for as assets recognised at amortised cost and fair value through recyclable reserves as soon as they are recorded in the balance sheet, as long as they do not significantly increase credit risk. "One-year expected credit losses" correspond to the total losses incurred in the event of default, weighted by the probability of default at one year. These outstandings come under "Bucket 1".

Outstandings for which a significant deterioration in credit quality has been identified since the date they were first recognised are subject to impairment for the amount of the "expected credit loss over the remaining life of the instrument". "Expected credit loss over the remaining life of the instrument" corresponds to the total losses incurred in the event of default, weighted by the probability of default over the expected life of the instrument. These outstandings come under "Bucket 2".

Financial assets which are in a default situation are downgraded to "Bucket 3" and are subject to impairment for the amount of the estimated credit loss on completion.

#### Significant increase in credit risk

An increase in credit risk is a relative, and not absolute, concept. This relative approach involves, therefore, being able to monitor the change in credit quality over time.

The Group relies on a certain number of indicators (the main ones are described in note 33) to detect any deteriorations in the credit quality of a counterparty.

#### Bucket 1 and bucket 2 provisioning methodology

Expected credit losses correspond to the difference between the cash flows that the entity is entitled to receive under the contractual provisions, and the cash flows that the entity expects to recover, discounted using the effective interest rate for the financial asset.

The cash flows that the entity is entitled to receive take into account all the contractual terms and conditions for the financial instrument over its expected lifetime (for example, early redemption options, extension, etc.), and include the cash flows from the exercise of contractual guarantees.

Expected credit losses are estimated according to the probability of counterparty default. The probability of default corresponds to the probability that the debtor defaults within a given time period.

For "Bucket 1", the time period is annual. For "Bucket 2", the time period is the instrument's lifetime.

Within the Group, impairment on loans is statistical (by homogeneous categories with similar risk characteristics), with the option of adjustment by an expert in certain cases, particularly for loans granted to legal entities.

In accordance with the provisions of IFRS 9, expected credit losses are calculated according to a methodology which includes reasonable and justifiable information on past events, current circumstances and forecasts of the economic environment (the "Forward looking" concept).

The "forward-looking" component is obtained using a modelled three-scenario approach. The final impairment corresponds to the average weighted by the probability of each scenario occurring.

#### Defaulting loans coming under "bucket 3"

IFRS 9 does not impose a definition of default. On the contrary, it encourages the selection of a definition consistent with that selected by the entity as part of its risk management policy. Within the Group, an individually identified financial asset is considered as being in default when it shows a credit event that indicates financial difficulties.

The Group considers the following as objective evidence of default:

- the existence of one or several payments in arrears of over three months;
- an application for a debt management plan has been filed with the Banque de France, even if there are no payment issues;
- the existence of legal proceedings;
- receivables considered to be "very risky" in view of its risk management policy.

**Scope of home loans**

Outstandings in default are weighted by the parameter of "best estimate of the expected loss on the exposure in default" adjusted to account for certain elements (notably the removal of the overweights taken into account in the risk monitoring analysis such as the impact of an economic slowdown, for example). This parameter is calculated according to the duration of the default and the type of guarantee.

If the impaired home loans are reappraised, the provisions may be entirely or partially reversed and the receivables removed from "Bucket 3", when the entire amount in arrears is paid and when payments have resumed on a regular basis for the amounts corresponding to the contractual deadlines for at least two months.

**Scope of leasing and loans to legal entities**

For this scope, the specific provisioning of outstandings is monitored on a monthly basis and adjusted by expert appraisal if applicable. An impairment is then recognised, based on the difference between the book value and the expected flows discounted at the original effective interest rate, which are determined by taking account of the debtor's financial position and the present value of any guarantees received. Removal from "Bucket 3" may be effective after a probationary period corresponding to a period without credit incidents.

For all these scopes, the amount of impairment is recognised in "Cost of risk" in the income statement and the value of the financial asset is reduced through an impairment.

In accordance with the contagion principle, all outstandings to the same account holder are provisioned as soon as one receivable for this account holder is impaired within the Group.

**Restructuring operations**

Restructured receivables are receivables for which the entity has modified the original financial conditions due to the borrower's financial difficulties.

Restructuring is defined according to two main criteria:

- concessions by the institution;
- financial difficulties for the borrower.

The discounted rate recognised when a receivable is restructured is recorded in cost of risk and as a corresponding reduction in outstandings in the balance sheet. It corresponds to the difference between the nominal value of the receivable before restructuring and the value of the new expected future flows discounted at the original effective interest rate. The discount is recorded in the income statement in the interest margin according to an actuarial method over the duration of the loan.

Any cancellation of capital is directly recognised in profit or loss.

**2.14.8 Deconsolidation of financial assets**

Financial assets are deconsolidated when the contractual rights to the cash flows attached to the

financial asset expire, or when those rights and virtually all the risks and benefits of ownership have been transferred to a third party.

When certain risks and advantages have been transferred, and while control of the financial asset is retained, that asset remains in the balance sheet so as to reflect the ongoing involvement in the asset concerned.

Within the Group, most loan renegotiations result in deconsolidation, as the contractual rights are substantially modified.

**Repurchase agreements**

The assignor does not derecognise the securities. The Group records a liability that represents its commitment to refund the cash received. This debt represents a financial liability, which is recorded at amortised cost, and not at fair value.

The assignee does not recognise the assets received, but recognises a receivable on the cash loaned by the assignor. At subsequent balance-sheet dates, the assignor continues to value the securities according to the rules applicable to their original category. The nominal value of the receivable is shown in loans and receivables.

**Securities lending transactions**

The lending and borrowing of securities cannot be treated as a financial asset transfer according to IFRS. Therefore, these transactions cannot result in the deconsolidation of the loaned securities. They continue to be recognised in their original accounting category and valued in accordance with the rules of that category.

**2.14.9 Financial debt****General principle for classifying financial debt**

By default, all financial liabilities are classified in the amortised cost category.

At the closing date, these debts are assessed using the effective interest rate method and recorded in the balance sheet as "Liabilities to credit institutions", "Liabilities to customers", "Debts evidenced by a certificate" or "Subordinated debt" unless they are subject to fair value hedging.

**Liabilities to credit institutions and customers**

Liabilities to credit institutions and customers are broken down according to their initial maturity or nature: sight debt (sight deposits and ordinary accounts) or long-term debt (special scheme savings accounts). These liabilities include securities sold under repurchase agreements and loaned securities.

**Debt evidenced by a certificate**

Debt securities consist of negotiable debt securities issued by La Banque Postale.

**Subordinated debt**

Subordinated debt includes debt for which the repayment, in the event of liquidation of the debtor, is only possible after the claims of other preferred or

unsecured creditors have been met. This debt is valued using the amortised cost method, unless it is subject to fair value hedging.

#### Financial liabilities at fair value through profit or loss

Financial liabilities recognised in this category correspond to the financial liabilities held for trading, including derivative liabilities, as well as liabilities that the Group designated from the start to be assessed at fair value through profit or loss by application of the option offered by IFRS 9, subject to compliance with the following conditions:

- elimination or significant reduction in accounting mismatches. The Group thus measures some structured issues at fair value through profit or loss;
- group of financial liabilities whose management and performance assessment take place at fair value;
- compound financial liabilities comprising one or several embedded derivatives that are not closely related.

The accounting treatment for financial liabilities for which this option has been exercised is as follows:

- changes in the fair value of these liabilities are recognised in profit or loss, with the exception of the portion relating to the Group's own credit risk.
- changes in the fair value relating to the Group's own credit risk component are recognised in non-recyclable reserves. This portion may not be recycled in profit or loss if the debt is redeemed early.

#### Distinction between debt and equity: Undated deeply subordinated notes

Subordinated notes are classified as debt instruments or equity according, in particular, to the analysis of their features, and more specifically, according to their compensation method, depending on whether it is discretionary or not.

In view of the conditions set forth by IAS 32, in order to analyse the contractual substance of these instruments, and taking their contractual features into consideration, the undated deeply subordinated notes issued by CNP Assurances Group are considered "debt instruments".

Subordinate debentures issued that can be converted into ordinary shares also meet the "debt instrument" classification criteria, even if the coupons are treated as dividends deducted from equity. Deferred tax assets associated with the distribution of coupons representing a tax saving are recognised in profit or loss pursuant to the IAS 12 amendment forming part of the 2015-2017 annual improvements.

In accordance with IAS 32, subordinate debentures that can be converted into ordinary shares have been analysed as hybrid instruments comprising a debt component and an equity component.

#### Financial liabilities including embedded derivatives

An embedded derivative is a component of a hybrid liability. It is separated out of the host contract and recognised separately when, from the contract's

initiation, its economic characteristics and the related risks are not closely linked to those of the host contract, except where the hybrid liability is measured as a whole at fair value through profit or loss. Within the Group, this category of liabilities notably includes the structured issues (Euro Stoxx indexing).

#### Reclassification of financial liabilities

The classification of a financial liability set at the initial recognition is definitive and no subsequent reclassification is authorised.

#### Deconsolidation of financial liabilities

Financial liabilities are deconsolidated when the contractual obligation is settled, cancelled, or when it expires.

#### 2.14.10 Financial derivatives and hedge accounting

A derivative is a financial instrument or other contract with the following three characteristics:

- its value fluctuates according to interest rates, the price of the financial instrument, raw materials' prices, an exchange rate, a price index, a credit rating or credit index, or another underlying variable;
- it requires a low or zero initial investment or one that is lower than a non-derivative financial instrument with the same sensitivity to the underlying changes;
- it is settled at a future date.

Derivatives are classified into two categories:

#### Derivatives held for trading

Derivatives belong to the category of financial instruments held for trading, except for derivatives that are used for hedging purposes. Their fair value is recognised in the balance sheet in "Financial instruments at fair value through profit or loss". Changes in fair value and interest accrued or outstanding are recognised in "Net gains or losses on financial instruments at fair value through profit or loss".

#### Hedging derivatives

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. The Group has decided to take advantage of the option to keep IAS 39 principles on hedge accounting. With regard to macro-hedging, the European Union's provisions relating to the fair value hedging of a portfolio of interest rate items continue to apply.

Hedging derivatives that qualify as hedging instruments according to IAS 39 criteria are classified in the "Fair value hedges" or "Cash flow hedges" category, as applicable. They are recognised in the balance sheet as "Hedging derivatives". Other derivative instruments are classified in "Financial assets or liabilities at fair value through profit or loss" by default, even if they have

been acquired to hedge one or several transactions from an economic perspective.

In order to classify a financial instrument as a hedging derivative, the Group must establish the hedging relationship from the outset (hedging strategy, description of the risk hedged, the item hedged, the hedging instrument and the method used to assess its effectiveness). Effectiveness is assessed when the hedge is put in place and at each balance-sheet date while it remains in place.

Depending on the nature of the hedged risk, the derivative is designated a fair value hedge, a cash flow hedge or a currency risk hedge linked to a net investment in a foreign operation.

#### **Fair value hedges**

Fair value hedges enable hedging of exposure to fluctuations in the fair value of financial assets or liabilities; they are primarily used to hedge interest rate risk on fixed rate assets and liabilities and on sight deposits, according to the options approved by the European Union.

Any revaluation of the derivative is recognised in profit or loss in a way that mirrors the revaluation of the item hedged. Gains or losses attributable to the hedged risk are recognised in "Net gains and losses on financial instruments at fair value through profit or loss" in the income statement. As soon as the hedging relationship becomes effective, movements in the fair value of the hedged item are mirrored by the movements in the fair value of the hedging instrument. Any potential ineffectiveness of the hedge is directly recognised in the income statement. The portion relating to the rediscounting of the derivative is recognised in "Income and interest expense" in the income statement at the same time as the interest income and expense relating to the hedged item.

As soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, and especially if it is sold, hedge accounting is prospectively discontinued: the derivative is transferred to "Financial assets at fair value through profit or loss" or "Financial liabilities at fair value through profit or loss" while the revaluation of the hedged item is amortised over the period remaining based on the initial life of the hedge.

In the event that the hedged item is sold or redeemed, the hedging instrument, which no longer qualifies as a hedging instrument but still exists, remains on the balance sheet and is accounted for at fair value through profit or loss. A gain or loss on the sale of the hedged item may be recognised in profit or loss.

#### **Macro-hedges**

The Group applies the provisions of IAS 39 as adopted by the European Union to macro-hedging transactions which are performed as part of the asset and liability management of fixed rate positions.

Macro-hedging instruments are primarily interest rate swaps designated as fair value hedges for the Group's fixed rate resources.

Macro-hedging derivatives are accounted for using the same principles as those described above. The

revaluation of the hedging component is recognised in "Revaluation adjustment on rate hedged portfolios".

#### **Cash flow hedges**

Cash flow hedges are used to hedge exposure to movements in cash flows from financial assets or liabilities, firm commitments or future transactions. More specifically, they are used to cover interest-rate risk on reviewable-rate assets and liabilities.

The effective portion of movements in the fair value of a derivative instrument is entered on a specific line in equity, while the ineffective portion is recognised in profit or loss under "Net gains and losses on financial instruments at fair value through profit or loss."

The portion corresponding to the rediscounting of the financial derivative is entered on the income statement in "Interest income and expenses on hedging transactions" symmetrically to the interest income and expenses relating to the hedged item.

The hedged instruments continue to be recognised according to the rules applicable to their accounting category.

In the event of a breakdown in the hedging relationship, or as soon as the derivative instrument no longer meets the effectiveness criteria specified by the standard, or especially if it is sold, the hedge accounting ceases. The aggregate amounts entered in equity in respect of the revaluation of the hedging derivative are gradually transferred to profit or loss as interest income or expense, or immediately recognised in profit or loss. In the event that the hedged item is sold or redeemed, the derivative is reclassified in "Financial assets at fair value through net income", while the revaluation of the hedged item entered in equity is immediately recognised in profit or loss.

#### **2.14.11 Offsetting of financial assets and liabilities**

Financial assets and financial liabilities are offset and a net balance is presented in the balance sheet if and only if the Group has a legally enforceable right to offset the recognised amounts and provided it intends to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must be irrevocable and must be capable of being exercised in all circumstances.

Transactions on repurchase agreements whose principles of operation meet the two criteria required by the standard, are offset in the balance sheet when:

- they have the same counterparty;
- they have the same maturity dates set from the start;
- they are carried out in the same currency;
- they are settled through a settlement / delivery system guaranteeing delivery of securities against receipt of the associated cash;
- the securities are deposited with the same custodian.

Offsetting mainly concerns repurchase agreement transactions carried out with LCH Clearnet clearing house.

### 2.14.12 Guarantee commitments

#### Financial guarantees

According to IFRS 9, a contract meets the definition of a financial guarantee if it includes an indemnity principle according to which the issuer shall compensate the beneficiary for losses that the latter sustains as a result of failure by a specified debtor to make a payment on a debt instrument.

The financial guarantees provided are valued at their initial fair value at the date on which they were entered into. They are subsequently valued at the higher of the amount of the commitment and the amount initially recorded, less the commission guarantee, where applicable.

Moreover, the financial guarantees given (which are not recognised at fair value through profit or loss) can be subject to impairment in accordance with IFRS 9 and are subject to a provision in liabilities in the balance sheet. The same "bucket" categorisation and provisioning principles as those described for financial assets at amortised cost or fair value through recyclable reserves are applied for these outstandings. The provision is recognised for cost of risk.

### 2.14.13 Financing commitments

Financing commitments that are not considered to be derivative instruments do not appear in the balance sheet.

However, as with financial guarantees granted, financing commitments (that are not considered as derivatives) may be subject to impairment in accordance with IFRS 9 and are covered by a provision in liabilities in the balance sheet.

### 2.14.14 Insurance activities

The financial assets and liabilities of the fully consolidated insurance subsidiaries are assessed and recognised according to the provisions of IFRS 9 and presented according to the overlay approach.

While awaiting the forthcoming IFRS 17 Insurance Standard, the subsidiaries continue to apply IFRS 4 to the following contracts:

- insurance policies that include a contingency clause for the policy holder. This category includes policies for personal risk, retirement, property damage and unit-linked savings policies with a guaranteed minimum return;
- financial contracts issued by the insurer that include a discretionary profit-sharing (PS) clause.

In accordance with the provisions of IFRS 4, local guidelines for valuing underwriting reserves are retained for both types of contract.

Financial contracts governed by IFRS 9 correspond to investment policies with no discretionary profit-sharing clause, i.e. unit-linked savings policies with no euro-denomination or minimum guarantee.

Pursuant to the "shadow" accounting principles set out in IFRS 4, a provision for deferred profit-sharing is recorded for insurance policies that include a discretionary profit-sharing clause. This provision is determined in a way that reflects the potential rights of policyholders to share in unrealised gains on financial instruments valued at fair value, or in potential losses in the event of unrealised losses on those instruments.

At each year-end, the Group's fully consolidated insurance companies perform a liability adequacy test, which consists in checking that the insurance liabilities recognised, net of deferred acquisition costs and related tangible assets, are adequate on the basis of current estimates of future cash flows from insurance policies and from financial contracts with discretionary profit-sharing clauses.

#### Underwriting and actuarial provisions

Underwriting provisions represent commitments to policy-holders.

Actuarial provisions on euro-denominated policies correspond to the difference between the current value of the insurer's and the policyholder's commitments.

Life insurance provisions are recorded based on discount rates that are at most equal to prudently-estimated rates of return on the underlying assets.

The net present value of commitments is calculated by choosing a discount rate that is at most equal to the pricing rate of the policy involved, and by using statutory mortality tables or tables based on experience if they are more cautious. Lower interest rates are factored in to investment income discount rate calculations when the rate is deemed to be too high relative to the expected reinvestment prospects.

Actuarial provisions on unit-linked policies are valued on the basis of the underlying assets. Gains or losses resulting from the revaluation of these policies are recognised in the profit and loss statement, in order to cancel out the impact of movements in underwriting provisions.

The provisions for contractual equalisation are constituted to meet the exceptional expenses related to operations guaranteeing risks due to natural elements, atomic risks, civil liability risks due to pollution, spatial risks, risks associated with air transport, and risks associated with terrorist attacks and terrorism.

The other provisions notably include provisions for claims and damages to be paid. The assessment of these provisions is based on the estimated value of foreseeable expenses net of any recoveries.

#### Active deferred profit-sharing

Most financial contracts issued to policyholders by the Group's life insurance subsidiaries include a discretionary profit-sharing clause.

The discretionary profit-sharing clause grants life insurance policyholders the right to receive a share in any realised financial gains, as well as the guaranteed income. Pursuant to the "shadow" accounting principles set out in IFRS 4, the provision for deferred profit-sharing for these policies is adjusted to reflect the policyholders' entitlement to any unrealised gains, or

their obligation to assume their share of unrealised losses on financial instruments measured at fair value. The share of gains to which policyholders are entitled is determined according to the specific features of the policies likely to benefit from such gains.

The net amount of the deferred profit-sharing established by "shadow" accounting is recognised either in balance sheet liabilities (net deferred profit-sharing – liabilities) or assets (net deferred profit-sharing – assets) depending on the situation of the entity concerned.

When recorded as an asset, deferred profit-sharing is subject to a recoverability test. The aim of this test is to show that the profit-sharing amount is recoverable through sharing in future gains or unrealised gains, against the background of the Group's business continuity, and will not result in any inadequacy of the commitments recognised by the Group in respect of these economic commitments. The recoverability test is performed by using current estimates of future policy cash flows. The test is based on tools for modelling the asset and liability management of the subsidiaries involved, and enables a value to be assigned to commitments in a high number of economic scenarios using a stochastic approach.

In accordance with the recommendation on methods for recognising deferred profit-sharing issued by the French National Accounting Council, or CNC, on 19 December 2008, profit-sharing recoverability is based on a prudent assessment of the capacity for holding the assets, particularly in terms of their future collection, in forecast cash flows. Likewise, the capacity of future returns to absorb unrealised losses was tested, based on unfavourable and unprecedented surrender rates.

## 2.15 Bond debt and financial derivatives relating to the management of the bond debt

Bonds are classified in the balance sheet under both "Medium and long-term bonds and other debt" and "Short-term bonds and other debt".

### 2.15.1 Bonds backed by "fixed-for-floating" swaps

As part of the Group's strategy to manage its bonds, some fixed-rate bonds are converted to "floating-rate bonds" via fixed-for-floating swaps.

Depending on the circumstances, these bonds can be designated at fair value through profit or loss or designated as subject to fair value hedging.

#### Bonds designated at fair value through profit or loss

In accordance with IFRS 9, some bonds backed by "fixed-for-floating" swaps are recognised at fair value through profit or loss. The credit risk component of the change in fair value is recognised in "Other comprehensive income".

The corresponding swaps are also measured at fair value through profit or loss, in accordance with the

general rule for measuring derivatives set out in IFRS 9.

#### Bonds designated as subject to fair value hedging

Some bonds are designated as subject to fair value hedging through "fixed-for-floating" swaps. The application of fair value hedge accounting leads to the recognition in profit or loss of (i) the change in the fair value of hedging swaps, and (ii) the change in the value of the efficient portion of the hedging swap, as an adjustment to the value of the bond. These effects offset one another where the effective part of the hedge is concerned.

Moreover, depending on market developments, the Group may refreeze the interest rates of some borrowings by subscribing to floating-for-fixed swaps. These swaps are also measured at fair value through profit or loss.

### 2.15.2 Bonds measured at amortised cost

Bonds not backed by "fixed-for-floating" swaps are measured at amortised cost based on the effective interest rate.

### 2.15.3 Forward start swaps

In some cases, La Poste subscribes to forward start swaps to protect itself against a rise in interest rates. These cash flow hedging instruments are terminated when the bond is issued, which gives rise to the payment of an equalisation balance (paid or received depending on the swap's value). These payments are recognised in reversible reserves as part of the application of the cash flow hedge, and then reversed to income over the life of the initially hedged loan, in accordance with the provisions of IFRS 9 regarding the termination of hedges.

## 2.16 Commitments to buy out non-controlling interests

Pursuant to the provisions of IAS 32 – *Financial Instruments: Presentation*, Le Groupe La Poste records a financial liability for put options granted to minority shareholders of consolidated subsidiaries. When the value of the liability exceeds the value of the non-controlling interests, IFRS do not specify how the consideration should be recognised.

Le Groupe La Poste has chosen to offset the difference between the liability and value of non-controlling interests under reserves, group share. Subsequent changes in debt relating to the change in the estimated strike price of the buy-back commitment and of the book value of the non-controlling interests are recognised in reserves, group share.

## 2.17 Inventories and work-in-progress

Inventories are valued at the lower of their purchase cost or net realisable value. The net realisable value is the estimated sale price in the normal course of

business, less the estimated costs necessary to complete the sale.

The value of inventories is assessed using the weighted average cost method, and includes both the purchase cost and the expenses incurred in bringing the inventories to their current location and condition.

## 2.18 Trade receivables

When initially recognised, trade receivables on commercial activities are recorded at their nominal value, which basically corresponds to the fair value of the receivables.

Provisions are calculated on an individual basis, based on an assessment of the risk of non-recovery.

## 2.19 Provisions

Provisions are recorded when (i) the Group has a present obligation (legal or implicit) towards a third party as a result of a past event at the balance-sheet date, (ii) it is likely that an outflow of resources representing future economic benefits will be required to settle the liability, and (iii) a reliable estimate can be made of the liability.

The provisions are assessed on the basis of the Group's expectation of the expenditure required to settle the liability, based on management data from the information system and on assumptions selected by the Group, supplemented, where necessary, by experience of similar transactions and, in some cases, by reports from independent experts or estimates from service providers. These various assumptions are reviewed at each balance-sheet date.

### Provisions for commitments on home loan savings agreements

Home loan savings accounts (CEL) and plans (PEL) offered to retail customers in accordance with the French Act of 10 July 1965 include two phases: a first phase during which deposits are collected in the form of interest-bearing savings accounts, and a second phase where home loans are extended.

They generate two types of commitments for the distributor institution:

- obligation to pay interest on deposits for an undetermined period of time at a fixed rate for Home Loan Savings Plans (PEL) opened before 28 February 2011, and at a rate that is reviewed annually for new generations;
- obligation to grant loans to customers at a rate fixed upon signature of the contract.

These commitments, with potentially unfavourable consequences for the Group, are subject to provisions presented in liabilities in the balance sheet (under "Provisions"), with changes recorded under net banking income in interest margin.

The provisions are estimated based on customers' behavioural statistics and market data for each generation of plan in order to hedge the future

expenses associated with the potentially unfavourable conditions of these products compared to the interest rates offered to retail customers for similar products that are unregulated in terms of compensation. They only concern commitments related to home loan savings accounts and plans that exist at the provision calculation date.

Provisions are calculated for each generation of home loan savings schemes, without offsetting commitments for different generations of home loan savings schemes, and for all the home loan savings accounts representing one generation.

During the savings phase, the commitments to be provisioned are evaluated according to the difference between average forecast savings deposits and minimum forecast savings deposits, both of which are determined on a statistical basis by factoring in historical observations on actual customer behaviour.

During the lending phase, commitments that may be provisioned include outstandings on loans that have already been granted but not yet released at the year-end date, as well as future loans that are viewed as statistically likely based on balance sheet deposits as at the calculation date and historical observations of actual customer behaviour.

A provision is recorded when the net present value of future income is negative for a given generation of loans.

That income is assessed on the basis of the rates offered to retail customers on equivalent savings and lending products that have the same term as the deposits and were agreed on the same day.

## 2.20 Employee benefits

### 2.20.1 Post-employment benefits

Post-employment and long-term benefits resulting from defined benefit plans, together with their related costs, are measured using the projected unit credit method, in accordance with IAS 19. Annual actuarial appraisals are carried out.

The appraisal calculations involve taking third-party actuarial economic assumptions into account (discount rates, inflation rates, and the rate of increase in pensions, etc.), as well as assumptions that are specific to La Poste (employee turnover rates, mortality rate, and the rate of increase in salaries, etc.).

The balance sheet provision for defined benefit post-employment plans corresponds to the present value of the liability at the balance-sheet date less the market value of any plan assets where applicable (GeoPost UK). The present value of the commitment is calculated using the projected credit unit method on an annual basis. That value is determined by calculating the net present value of expected future outflows based on the market rate for top-tier corporate bonds, denominated in the currency in which the benefit will be paid. In addition, the term of the selected bonds is close to the average estimated length of the underlying commitment.

Actuarial gains and losses resulting from experience-based adjustments and the impact of changes to actuarial assumptions are recognised as “other comprehensive income”.

Past service costs, which arise when a defined benefit plan is adopted or modified, are immediately expensed.

Pension and other employee benefit arrangements are described in Note 29 together with the main assumptions used.

### 2.20.2 End-of-career arrangements

La Poste records a provision for the costs of the end-of-career arrangements made for its employees. The amount of this provision takes into account both persons who have enrolled in one of the existing plans, and those who are expected to enrol on the basis of past take-up rates in previous years and Management’s best estimates.

### 2.21 Assets held for sale

A non-current asset, or group of assets and liabilities, is classified as being held for sale when its book value will primarily be recovered through its sale and not its ongoing use. This assumes that the asset is available for immediate sale in its current state and that such a sale is highly likely within one year.

These assets and groups of assets, along with all related liabilities, are disclosed separately from other assets and liabilities and are valued at the lower of book value or the estimated sale price, net of disposal costs. These assets cease to be depreciated or amortised from the date when they are classified in this category.

### 2.22 Cash flow statement

The Cash Flow Statement presents the inflows and outflows of cash and cash equivalents classified under operating, investing or financing activities.

The format of the cash flow statement has been rearranged in order to show the flows associated with La Banque Postale and the flows associated with non-banking business activities on a separate basis.

The cash flow statement presents the change in cash and cash equivalents of non-banking activities.

La Banque Postale sub-group’s cash flows (including cash held at post offices)) are disclosed on a separate line in the balance sheet. Changes in those cash flows are reflected in the “Decrease (increase) in cash and cash equivalents from banking activities before impact of changes in consolidation scope” line, positioned under cash flows from financing activities.

In addition, cash flows relating to variations of banking assets and liabilities are combined on a separate line in the cash flow statement (“Change in balance of banking sources and uses”) in net cash flows from operating activities, which specifically includes:

- flows from deposits collected from Banking activities customers;

- Banking activities cash flows relating to liabilities to credit institutions;
- acquisitions and disposals of securities in the Banking activities investment portfolio;
- cash flows relating to Banking activities loans and advances;
- changes in the fair value of financial instruments from Banking activities.

**Operating activities** are the main revenue-generating activities and any other activities other than those defined as investing or financing activities.

Cash flows from operating activities are determined using the indirect method.

**Investing activities** relate to the acquisition or disposal of non-current assets and to any other investments not included in cash and cash equivalents.

Le Groupe La Poste’s cash flows from investing activities consist mainly in acquisitions or disposals of the following:

- intangible and tangible assets, adjusted for non-cash transactions (accounts receivable or payable on non-current assets);
- equity investments in other companies;
- other financial assets (guarantees and deposits, and receivables on investments, etc.).

The impact of changes in the consolidation scope on cash flows is presented on a separate line “Impact of changes in consolidation scope”.

**Financing activities** relate to transactions that affect the amount and composition of equity and debt.

Cash flows from financing activities include sources of financing (new borrowings) and related outflows (distribution of dividends to minority shareholders, La Poste savings bond redemptions and debt repayments).

Concerning La Banque Postale, only the changes in subordinated debt are classified as cash flows from financing activities.

**The concept of cash and cash equivalents** includes very short-term liquid investments that can be readily converted into known amounts of cash and are subject to a negligible risk of change in value.

Le Groupe La Poste’s cash and cash equivalents include cash in hand, bank debit balances, term deposits and marketable securities that do not carry any material risk of changes in value and can be readily converted into cash (particularly money-market UCITS), and the portion of bank credit balances and related interest accrued relating to temporary overdrafts.

Regardless of their characteristic features, securities in the “Banking activities investment portfolio” are never classified as cash. The flows pertaining to them are included in the “Change in the balance of banking sources and uses” line in the cash flow statement (see above).

**NOTE 3 IMPACTS OF THE FIRST-TIME ADOPTION OF IFRS 9**

- 3.1 Policies
- 3.2 Reconciliation to IFRS 9 as at 1 January 2018

**3.1 Policies****3.1.1 Retrospective application of IFRS 9**

Under IAS 8, the application of IFRS 9 is retrospective, meaning that the principles of IFRS 9 are applied as if the standard had always been applied. The impacts of the transition are recognised in equity.

Accordingly, analysis of the "basic loan" criterion, or test SPII, was carried out retrospectively at the date on which each financial asset was initially recognised on the balance sheet. Accounting business models were analysed at 1 January 2018 on the basis of the facts and circumstances existing at that date.

Similarly, the retrospective application of IFRS 9 concerning impairment requires measurement of significant deterioration in the credit risk of each financial asset entering the scope of application since the date on which it was first recognised. This analysis has enabled the classification of these financial assets in "Bucket 1" or "Bucket 2" at the date of initial application.

**3.1.2 Restatement of comparative information**

Furthermore, IFRS 9 does not require the publication of a 2017 pro forma. Consequently, LBP does not restate comparative information in its financial statements.

**3.1.3 Maintaining the principles of IAS 39 for hedge accounting**

IFRS 9 only covers micro-hedging transactions. The standard extends hedging strategies, notably with more items becoming eligible for hedge accounting, and fewer requirements pertaining to hedging relationship efficacy and an alleviation of the demonstration requirements to hedge effectiveness.

With regard to macro-hedging, the European Union's provisions relating to the fair value hedging of a portfolio of interest rate items will continue to apply.

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. In this context, the Group has decided to take advantage of the option to keep the principles of IAS 39 pertaining to hedge accounting.

**3.1.4 Application of IFRS 9 to the "Insurance" business segment and to CNP Assurances**

In November 2017, the European Union adopted the amendment published by the IASB entitled "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts", which offers two optional approaches to address the impacts of mismatches between the application of IFRS 9 and the new IFRS 17 on insurance contracts, which will come into force on 1 January 2021.

The first option consists of deferring the application of IFRS 9 for three years until 1 January 2021, and applies to entities whose activities are predominantly related to insurance and, under certain conditions, to financial conglomerates. The amendment further provides for a temporary exemption from the application of certain provisions of IAS 28, thus allowing groups applying IFRS 9 and accounting for their subsidiaries using the equity method to use the financial statements prepared by these subsidiaries for their consolidated financial statements, without imposing the standard where it is not required at subsidiary level.

As the CNP Group Assurance meets the eligibility criteria for the deferred application of IFRS 9, it shall therefore continue to apply IAS 39 for the accounting of its financial instruments until the 2021 fiscal year. As authorised under the amendment, le Groupe will not perform any restatements for IFRS 9 in the financial statements prepared by the entity for equity associates.

The second option, known as the "overlay approach" applies to all issuers of insurance contracts that have chosen to apply IFRS 9 from 1 January 2018. The overlay approach allows users to reclassify to recyclable equity the volatility that may arise in the income statement as a result of the financial instruments that were previously accounted for under IAS 39 as available-for-sale assets or at amortised cost and which, under IFRS 9, must be accounted for at fair value through profit or loss. La Banque Postale has chosen to opt for this approach for the financial assets held in its fully-consolidated insurance subsidiaries. Consequently, the volatility that may arise as a result of the application of IFRS 9 will be removed until the application of IFRS 17 on 1 January 2021. The main subsidiaries affected by the overlay approach are La Banque Postale Prévoyance, La Banque Postale Assurances IARD and La Banque Postale Assurance Santé.

### 3.1.5 Main impacts of the transition to IFRS 9 as at 1 January 2018

#### • Impacts of the transition to IFRS 9 in terms of classification

As a reminder, according to IFRS 9, financial assets are classified at amortised cost, at fair value through equity (recyclable or non-recyclable) or at fair value through profit or loss.

Financial assets in each category will be classified according to the entity's defined accounting business model and contractual cash flow characteristics ("basic loan" criterion).

The main reclassifications resulting from the transition to IFRS 9 concerning financial assets are as follows:

- ✓ Loan origination for local authorities eligible for assignment to Caffil that are classified as Loans and receivables under IAS 39, including their fair value hedging impact, are now classified as "Financial assets held for transaction purposes" and valued at fair value through profit or loss
- ✓ With regard to securities portfolios, shares of UCITs that were classified as Available-for-sale assets under IAS 39 and qualified as debt instruments that do not meet the SPPI criterion under IFRS 9, are now recognised under Financial assets at fair value through profit or loss. Investments in equity instruments classified as Available-for-sale assets under IAS 39 and corresponding to unconsolidated equity
- ✓ Investments held by the Group are now classified at fair value through non-recyclable equity in accordance with the irrevocable option provided by IFRS 9, with the exception of Visa securities, which are recognised at fair value through profit or loss.
- ✓ With regard to securities designated at fair value under IAS 39, these correspond to compound financial assets including embedded derivatives that are not closely related. Under IFRS 9, these financial assets must be recognised at fair value through profit or loss, as debt instruments that do not meet the SPPI criterion.

The impacts on equity of the transition to IFRS 9 as of 1 January 2018 related to the classification amount to +€8 million (+€11 million before the calculation of deferred tax), and correspond mainly to the reclassification at fair value through profit or loss of loans to local authorities eligible for assignment to Caffil.

Furthermore, application of ANC recommendation no. 2017-02 relating to the format of the consolidated financial statements of banks under IFRS led to the following reclassification: the Group now presents insurance activity liabilities and investments as a specific balance sheet item.

#### • Impacts of the transition to IFRS 9 in terms of impairment

As a reminder, the new provisioning methodology has now shifted toward an expected credit loss model and away from an incurred loss only model.

This new provisioning model applies to all financial assets with a counterparty risk (excluding equity instruments) not revalued at fair value through profit or loss, as well as to financing commitments and guarantee commitments.

Accordingly, new impairments, representing one-year expected credit losses, are accounted for as outstandings as soon as they are recorded on the balance sheet, and off-balance sheet for financing commitments, as long as they do not significantly increase credit risk. These outstandings fall under "Bucket 1".

Outstandings for which a significant decline in credit quality has been identified since the date they were first recognised are subject to impairment for the amount of the expected credit loss over the residual life of the instrument. These outstandings fall under "Bucket 2".

Criteria to identify impaired assets (falling under "Bucket 3") are similar to those in IAS 39.

The impacts on equity of the transition to IFRS 9 as of 1 January 2018 related to the new impairment model amount to -€154 million and correspond:

- for -€112 million to impairment of financial assets (-€151 million before deferred tax)
- for -€42 million to impairment of off-balance sheet transactions (-€63 million before deferred tax).

## 3.2 Reconciliation to IFRS 9 as at 1 January 2018

- A - Balance sheet transition from 31 December 2017 to 1 January 2018
  - Financial assets
  - Financial liabilities
- B - Transition from impairments or provisions recognised under IAS 39 to allowance for losses recognised under IFRS 9
- C - Impact on financial assets and on off-balance sheet commitments of IFRS 9: breakdown of impairment under IAS 39 and breakdown of impairment by bucket under IFRS 9
- D - Impact on equity of the first-time adoption of IFRS 9

## A - Balance sheet transition from 31 December 2017 to 1 January 2018

### Financial assets

31/12/17	IFRS 9 Reclassifications at 1st January 2018													
	Financial assets evaluated with IAS 39	Financial assets at fair value					Insurance investments	Financial assets at fair value through equity		Debt instruments classified at amortised cost		Securities at amortised cost	Revaluation adjustment on rate hedged portfolio	Accruals
		Central bank deposits	Financial assets held for trading	Equity instruments	Debt instruments that do not meet the SPPI criterion	Hedging derivatives		Debt instruments classified at fair value through recyclable equity	Equity instruments classified at fair value through non-recyclable equity	Loans and receivables - Credit institutions	Customer loans and receivables	Debt securities		
(€ million)														
<b>Customer loans and receivables</b>	<b>88,048</b>		1,659					63			84,416	1,910		
<b>Loans and receivables - Credit institutions</b>	<b>84,088</b>									83,613		475		
<b>Financial assets at fair value through profit or loss</b>	<b>8,502</b>		7,259		35	1,146	61							
- Financial assets held for trading and trading derivatives	7,320		7,259				61							
- Financial assets designated at fair value through profit or loss :														
Debt instruments	35				35									
Hedging derivatives	1,146					1,146								
<b>Available-for-sale assets</b>	<b>17,650</b>			20	867		2,418	14,093	252					
<b>Revaluation adjustment on rate hedged portfolios</b>	<b>69</b>												69	
<b>Held-to-maturity securities</b>	<b>20,734</b>						33				20,702			
<b>Accruals</b>	<b>3,308</b>						262							3,046
<b>Central bank deposits</b>	<b>3,325</b>	3,325												
<b>Total</b>	<b>225,723</b>													
<b>Restatement of book value according to IFRS 9</b>					(1)		3	3					7	
<b>IFRS 9 restatement without equity impact</b>					(2)		(8)		(2)					
<b>Financial assets evaluated under IFRS 9 as at 1 January 2018</b>		<b>3,325</b>	<b>8,919</b>	<b>20</b>	<b>900</b>	<b>1,146</b>	<b>2,768</b>	<b>14,160</b>	<b>251</b>	<b>83,613</b>	<b>84,416</b>	<b>23,086</b>	<b>76</b>	<b>3,046</b>

## Financial liabilities

	31/12/17	IFRS 9 Reclassifications at 1st January 2018					
	Financial liabilities evaluated with IAS 39	Financial liabilities at fair value through profit or loss			Financial liabilities classified at amortised cost		
		Financial liabilities held for transaction purposes	Financial liabilities designated at fair value through profit or loss	Hedging derivatives	Liabilities to credit institutions	Liabilities to customers	Debt evidenced by a certificate and other financial liabilities
(€ million)							
<b>Liabilities to credit institutions</b>	14,154				14,154		
<b>Liabilities to customers</b>	182,556					182,556	
<b>Debt evidenced by a certificate and other financial liabilities</b>	17,875	299	5	236		17,335	
<i>Debt evidenced by a certificate</i>	14,462					14,462	
- <i>Financial liabilities held for transaction purposes</i>	297	297					
- <i>Financial liabilities designated at fair value through profit or loss</i>	5		5				
- <i>Hedging derivatives</i>	238	2		236			
- <i>Other financial liabilities</i>	2,873					2,873	
<b>Accruals</b>	2,099					2,099	
<b>Total</b>	<b>216,684</b>						
<b>Restatement of book value according to IFRS 9</b>							
<b>Financial liabilities evaluated under IFRS 9 as at 1 January 2018</b>		<b>299</b>	<b>5</b>	<b>236</b>	<b>14,154</b>	<b>182,556</b>	
						<b>19,434</b>	

## B - Transition from impairments or provisions recognised under IAS 39 to allowance for losses recognised under IFRS 9

For the application of IFRS 9 as of 1 January 2018, provisioning arrangements have changed significantly. The following table presents the changes between impairments or provisions for liabilities recognised at 31/12/2017 under IAS 39 and the amount of the allowance for losses recognised at 1 January under IFRS 9:

31/12/17	IFRS 9 Reclassifications at 1st January 2018											Reclassifications without equity impact	
	Central bank deposits	Financial assets at fair value				Insurance investments	Financial assets at fair value through equity		Debt instruments classified at amortised cost				
		Financial assets held for trading	Equity instruments	Debt instruments that do not meet the SPPi criterion	Financial assets designated at fair value through profit or loss		Debt instruments classified at fair value through recyclable equity	Equity instruments classified at fair value through non-recyclable equity	Loans and receivables - Credit institutions	Customer loans and receivables	Debt securities		Finance leases
(€ million)													
Central bank deposits													
Available for sale assets	(11)												(11)
Loans and receivables - Credit institutions													
Customer loans and receivables	(604)										(604)		
Held-to-maturity securities													
<b>Total</b>	<b>(615)</b>												
<b>Restatement of impairments according to IFRS 9</b>							(2)		(2)	(143)	(6)		11
<i>Of which :</i>							(2)		(2)	(44)	(6)		
<i>    Bucket B1</i>													
<i>    Bucket B2</i>										(82)			
<i>    Bucket B3</i>										(17)			11
<b>Financial assets impairment under IFRS 9 as at 1 January 2018</b>							(2)		(2)	(748)	(6)		

### C – Impact on financial assets and on off-balance sheets commitments of IFRS 9

Off-balance sheet commitments provisions (€ million)	31/12/17	Retraitements selon IFRS 9	01/01/18
	IAS 39		IFRS 9
Financing commitments		63	63
Guarantee commitments			
<b>Total</b>		<b>63</b>	<b>63</b>

Breakdown between collective impairments and individual impairments under IAS 39 :

Financial assets impairment (€ million)	31/12/17	
	Collective impairments	Individual impairments
Available-for-sale assets		(11)
Customer loans and receivables	(44)	(560)
Held to maturity securities		
<b>Total</b>	<b>(44)</b>	<b>(571)</b>

Breakdown of impairment by bucket under IFRS 9 :

Financial Assets (€ million)	01/01/18		
	Bucket 1	Bucket 2	Bucket 3
Debt instruments at fair value through equity	(2)		
<i>Loans and receivables - Credit institutions</i>			
<i>Customer loans and receivables</i>			
<i>Debt securities</i>	(2)		
Debt instruments classified at amortised cost	(52)	(160)	(544)
<i>Loans and receivables - Credit institutions</i>	(2)		
<i>Customer loans and receivables</i>	(44)	(160)	(544)
<i>Debt securities</i>	(6)		
<b>Total</b>	<b>(54)</b>	<b>(160)</b>	<b>(544)</b>

Off-balance sheet commitments (€ million)	01/01/18		
	Bucket 1	Bucket 2	Bucket 3
Financing commitments	26	21	15
Guarantee commitments			
<b>Total</b>	<b>26</b>	<b>21</b>	<b>15</b>

## D – Impact on equity of the first-time adoption of IFRS 9

(€ million)	Consolidated Equity	Equity Group share	Non- controlling interests
<b>Consolidated Equity under IAS 39 as at 31 Decembre 2017</b>	<b>11,534</b>	<b>11,364</b>	<b>169</b>
<b>Effect on consolidated reserves</b>	<b>(119)</b>	<b>(118)</b>	<b>(1)</b>
Reclassification from Available-for-sales financial assets to assets classified at fair value through recyclable equity	2	2	
Reclassification from Available-for-sales financial assets to assets designated at fair value through profit or loss (including cancelation of provision if applicable)	81	79	2
Impact of overlay approach	(37)	(37)	
Reclassification from amortized cost to financial assets designated at fair value through profit or loss (including remaining acquisition costs to be spread)	7	7	
Accounting for expected credit losses (on assets from IAS 17 and IFRS 15, off-balance sheet commitments)	(216)	(216)	
Income Tax	34	37	(3)
Income Tax (Impact of overlay approach)	9	9	
<b>Effect on gains and losses recognised directly in equity (after tax)</b>	<b>(26)</b>	<b>(26)</b>	<b>(1)</b>
Reclassification from Available-for-sales financial assets to assets classified at fair value through equity	(2)	(2)	
Reclassification from Available-for-sales financial assets to assets designated at fair value through profit or loss	(81)	(80)	(2)
Impact of overlay approach	37	37	
Reclassification from amortized cost assets to assets designated at fair value through equity	4	3	1
Accounting for expected credit losses from assets designated at fair value through profit or loss	2	2	
Income Tax	23	23	
Income Tax (Impact of overlay approach)	(9)	(9)	
<b>Effect on equity from IFRS 9</b>	<b>(146)</b>	<b>(144)</b>	<b>(2)</b>
<b>Consolidated Equity under IFRS 9 as at 1 January 2018</b>	<b>11,388</b>	<b>11,220</b>	<b>168</b>

## NOTE 4 CHANGES IN THE CONSOLIDATION SCOPE

- 4.1 Main newly-consolidated companies
- 4.2 Main deconsolidated companies
- 4.3 Income statement at constant scope and exchange rates

The scope of consolidation is shown in Note 42.

### 4.1 Main newly-consolidated companies

#### Take-over of Asendia

The Group increased in September 2018 its stake in Asendia Group to 60%. This acquisition was fully consolidated from 1 October 2018, and represents an additional goodwill of €92 million as at 31 December 2018.

The revaluation of the previously held investment generated a €57 million profit, included in the goodwill value (see Note 12).

Taking into account the previously held €30 million goodwill (recognised in the value of investments in associates), total goodwill on the Asendia CGU amounts to €179 million as at 31 December 2018.

### 4.2 Main deconsolidated companies

None.

### 4.3 Income statement at constant scope and exchange rates

( <i>€ million</i> )	Reported net profit/(loss)		Restated net profit/(loss) excluding scope and exchange rate effects	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
<b>Revenues and NBI</b>	<b>24,699</b>	<b>24,110</b>	<b>24,338</b>	<b>24,041</b>
Purchases and other expenses	(10,144)	(9,212)	(9,884)	(9,166)
Personnel expenses	(12,769)	(12,840)	(12,695)	(12,822)
Taxes and levies	(257)	(258)	(256)	(258)
Depreciation, amortisation and provisions	(1,197)	(1,160)	(1,182)	(1,158)
Other current operating revenue and expenses	412	315	415	315
Pre-tax gains and losses on asset disposals	162	49	162	48
<b>Net operating expenses</b>	<b>(23,793)</b>	<b>(23,106)</b>	<b>(23,440)</b>	<b>(23,041)</b>
<b>Operating profit/(loss) before share in results of joint ventures</b>	<b>906</b>	<b>1,004</b>	<b>898</b>	<b>1,000</b>
Share in results of joint ventures	(14)	8	(12)	9
<b>OPERATING PROFIT/(LOSS) AFTER SHARE IN RESULTS OF JOINT VENTURES</b>	<b>892</b>	<b>1,012</b>	<b>886</b>	<b>1,009</b>

The restated net profit / (loss) eliminates the effect of all acquisitions made during the current year and the prior year's acquisitions concluded during the year. It also shows foreign currency transactions from the prior year at the average rate during the current year.

## NOTE 5 SEGMENT REPORTING

- 5.1 Definition of operating segments
- 5.2 Operating segment reporting
- 5.3 Geographical information

### 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
<b>Services-Mail-Parcels</b>	<ul style="list-style-type: none"> <li>- mail activity (i.e. pick-up, sorting and delivery of letter posts, advertising and press publications) and related services</li> <li>- parcels activity carried out by La Poste under the ColiPoste brand</li> <li>- postman's new services</li> </ul>
<b>GeoPost</b>	<ul style="list-style-type: none"> <li>- Express activity carried out by the GeoPost sub-group's brands, primarily DPD, Chronopost and Seur</li> </ul>
<b>La Banque Postale</b>	<ul style="list-style-type: none"> <li>- Banking and Insurance activities of the La Banque Postale sub-group</li> <li>- services provided by some La Poste staff to La Banque Postale under service agreements</li> </ul>
<b>La Poste Network</b>	<ul style="list-style-type: none"> <li>- sale and distribution activities intended for the general public</li> <li>- La Poste Mobile activities</li> <li>- other non-Group products</li> </ul>
<b>Digital services</b>	<ul style="list-style-type: none"> <li>- all the Group's digital activities</li> </ul>
<b>Real estate</b>	<ul style="list-style-type: none"> <li>- management of all of the Group's real estate assets held by the Poste Immo sub-group</li> <li>- activities of the La Poste Real Estate Department</li> </ul>
<b>Shared Services</b>	<ul style="list-style-type: none"> <li>- "Corporate" activities of the Group's registered Office</li> <li>- support services departments</li> </ul>

### 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 interconnected, La Poste has set out cost accounting principles in order to allocate shared costs between these various segments and thereby determine each segment's profit (loss).

The expenses for the La Poste Retail Brand post office counters are re-invoiced to the businesses that use the network on the basis of service agreements, where the pricing mechanisms are based on measurable operating metrics (revenues, and statistics measuring the time required to perform various transactions, etc.).

**Segmentation of non-current assets:** intangible and tangible assets are divided based on the allocation of the corresponding assets for each business in La Poste's accounting system. The real estate assets held by La Poste and the Poste Immo sub-group are allocated to the Real Estate segment in their entirety.

## 5.2.1 Income statement by operating segment

No Group customer accounts for more than 10% of consolidated revenues.

2018 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated <sup>(a)</sup>	Eliminations	Total
Non-Group revenues and NBI	11,258	7,303	5,545	533	33	26	1			24,699
Inter-segment revenues and NBI	318	70	25	183	3,788	810	1,053		(6,247)	
<b>Operating revenue</b>	<b>11,577</b>	<b>7,373</b>	<b>5,570</b>	<b>716</b>	<b>3,820</b>	<b>836</b>	<b>1,054</b>		<b>(6,247)</b>	<b>24,699</b>
<b>Operating profit/(loss) before share in results of joint ventures</b>	<b>493</b>	<b>345</b>	<b>813</b>	<b>1</b>	<b>(134)</b>	<b>230</b>	<b>(216)</b>	<b>(625)</b>		<b>906</b>
Share in results of joint ventures	2	1			(19)	2				(14)
<b>Operating profit/(loss) after share in results of joint ventures</b>	<b>495</b>	<b>346</b>	<b>813</b>	<b>1</b>	<b>(153)</b>	<b>232</b>	<b>(216)</b>	<b>(625)</b>		<b>892</b>
<b>Financial profit/(loss)</b>								<b>(186)</b>		<b>(186)</b>
Income tax								(161)		(161)
Share in profits of associates		23	268	1						291
<b>CONSOLIDATED NET PROFIT/(LOSS)</b>										<b>837</b>
Depreciation, amortisation, provisions and impairment	(230)	(240)	(350)	(37)	(34)	(200)	(106)			(1,197)
Segment assets	3,653	5,405	244,721	768	205	3,501	9,044	(5,788)		261,509

2017 (€ million)	Services-Mail-Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared Services	Unallocated <sup>(a)</sup>	Eliminations	Total
Non-Group revenues and NBI	11,113	6,766	5,647	531	38	15	1			24,110
Inter-segment revenues and NBI	311	50	40	141	3,953	814	758		(6,067)	
<b>Operating revenue</b>	<b>11,424</b>	<b>6,816</b>	<b>5,687</b>	<b>672</b>	<b>3,991</b>	<b>828</b>	<b>759</b>		<b>(6,067)</b>	<b>24,110</b>
<b>Operating profit/(loss) before share in results of joint ventures</b>	<b>577</b>	<b>431</b>	<b>870</b>	<b>(20)</b>	<b>(10)</b>	<b>125</b>	<b>(283)</b>	<b>(687)</b>		<b>1,004</b>
Share in results of joint ventures	23				(15)	1				8
<b>Operating profit/(loss) after share in results of joint ventures</b>	<b>600</b>	<b>430</b>	<b>870</b>	<b>(20)</b>	<b>(25)</b>	<b>126</b>	<b>(284)</b>	<b>(687)</b>		<b>1,012</b>
<b>Financial profit/(loss)</b>								<b>(168)</b>		<b>(168)</b>
Income tax								(248)		(248)
Share in profits of associates		32	263	(1)		2				297
<b>CONSOLIDATED NET PROFIT/(LOSS)</b>										<b>893</b>
Depreciation, amortisation, provisions and impairment	(216)	(180)	(347)	(58)	(49)	(194)	(114)			(1,160)
Segment assets	3,045	5,348	231,023	664	206	3,385	8,264	(5,274)		246,662

(a) Primarily includes the contribution to regional development (including the costs relating to the accessibility constraint), financial profit/(loss), and income tax.

## 5.2.2 Balance sheet by operating segment

31/12/2018 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Elimina- tions	Total
<b>ASSETS</b>									
Intangible and tangible assets and goodwill	1,284	3,071	1,338	408	122	3,125	490	(12)	9,827
Equity associates	4	687	3,260			32	(1)		3,982
Other non-current assets	20	78	335	19	3	13	4,985	(4,541)	912
Current assets	2,345	1,568	239,788	341	81	332	3,570	(1,235)	246,788
<b>TOTAL</b>	<b>3,653</b>	<b>5,405</b>	<b>244,721</b>	<b>768</b>	<b>205</b>	<b>3,501</b>	<b>9,044</b>	<b>(5,788)</b>	<b>261,509</b>
<b>Investments<sup>(a)</sup></b>	<b>249</b>	<b>388</b>	<b>333</b>	<b>91</b>	<b>36</b>	<b>307</b>	<b>196</b>		<b>1,600</b>
<b>LIABILITIES</b>									
Equity							12,210		12,210
Bonds and other financial debt (current and non-current)	509	2,038	3	304		973	6,199	(3,797)	6,229
Other non-current liabilities	1,156	262	357	35	719	49	122		2,699
Other current liabilities	2,654	1,391	235,288	326	622	408	1,206	(1,524)	240,371
<b>TOTAL</b>	<b>4,318</b>	<b>3,692</b>	<b>235,649</b>	<b>666</b>	<b>1,340</b>	<b>1,430</b>	<b>19,736</b>	<b>(5,322)</b>	<b>261,509</b>

31/12/2017 (€ million)	Services- Mail- Parcels	GeoPost	La Banque Postale	Digital Services	La Poste Network	Real Estate	Shared services	Elimina- tions	Total
<b>ASSETS</b>									
Intangible and tangible assets and goodwill	985	3,000	1,190	363	127	3,073	476	(12)	9,204
Equity associates	81	612	3,376			30	(1)		4,098
Other non-current assets	14	125	284	25	3	11	4,445	(4,116)	790
Current assets	1,966	1,611	226,173	276	76	270	3,344	(1,146)	232,570
<b>TOTAL</b>	<b>3,045</b>	<b>5,348</b>	<b>231,023</b>	<b>664</b>	<b>206</b>	<b>3,385</b>	<b>8,264</b>	<b>(5,274)</b>	<b>246,662</b>
<b>Investments<sup>(a)</sup></b>	<b>232</b>	<b>815</b>	<b>343</b>	<b>93</b>	<b>28</b>	<b>327</b>	<b>313</b>		<b>2,152</b>
<b>LIABILITIES</b>									
Equity							11,534		11,534
Bonds and other financial debt (current and non-current)	316	1,959	3	29	7	1,068	6,218	(3,304)	6,297
Other non-current liabilities	1,253	258	431	40	733	50	95		2,859
Other current liabilities	2,424	1,485	221,079	274	648	323	1,023	(1,283)	225,973
<b>TOTAL</b>	<b>3,993</b>	<b>3,702</b>	<b>221,513</b>	<b>343</b>	<b>1,388</b>	<b>1,441</b>	<b>18,870</b>	<b>(4,587)</b>	<b>246,662</b>

(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.

2018 (€ 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
<b>OPERATING REVENUE</b>	<b>18,036</b>	<b>5,424</b>	<b>1,239</b>	<b>24,699</b>
<b>Segment assets</b>	<b>256,807</b>	<b>4,205</b>	<b>497</b>	<b>261,509</b>
<b>Investments <sup>(a)</sup></b>	<b>1,316</b>	<b>259</b>	<b>25</b>	<b>1,600</b>

2017 (€ million)	France	European Union (excluding France)	Other	Total
Revenues from commercial activities	12,579	5,059	826	18,463
Net banking income	5,647			5,647
<b>OPERATING REVENUE</b>	<b>18,226</b>	<b>5,059</b>	<b>826</b>	<b>24,110</b>
<b>Segment assets</b>	<b>243,738</b>	<b>2,564</b>	<b>360</b>	<b>246,662</b>
<b>Investments <sup>(a)</sup></b>	<b>1,923</b>	<b>226</b>	<b>3</b>	<b>2,152</b>

(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:

(€ million)	2018	2017
<b>Services-Mail-Parcels revenues</b>	<b>11 258</b>	<b>11 113</b>
Correspondence and other La Poste products and services	6 262	6 480
Advertising mail	1 031	1 090
Press <sup>(a)</sup>	486	514
Products and services of the subsidiaries (domestic mail)	631	566
International mail	935	739
Parcels	1 782	1 724
E-commerce - sale of goods <sup>(b)</sup>	132	
<b>GeoPost revenue</b>	<b>7 303</b>	<b>6 766</b>
Express France	5 652	5 278
Express Rest of World	1 651	1 488
<b>Digital Services revenue</b>	<b>533</b>	<b>531</b>
<b>La Poste Network revenue <sup>(c)</sup></b>	<b>33</b>	<b>38</b>
<b>Real Estate revenue <sup>(d)</sup></b>	<b>27</b>	<b>15</b>
<b>TOTAL</b>	<b>19 154</b>	<b>18 463</b>

(a) "Press" revenues include contractual compensation paid in consideration for the reduced tariffs granted to press organisations as well as the compensation of press operators.

(b) The e-commerce activity is carried out by Asendia Group (see Note 4.1).

(c) La Poste Network revenues include commissions received on third-party sales (excluding Mail, Parcels and Financial Services) carried out at post office counters (such as telephone card sales) and on sales of miscellaneous products, as well as the cost of using La Poste Network invoiced to La Poste Mobile.

(d) Real Estate revenues correspond to the rentals agreed with non-Group tenants.

### NOTE 7 NET BANKING INCOME

The Group's Net Banking Income broke down as follows:

(€ million)	2018	2017
<b>Interest and similar income</b>	<b>4,068</b>	<b>4,486</b>
Credit institutions transactions	1,186	1,404
Customer transactions	1,800	1,904
Finance lease operations	36	
Securities classified at amortised cost, assets at fair value through equity, debt instruments and hedging operations	1,046	1,179
<b>Interest and similar expenses</b>	<b>(1,840)</b>	<b>(1,781)</b>
Credit institutions transactions	(100)	(72)
Customer transactions	(1,367)	(1,364)
Debt evidenced by a certificate and hedging operations <sup>(a)</sup>	(373)	(344)
<b>Commission income</b>	<b>2,672</b>	<b>2,716</b>
<b>Commission expenses</b>	<b>(222)</b>	<b>(276)</b>
<b>Net gains and losses</b>	<b>367</b>	<b>270</b>
Financial instruments at fair value through profit or loss	25	(8)
Financial instruments at fair value through equity <sup>(a)</sup>	342	
Available-for-sale assets <sup>(a)</sup>		278
<b>Net income on insurance activities</b>	<b>417</b>	<b>293</b>
<b>Impact of the overlay approach (gross impact) <sup>(a)</sup></b>	<b>15</b>	<b>(62)</b>
<b>Income and expenses from other activities</b>	<b>67</b>	<b>(62)</b>
<b>TOTAL</b>	<b>5,545</b>	<b>5,647</b>

(a) These NBI items have been modified due to the application of IFRS 9 as at 1 January 2018.

## NOTE 8 PURCHASES AND OTHER EXTERNAL EXPENSES

Purchases and other expenses broke down as follows:

(€ million)	2018	2017
External services and general sub-contracting	2,311	1,947
Purchases	642	562
Outsourced transport	4,737	4,470
International mail delivery services	260	200
Rental expenses	942	899
Maintenance and repair costs	492	456
Telecommunications expenses	172	159
Travel and assignments	192	181
Other expenses	394	338
<b>TOTAL</b>	<b>10,144</b>	<b>9,212</b>

## NOTE 9 PERSONNEL EXPENSES AND HEADCOUNT

A breakdown of personnel expenses by type of cost is provided below:

(€ million)	2018	2017
Wages and salaries, bonuses and allowances	9,390	9,098
Pension contributions	1,008	1,113
Other social security contributions	1,878	1,820
Employee welfare costs	213	210
CICE revenue	(320)	(391)
Change in post-employment provisions	17	19
Change in provisions for social security contingencies and staff litigation	(20)	(158)
Change in other employee provisions	(164)	352
Compensation-based taxes and duties	767	779
<b>TOTAL</b>	<b>12,769</b>	<b>12,840</b>
<b>Average headcount (full-time employee equivalent per year)</b>	<b>251,219</b>	<b>253,219</b>

The "Pension contributions" line item corresponds to contributions paid in to post-employment defined benefits plans. This line item includes the full discharge contribution provided for by law in relation to the funding arrangements for the pensions of government employees.

The "CICE revenue" line item corresponds to the Tax Credit to promote Competitiveness and Employment (CICE).

## NOTE 10 TAXES AND LEVIES

Taxes and levies consist of the following items:

(€ million)	2018	2017
Local taxes	135	143
Other taxes and levies	122	115
<b>TOTAL</b>	<b>257</b>	<b>258</b>

La Poste benefits from favourable local tax treatment in consideration for La Poste's obligation to serve the entire French territory, and its contribution to regional development (Law of 2 July 1990, as rearranged by the Law of 9 February 2010).

In this regard, La Poste enjoyed in 2018 an 85% reduction in its corporate tax base in the property tax base for its business premises, as well as an 95%

reduction on the added value used for the purposes of calculating the Corporate Value-Added Contribution (CVAE) (Article 1635 sexies of the French General Tax Code and Decree No. 2018-1261 of 26 December 2018).

Local business tax (CET) is recognised under "Local taxes".

## NOTE 11 DEPRECIATION, AMORTISATION, PROVISIONS AND IMPAIRMENT

Changes in depreciation, amortisation, provisions and impairment that had an impact on operating profit/(loss) broke down as follows:

(€ million)	2018	2017
<b>Net depreciation and amortisation</b>	<b>1,011</b>	<b>985</b>
Intangible assets <sup>(a)</sup>	319	300
Tangible assets <sup>(a)</sup>	692	685
<b>Net provisions and impairment</b>	<b>53</b>	<b>(17)</b>
Goodwill <sup>(b)</sup>	67	7
Other non-current assets <sup>(a)</sup>	(2)	2
Inventories <sup>(c)</sup>	(1)	0
Accounts receivable <sup>(c)</sup>	(2)	(14)
Losses on unrecoverable receivables	24	30
Provisions for contingencies and losses <sup>(d)</sup>	(32)	(43)
<b>Cost of risk (Banking activities)</b>	<b>133</b>	<b>192</b>
Cost of risk and other impairments, charges and risks (Banking activities)	4	94
Banking activities cost of risk – unrecoverable receivables	129	98
<b>TOTAL</b>	<b>1,197</b>	<b>1,160</b>

(a) A description of the changes in the depreciation, amortisation and impairment of non-current assets is provided in Notes 16 and 17.

(b) The impairment of goodwill is broken down in Note 15.3.

(c) A breakdown of changes in the impairment of inventories and accounts receivable is provided in Notes 21 and 22.

(d) Changes in provisions for contingencies and losses are detailed in Note 26.

## NOTE 12 OTHER OPERATING INCOME AND EXPENSES

Other operating revenue and expenses broke down as follows:

Income/(expenses) (€ million)	2018	2017
Capitalised production	331	280
Royalties	(46)	(33)
Revenues recorded following an acquisition of control <sup>(a)</sup>	57	(5)
Other current operating revenue and expenses	70	73
<b>TOTAL</b>	<b>412</b>	<b>315</b>

(a) In 2018, €57 million impact of the revaluation of the previously held investment in Asendia (see Note 4.1).

Capitalised production primarily consists of IT development costs recognised as intangible assets.

## NOTE 13 FINANCIAL PROFIT/(LOSS)

- 13.1 Cost of net financial debt
- 13.2 Other financial items

### 13.1 Cost of net financial debt

(€ million)	2018	2017
Interest expense on financing transactions <sup>(a)</sup>	(163)	(165)
Change in the fair value of borrowings and debt-related swaps <sup>(b)</sup>	(3)	5
Income from cash and cash equivalents <sup>(c)</sup>	6	6
<b>TOTAL</b>	<b>(160)</b>	<b>(154)</b>

(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

(€ million)	2018	2017
Discounting expense on provisions for employee benefits and return on plan assets	(21)	(15)
Net foreign exchange gains	(1)	(6)
Other financial income and expenses	(4)	6
<b>TOTAL</b>	<b>(26)</b>	<b>(14)</b>

## NOTE 14 INCOME TAX

- 14.1 Income tax expense recognised in income
- 14.2 Tax on other comprehensive income
- 14.3 Tax proof
- 14.4 Deferred tax recognised on the balance sheet
- 14.5 Breakdown of deferred tax by type
- 14.6 Unrecognised deferred tax assets

### 14.1 Income tax expense recognised in income

<i>(€ million)</i>	<b>2018</b>	<b>2017</b>
Current tax (expense)	(131)	(232)
Deferred tax income/(expense)	(30)	(17)
<b>TOTAL TAX INCOME/(EXPENSE)</b>	<b>(161)</b>	<b>(248)</b>

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

<i>(€ million)</i>	<b>2018</b>	<b>2017</b>
<b>Change in unrealised gains and losses on financial instruments (recyclable and non-recyclable items)</b>		
Amount before tax	(566)	(131)
Tax impact	194	60
<b>AMOUNT NET OF TAX</b>	<b>(372)</b>	<b>(71)</b>
<b>Translation adjustments</b>		
Amount before tax	(66)	(84)
Tax impact		
<b>AMOUNT NET OF TAX</b>	<b>(66)</b>	<b>(84)</b>

### 14.3 Tax proof

The explanation of the tax reconciliation is as follows:

(€ million)	2018	2017
<b>Net profit/(loss), Group share</b>	<b>798</b>	<b>851</b>
Share in profits of equity associates and joint ventures	(277)	(305)
Income tax	161	248
Non-controlling interests	39	41
<b>Consolidated profit (loss) before tax and share in profits of equity associates and joint ventures</b>	<b>720</b>	<b>835</b>
<b>Income tax rate</b>	<b>34.43%</b>	<b>34.43%</b>
<b>Theoretical tax expense <sup>(a)</sup></b>	<b>(248)</b>	<b>(288)</b>
Exceptional and additional taxes on large companies		(36)
Tax on distributed revenues <sup>(b)</sup>		35
Unused tax losses created during the year or in previous years (excluding tax consolidation)	(17)	(15)
Deferred tax assets creation (limitation)	26	(94)
Tax rate differential for foreign subsidiaries	44	41
Effect of the French income tax rate decrease from 2019 <sup>(c)</sup>	(32)	(26)
Tax benefits, tax credits and foreign tax allowances	14	14
Fines	(10)	15
Contribution to the French Deposits guarantee and resolution fund (Fonds de Garantie des dépôts et Résolution)	(16)	(12)
Impairment	20	
Revaluation of investment following a take-over	(23)	(3)
CICE	97	117
Other permanent differences (non-deductible expenses)	(15)	5
<b>Tax restatements</b>	<b>87</b>	<b>43</b>
<b>ACTUAL TAX CHARGE</b>	<b>(161)</b>	<b>(248)</b>

(a) Including the 3.3% social solidarity contribution.

(b) Includes in 2017 the reimbursement of the 3% exceptional contribution on dividends, which was invalidated by the French Constitutional Council in October 2017.

(c) The 2018 French Finance law, adopted in December 2017, provides that the income tax rate in France will decrease progressively to reach 25.83% in 2022.

### 14.4 Deferred tax recognised on the balance sheet

(€ million)	Deferred tax assets	Deferred tax liabilities	Total
<b>31/12/2016</b>	<b>239</b>	<b>277</b>	<b>(39)</b>
Impact on net profit/(loss)	(82)	(66)	(16)
Reclassifications	(16)	(16)	
Impact on equity	48	(16)	63
Change in consolidation scope	4	8	(4)
<b>31/12/2017</b>	<b>192</b>	<b>188</b>	<b>4</b>
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		
<b>31/12/2018</b>	<b>412</b>	<b>188</b>	<b>225</b>

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

(€ million)	31/12/2018	31/12/2017
<b>Deferred tax assets</b>		
Employee benefits	414	454
Other non-deductible provisions	62	34
Other timing differences	102	114
Financial instruments	6	5
Tax loss carry-forwards	136	15
Asset/liability offsets <sup>(a)</sup>	(308)	(430)
<b>TOTAL ASSETS</b>	<b>412</b>	<b>192</b>
<b>Deferred tax liabilities</b>		
Regulated provisions	108	114
Revaluation of contributions to Poste Immo	41	50
Financial instruments	102	224
Deductible goodwill	164	161
Other tax timing differences	81	69
Asset/liability offsets <sup>(a)</sup>	(308)	(430)
<b>TOTAL LIABILITIES</b>	<b>188</b>	<b>188</b>

(a) Deferred tax assets and liabilities are offset for each tax entity or tax consolidation group.

## 14.6 Unrecognised deferred tax assets

Type and amount of unrecognised deferred tax asset bases (€ million)	31/12/2018			Total
	French companies in the tax consolidation group	Non-consolidated French companies	Foreign companies	
Home Loan Savings Provision	238			<b>238</b>
Employee benefits	1,235	11	57	<b>1,303</b>
Other timing differences	370	43	32	<b>445</b>
Ordinary tax losses		261	145	<b>406</b>
<b>TOTAL</b>	<b>1,843</b>	<b>315</b>	<b>234</b>	<b>2,392</b>

Unrecognised deferred tax asset bases amounted to €2,456 million as at 31 December 2017.

## NOTES TO THE BALANCE SHEET

### NOTE 15 GOODWILL

- 15.1 Breakdown of goodwill
- 15.2 Change in the net book value of goodwill
- 15.3 Impairment

#### 15.1 Breakdown of goodwill

(€ million) CGU	Segment	31/12/2018	31/12/2017
DPD Continental Europe	GeoPost	517	517
DPD France	GeoPost	334	334
GeoPost Spain	GeoPost	318	313
Digital Services	Digital services	216	195
Asendia <sup>(a)</sup>	Services-Mail-Parcels	179	
DPD Russia	GeoPost	127	206
DPD Poland	GeoPost	126	130
GeoPost UK	GeoPost	121	122
Asten Santé	Services-Mail-Parcels	98	97
La Banque Postale Prévoyance	La Banque Postale	94	94
Mediapost	Services-Mail-Parcels	65	64
Tigers	GeoPost	48	49
Chronopost	GeoPost	44	38
JadLog	GeoPost	32	34
Diadom Care	Services-Mail-Parcels	31	
Tocqueville Group	La Banque Postale	27	27
La Banque Postale Asset Management	La Banque Postale	22	22
WnDirect	GeoPost	22	22
Stuart	GeoPost	13	13
Resto In	GeoPost		10
DPD Laser Finance	GeoPost	10	12
Other GeoPost companies	GeoPost	25	25
Other Services-Mail-Parcels companies	Services-Mail-Parcels	8	8
<b>TOTAL</b>		<b>2,478</b>	<b>2,332</b>
<b>Services-Mail-Parcels</b>		<b>381</b>	<b>168</b>
<b>GeoPost</b>		<b>1,738</b>	<b>1,824</b>
<b>La Banque Postale</b>		<b>143</b>	<b>143</b>
<b>Digital Services</b>		<b>216</b>	<b>195</b>

(a) Of which the acquisition of Asendia for €179 million (see Note 4.1 and Note 15.2(a)).

## 15.2 Change in the net book value of goodwill

(€ million)	2018	2017
<b>Opening balance</b>	<b>2,332</b>	<b>2,119</b>
of which : Gross amount	2,556	2,337
Impairment	(225)	(218)
Acquisitions <sup>(a)</sup>	247	254
Translation adjustments <sup>(b)</sup>	(33)	(24)
Impairment <sup>(c)</sup>	(67)	(7)
Other		(10)
<b>CLOSING BALANCE</b>	<b>2,478</b>	<b>2,332</b>
of which : Gross amount	2,762	2,556
Impairment	(284)	(225)

- (a) Of which, in 2018, Asendia for €179 million (€30 million recognised in the value of investments in associates in 2017, €92 million generated by the additional stake acquired in 2018, €57 million generated by the revaluation of the previously held investment), Diadom Care for €31 million, Eukles for €11 million, Voxaly for €9 million, Alp SAS for €6 million and SEUR franchises in Spain for €5 million.  
Of which in 2017, Asten Santé for €97 million, SPSR Express for €67 million, Jadlog for €39 million, Ametix Group for €15 million, Stuart for €13 million and Seur franchises in Spain and Portugal for €11 million.
- (b) Of which in 2018 DPD Russia for €-14 million, SPSR Express Russie for €-8 million and DPD Polska for €-4 million.  
Of which in 2017, DPD Russia for €-17 million, GeoPost UK for €-4million, Jadlog for €-5 million, DPD Poland for €+7million.
- (c) Goodwill of DPD Russia was depreciated in 2018, for €57 million and goodwill of Resto In was depreciated for €10 million. Goodwill of Resto In was depreciated in 2017 for €7 million.

## 15.3 Impairment

### 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:

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
<b>2017</b>				
Services-Mail-Parcels	7.2%	8.1%	2%	5
GeoPost	7.3% to 8.2%	7.9% to 16%	2%	5
La Banque Postale	8.7% to 9%	-	1%	5
Digital Services	6.8%	-	2%	5

The tests performed on the Group's goodwill in 2018 led to depreciate DPD Russia for amount of €57 million and Resto In for an amount of €10 million.

In 2017, the tests performed on the Group's goodwill in 2017 led to depreciate Resto In's goodwill for an amount of €7 million.

### Sensitivity analysis

A one point increase in the discount rate or a half point decrease in the growth rate in perpetuity would not have had a material impact on the results of the impairment tests as at 31 December 2018.

### 15.3.2 Impairment of CGUs without goodwill

La Poste's Mail CGU did not show any indication of impairment as at 31 December 2018.

## NOTE 16 INTANGIBLE ASSETS

(€ million)	Software, patents and licences	Intangible assets in progress	Other intangible assets	TOTAL
<b>GROSS AMOUNT</b>				
<b>Balance as at 31/12/2016</b>	<b>1,760</b>	<b>295</b>	<b>1,082</b>	<b>3,137</b>
Acquisitions	78	309	76	463
Disposals	(38)	(9)	(37)	(84)
Change in consolidation scope	14	1	48	63
Transfers	92	(225)	138	5
Translation adjustments	(1)		(1)	(1)
<b>Balance as at 31/12/2017</b>	<b>1,905</b>	<b>371</b>	<b>1,306</b>	<b>3,583</b>
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)
<b>BALANCE as at 31/12/2018</b>	<b>2,111</b>	<b>489</b>	<b>1,528</b>	<b>4,127</b>
<b>DEPRECIATION AND IMPAIRMENT</b>				
<b>Balance as at 31/12/2016</b>	<b>(1,387)</b>		<b>(833)</b>	<b>(2,221)</b>
Depreciation for the year	(188)		(112)	(300)
Impairment	(1)		(8)	(8)
Reversals on disposals	37		36	73
Change in consolidation scope	(11)		(14)	(25)
Translation adjustments				1
<b>Balance as at 31/12/2017</b>	<b>(1,550)</b>		<b>(931)</b>	<b>(2,481)</b>
Depreciation for the year	(186)		(133)	(319)
Impairment	(1)		6	5
Reversal on impairment			1	2
Reversals on disposals	46		6	51
Change in consolidation scope	(14)		(13)	(26)
Transfers	(1)			
Translation adjustments	1			1
<b>BALANCE as at 31/12/2018</b>	<b>(1,705)</b>		<b>(1,062)</b>	<b>(2,768)</b>
<b>NET AMOUNT</b>				
<b>As at 31/12/2017</b>	<b>355</b>	<b>371</b>	<b>375</b>	<b>1,102</b>
<b>AS AT 31/12/2018</b>	<b>405</b>	<b>489</b>	<b>465</b>	<b>1,359</b>

The "transfer" lines relate to the commissioning of assets and to reclassifications to other assets line items.

## NOTE 17 PROPERTY, PLANT AND EQUIPMENT

(€ million)	Land and buildings	Machinery and equipment	Vehicles	Other	Assets under construction	TOTAL
<b>GROSS AMOUNT</b>						
<b>Balance as at 31/12/2016</b>	<b>5,064</b>	<b>2,649</b>	<b>882</b>	<b>3,164</b>	<b>333</b>	<b>12,093</b>
Acquisitions	39	112	130	161	462	903
Disposals	(113)	(70)	(102)	(192)	(2)	(479)
Change in consolidation scope	17	102	25	12		157
Transfers	156	61	1	76	(351)	(57)
Translation adjustments	(6)	(2)	(3)	(4)		(15)
<b>Balance as at 31/12/2017</b>	<b>5,158</b>	<b>2,853</b>	<b>932</b>	<b>3,218</b>	<b>442</b>	<b>12,603</b>
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)
<b>BALANCE as at 31/12/2018</b>	<b>5,402</b>	<b>2,990</b>	<b>932</b>	<b>3,357</b>	<b>537</b>	<b>13,217</b>
<b>DEPRECIATION AND IMPAIRMENT</b>						
<b>Balance as at 31/12/2016</b>	<b>(1,643)</b>	<b>(2,086)</b>	<b>(392)</b>	<b>(2,310)</b>		<b>(6,431)</b>
Depreciation for the year	(170)	(171)	(107)	(237)		(685)
Impairment	(16)	(2)	(7)			(25)
Reversals on impairment	30	1				31
Reversals on disposals	39	69	77	183		369
Change in consolidation scope	(6)	(70)	(18)	(9)		(103)
Transfers	6	3		(4)		6
Translation adjustments	2	2	2	2		8
<b>Balance as at 31/12/2017</b>	<b>(1,758)</b>	<b>(2,255)</b>	<b>(445)</b>	<b>(2,374)</b>		<b>(6,831)</b>
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
<b>BALANCE as at 31/12/2018</b>	<b>(1,897)</b>	<b>(2,380)</b>	<b>(439)</b>	<b>(2,513)</b>		<b>(7,228)</b>
<b>NET AMOUNT</b>						
<b>As at 31/12/2017</b>	<b>3,400</b>	<b>598</b>	<b>488</b>	<b>843</b>	<b>442</b>	<b>5,771</b>
<b>AS AT 31/12/2018</b>	<b>3,505</b>	<b>610</b>	<b>493</b>	<b>844</b>	<b>537</b>	<b>5,989</b>
<i>Of which finance leases</i>						
<b>As at 31/12/2017</b>	<b>105</b>	<b>17</b>	<b>1</b>	<b>8</b>		<b>131</b>
<b>AS AT 31/12/2018</b>	<b>98</b>	<b>8</b>	<b>1</b>	<b>8</b>		<b>115</b>

The transfer lines correspond to the commissioning of assets and to the reclassification of certain tangible assets to "Assets held for sale" (see Note 24).

## NOTE 18 EQUITY ASSOCIATES AND JOINT VENTURES

### 18.1 Change in investments in associates and joint ventures 18.2 Information on CNP Assurances

#### 18.1 Change in investments in associates and joint ventures

The Group has an interest in joint ventures and associates which are not individually material, except for an interest in the CNP Assurances associate, for which additional information is provided in note 18.2.

(€ million)	CNP Assurances	BRT <sup>(b)</sup>	Real Estate sub-group	Yurtici Kargo	AEW Europe	ASENDIA <sup>(c)</sup>	NINJA Logistics	Other	Companies with negative net assets <sup>(a)</sup>		
									La Poste Mobile		
Nature of control	Associate	Associate	Associate/ Joint control	Associate	Associate	Joint control	Associate		TOTAL	Joint control	TOTAL
<b>Balance as at 31/12/2016</b>	<b>3,169</b>		<b>28</b>	<b>23</b>	<b>51</b>	<b>56</b>		<b>99</b>	<b>3,426</b>	<b>(46)</b>	<b>(46)</b>
Group share in the profit or loss	257	31	3	1	7	23		(1)	320	(15)	(15)
Dividend payments	(111)	(4)	(4)	(1)	(4)	(1)		(3)	(128)		
Net change in the fair value of financial instruments and AFS securities	56							1	57		
Change in consolidation scope		476				(4)		4	476		
Capital increase			4					1	5	20	20
Transfers and reclassifications	(3)		(2)			2			(3)		
Translation adjustments	(46)			(4)				(6)	(56)		
<b>Balance as at 31/12/2017</b>	<b>3,322</b>	<b>503</b>	<b>30</b>	<b>19</b>	<b>54</b>	<b>76</b>		<b>94</b>	<b>4,098</b>	<b>(40)</b>	<b>(40)</b>
Group share in the profit or loss	263	32	3	2	5	3	(14)	2	295	(19)	(19)
Dividend payments	(116)	(8)	(2)	(1)	(7)			(2)	(137)		
Net change in the fair value of financial instruments and AFS securities	(219)								(219)		
Change in consolidation scope	(4)					(78)	64	1	(17)		
Capital increase			3					3	7	20	20
Other changes	(3)		(1)			(1)			(5)	6	6
Translation adjustments	(37)			(4)			1	(1)	(40)		
<b>BALANCE as at 31/12/2018</b>	<b>3,207</b>	<b>526</b>	<b>32</b>	<b>15</b>	<b>53</b>		<b>52</b>	<b>98</b>	<b>3,982</b>	<b>(32)</b>	<b>(32)</b>

(a) Recorded in "Other provisions for contingencies and loss" (see Note 26.2).

(b) Includes a €513 million goodwill as at 31 December 2018.

(c) See Note 4.1.

#### 18.2 Information on CNP Assurances

(€ million)	31/12/2018	31/12/2017
Interest percentage <sup>(a)</sup>	20.15%	20.15%
Fair value of the Group's investment (based on market price)	2,562	2,665

(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

(€ million)	31/12/2018	31/12/2017
Equity attributable to owners of the parent	17,781	18,258
Restatements (deeply-subordinated notes)	(1,886)	(1,790)
Equity at % of interest held by Le Groupe La Poste	3,203	3,318
Net goodwill	4	4
<b>INVESTMENT VALUE ON LE GROUPE LA POSTE BALANCE SHEET<sup>(a)</sup></b>	<b>3,207</b>	<b>3,322</b>

(a) The value of the investment in the CNP Assurances associate corresponds to the 20.15% share of Le Groupe La Poste in CNP Assurances' equity as published at 31 December 2018, restated for deeply-subordinated notes (excluding Group part) issued to third parties.

## NOTE 19 OTHER FINANCIAL ASSETS

(€ million)	31/12/2018		31/12/2017	
	Current	Non-current	Current	Non-current
Unconsolidated investments		340		372
<i>Provisions for unconsolidated investments</i>		(37)		(33)
Deposits and guarantees paid	10	25	7	22
<i>Provisions for deposits and guarantees paid</i>	(1)			
Financial derivatives	14	113	38	127
Loans for local authority housing	3	59	4	61
<i>Provisions for loans for local authority housing</i>		(23)		(25)
Financial assets held for investment purposes	450		620	50
Other financial assets	56	49	44	51
<i>Provisions for other financial assets</i>		(26)		(25)
<b>TOTAL</b>	<b>532</b>	<b>500</b>	<b>712</b>	<b>599</b>

### Unconsolidated equity investments

(€ million)	31/12/2018			31/12/2017
	Percentage held	Gross amount	Net amount	Net amount
Crédit Logement	6%	102	102	98
XAnge Capital 2	36%	12	12	12
XAnge Digital 3	33%	20	20	20
KissKissBankBank (LBP)	100%	24	24	40
Mandarine Gestion (LBP)	12%	16	16	14
Domiserve (LBP)	100%	27	27	15
LBP IC (LBP)	100%	15	15	
Other - French companies		56	49	59
Other - foreign companies (see details in Note 43) <sup>(a)</sup>		68	37	79
<b>TOTAL</b>		<b>340</b>	<b>303</b>	<b>338</b>

(a) Of which, as at 31 December 2018, companies acquired by Seur GeoPost for €22 million and by GeoPost Spain for €8 million.

And, as at 31 December 2017, Ninja Logistics for €64 million (acquired in late December 2017), a Singaporean company, which was accounted for under the equity method in 2018.

Wholly-owned unconsolidated investments comprise wholly-owned dormant companies, companies in the process of being liquidated or companies with non-material balance sheets and income statements.

#### Deposits and guarantees

This line primarily corresponds to the security deposits paid in respect of leases.

#### Financial derivatives

The financial derivatives line represents instruments put in place to manage the interest rate and currency risks on debt. They must therefore be looked at together with "Bonds and other financial debt". A breakdown of these derivatives can be found in Note 27.5.

#### 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:

(€ million)	31/12/2018	31/12/2017
Bonds		50
Term deposits accessible after more than 3 months	400	400
UCITS	50	80
Negotiable debt securities (maturity 3 to 12 months)		140
<b>TOTAL</b>	<b>450</b>	<b>670</b>

#### Loans for local authority housing

These loans primarily consist of loans to construction entities with very long-term maturities.

## NOTE 20 BANKING ACTIVITIES FINANCIAL ASSETS

- 20.1 Customer loans and receivables
- 20.2 Credit institutions loans and receivables
- 20.3 Securities portfolio
- 20.4 Other banking financial assets
- 20.5 Banking accruals

### 20.1 Customer loans and receivables

(€ million)	31/12/2018	31/12/2017
Ordinary customer receivables	670	713
Other customer receivables	126	57
Factoring	4,446	2,335
Provisions	(115)	(132)
<b>Customer sight loans and receivables</b>	<b>5,127</b>	<b>2,972</b>
Term loans		220
Short-term credit facilities	8,289	5,063
Home loans	70,606	59,813
Loans to legal entities		10,445
Loans to local public sector		5,776
Equipment loans	3,639	
Loans to financial customers	394	
Other loans	5,683	
Securities received under repurchase agreements	15	1
Provisions	(616)	(451)
<b>Term customer loans and receivables</b>	<b>88,010</b>	<b>80,868</b>
<b>Finance lease transactions</b>	<b>2,533</b>	<b>2,234</b>
<b>Securities equivalent to customer loans and receivables</b>		<b>1,974</b>
<b>TOTAL</b>	<b>95,671</b>	<b>88,048</b>

An assessment of the risk exposure of customer loans (primarily home loans) and of impairments is shown in Note 33.2.5.

The "Securities equivalent to customer loans and receivables" line primarily corresponds to certain

financial assets classified in the "available for sale" category, which were reclassified to "loans and receivables" on 1 July 2008 pursuant to the IAS 39 amendment published in October 2008 (see Note 34.5).

### 20.2 Credit institutions loans and receivables

(€ million)	31/12/2018	31/12/2017
Ordinary accounts receivable	254	311
Overnight deposits and loans	15,513	10,007
<b>Sight loans and receivables – credit institutions</b>	<b>15,767</b>	<b>10,318</b>
Term accounts and loans	70,827	72,897
Securities received under repurchase agreements	665	225
<b>Term deposits and loans – credit institutions</b>	<b>71,492</b>	<b>73,123</b>
<b>Subordinated and participating loans</b>	<b>93</b>	<b>172</b>
<b>Securities equivalent to loans and receivables due from credit institutions</b>		<b>475</b>
<b>TOTAL</b>	<b>87,352</b>	<b>84,088</b>

Term accounts and loans primarily include accounts opened at Caisse des Dépôts in connection with the centralisation of regulated products, primarily Livret A passbook savings accounts, Sustainable Development, and Popular savings accounts.

An assessment of credit risks on receivables due from credit institutions (Banking activities) is set out in Note 33.2.5.

## 20.3 Securities portfolio

(€ million)	31/12/2018	31/12/2017
Government securities and similar	20,298	18,407
Bonds and other fixed-income securities	3,284	2,327
<b>Securities classified at amortised cost</b>	<b>23,582</b>	<b>20,734</b>
Government securities and similar	5,051	6,781
Bonds and other fixed-income securities	10,657	9,542
Equities and other variable-income securities	80	1,326
<b>Financial assets at fair value through OCI</b>	<b>15,788</b>	<b>17,650</b>
<i>Government securities and similar</i>	1,842	950
<i>Bonds and other fixed-income securities</i>	5,538	6,058
<i>UCITS</i>	1,060	61
<b>Debt instruments</b>	<b>8,441</b>	<b>7,070</b>
<b>Equity instruments</b>	<b>148</b>	
<b>Loans and advances</b>	<b>1,571</b>	
<b>Financial assets at fair value option through profit or loss</b>		<b>35</b>
<i>Interest-rate derivatives</i>	1,424	1,366
<i>Foreign exchange derivatives</i>	16	30
<b>Derivatives/Positive Fair Value</b>	<b>1,440</b>	<b>1,396</b>
<b>Financial assets at fair value through profit or loss</b>	<b>11,600</b>	<b>8,501</b>
<b>Revaluation adjustment on hedged portfolios (fair value hedges)</b>	<b>82</b>	<b>69</b>
<b>TOTAL</b>	<b>51,052</b>	<b>46,953</b>

The general principles governing the recognition of securities and derivatives for the Banking activities are set out in Note 2.14.

The fair value calculation methods for banking activities financial instruments are set out in Note 34.2.

An assessment of credit risks for the main items in the Banking activities securities portfolio can be found in Note 33.2.5.

## 20.4 Other banking financial assets

(€ million)	31/12/2018	31/12/2017
Deposits and guarantees paid	792	725
Other miscellaneous receivables <sup>(a)</sup>	448	437
Accrued income	368	331
<b>TOTAL</b>	<b>1,608</b>	<b>1,493</b>

(a) Other receivables primarily consist of ongoing transactions with customers.

## 20.5 Banking accruals

Banking activities accruals primarily consist of accounts pending settlement of transactions with retail customers.

### Accruals - Assets

(€ million)	31/12/2018	31/12/2017
Prepaid expenses	48	40
Collection accounts	16	47
Settlement accounts for securities transactions	1	2
Other insurance assets	601	529
Other accruals - Assets	848	1,197
<b>TOTAL</b>	<b>1,513</b>	<b>1,815</b>

## Accruals - Liabilities

(€ million)	31/12/2018	31/12/2017
Settlement accounts for securities transactions	7	8
Other accruals – Liabilities	2,353	2,090
<b>TOTAL</b>	<b>2,360</b>	<b>2,099</b>

## NOTE 21 Inventories and work-in-progress

(€ million)	31/12/2018			31/12/2017
	Gross amount	Provisions	Net amount	Net amount
Raw materials, supplies inventories and goods inventories	122	(2)	120	109
Finished and semi-finished product inventories and work in progress	13	(1)	12	11
<b>TOTAL</b>	<b>134</b>	<b>(2)</b>	<b>132</b>	<b>121</b>

Inventories primarily consist of spare parts for technical facilities and finished products sold in the post office network (primarily stamp-collecting products).

## NOTE 22 Trade and other accounts receivable

(€ million)	31/12/2018	31/12/2017
Advances and deposits paid	147	123
Trade receivables and related accounts	2,402	2,300
<i>Provisions on trade receivables and related accounts</i>	<i>(105)</i>	<i>(96)</i>
International mail receivables	770	664
CICE tax credit receivable	337	410
Other receivables	624	555
<i>Provisions on other receivables</i>	<i>(20)</i>	<i>(27)</i>
<b>TOTAL</b>	<b>4,156</b>	<b>3,930</b>

International Mail receivables (€770 million) are primarily owed by foreign post offices for the delivery of the mail that they have passed on in France.

Likewise, trade and other payables include an international mail service liability (see Note 31) of

€674 million owed to foreign postal operators for mail to be delivered outside of France passed on by La Poste to these post operators for delivery.

**NOTE 23 Cash and cash equivalents****23.1 Cash and cash equivalents****23.2 Cash and central bank deposits (Banking activities)****23.1 Cash and cash equivalents**

Cash and cash equivalents consist of cash on hand, bank balances and short-term investments in monetary instruments. These investments, which were initially due to mature in less than three months, are readily convertible into a known amount of cash and are exposed to a negligible risk of a change in value.

<i>(€ million)</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Cash equivalents	1,637	1,301
Cash at bank	645	430
Cash on hand	4	4
<b>TOTAL</b>	<b>2,286</b>	<b>1,735</b>

**Cash equivalents**

Cash equivalents consisted mainly of term deposits accessible at any time, or within three months, for an amount of €1,074 million (€883 million as at 31 December 2017), and units in money-market units for an amount of €530 million (€351 million as at 31 December 2017).

**23.2 Cash and central bank deposits (Banking activities)**

<i>(€ million)</i>	<b>31/12/2018</b>	<b>31/12/2017</b>
Cash on hand (including cash held at post offices)	944	901
Central banks	1,062	2,424
<b>TOTAL</b>	<b>2,007</b>	<b>3,325</b>

**NOTE 24 Assets held for sale**

The assets held-for-sale as at 31 December 2018 and as at 31 December 2017 corresponded to properties under promise of sale.

## NOTE 25 EQUITY

- 25.1 Share capital
- 25.2 Hybrid debt
- 25.3 Non-controlling interests

### 25.1 Share capital

As at 31 December 2018, the share capital amounted to €3.8 billion, divided into 950 million ordinary shares with a par value of €4 each. As at that date, 73.7% of the capital was owned by the French government and 26.3% was owned by Caisse des Dépôts.

#### Background

On 1 March 2010, La Poste became a Société Anonyme (French public limited company), with a share capital set at €1 billion, split into 500 million fully paid-up shares with a par value of €2 each. This share capital is, by law, wholly-owned by the French government or government-owned entities, except for any portion reserved for La Poste employees.

Prior to that date, La Poste was an independent government-owned company, with no share capital within the legal meaning of the term.

#### April 2011 capital increase

At its 10 February 2011 meeting, the Board of Directors approved the planned €2.7 billion capital increase, to which the French government was to subscribe €1.2 billion and Caisse des Dépôts €1.5 billion.

The Extraordinary General Meeting of 6 April 2011 approved the following resolutions:

- share capital increase of €1 billion through an increase of the par amount of the existing shares from €2 to €4, via the incorporation of reserves;
- issue of 350 million new shares with equity warrants (ABSA) with a unit price of €6, including a par value of €4 and an issue premium of €2, i.e. a total of €2.1 billion including €1.4 billion in capital and €700 million in issue premiums;
- an equity warrant (BSA) is attached to each new share. The BSAs will entitle their holders to subscribe to 100 million new shares between 1 March and 30 April 2013 for a total amount of €600 million,

including €400 million in capital and €200 million in issue premiums. The government and Caisse des Dépôts have made an irrevocable commitment to exercise all of their BSAs no later than the last day of the exercise period (i.e. 30 April 2013);

- inclusion of Caisse des Dépôts in the Group's governing bodies, with three representatives on the Board of Directors.

A first payment of €1.05 billion for the capital issued was made in April 2011, and included €467 million from the government and €583 million from Caisse des Dépôts.

The second payment of €1.05 billion, which was identical to the first, was paid in April 2012.

In April 2013, the French government and Caisse des Dépôts exercised the 350 million in equity warrants they were holding, which resulted in the issuance of 100 million new shares at a unit price of €6, €2 of which was an issue premium.

### 25.2 Hybrid debt

#### April 2018 hybrid securities issue

In April 2018, Le Groupe La Poste carried out a public €750 million hybrid securities issue denominated in euros. The securities issued are undated and have an initial call date of 29 January 2026. According to IAS 32 standard, they were recorded in consolidated equity.

### 25.3 Non-controlling interests

As at 31 December 2018, non-controlling interests were not significant, individually or collectively.

Non-controlling interests amounted to €196 million as at 31 December 2018.

## NOTE 26 PROVISIONS FOR CONTINGENCIES AND LOSSES

- 26.1 Specific provisions for the Insurance and Banking activities  
26.2 Other provisions for contingencies and losses

### 26.1 Specific provisions for the Insurance and Banking activities

As at 31 December 2018, underwriting provisions for the Insurance and Banking activities, classified as current provisions for contingencies and losses, broke down as follows:

<i>(€ million)</i>	Home Loan Savings risk	Insurance underwriting provisions	TOTAL
<b>Balance as at 31/12/2016</b>	<b>362</b>	<b>2,231</b>	<b>2,593</b>
Addition for the year		182	182
Reversal for the year	(68)	(45)	(114)
Other movements		7	7
<b>Balance as at 31/12/2017</b>	<b>294</b>	<b>2,376</b>	<b>2,669</b>
Addition for the year		191	191
Reversal for the year	(42)	(52)	(93)
Other movements		(35)	(35)
<b>Balance as at 31/12/2018</b>	<b>252</b>	<b>2,479</b>	<b>2,732</b>

The provision for Home Loan Savings risk is intended to cover the negative impact of Home Loan Savings deposits for lending institutions authorised to accept them, given the commitments that they imply (see Note 2.19).

This provision was subject to a net decrease of €42 million over the financial year, which broke down as follows:

<i>(€ million)</i>	Amounts collected	PEL and CEL amounts granted	2018 provisions	2017 provisions	Net movements 2017/2018
<b>Age</b>					
Over 10 years	6,789		68	68	
4 to 10 years	16,025		126	104	22
Under 4 years	4,641		38	95	(56)
<b>Total Home Loan Savings Plans (PEL)</b>	<b>27,454</b>	<b>24</b>	<b>232</b>	<b>267</b>	<b>(35)</b>
<b>Total Home Loan Savings Accounts (CEL)</b>	<b>4,348</b>	<b>165</b>	<b>20</b>	<b>27</b>	<b>(6)</b>
<b>TOTAL</b>	<b>31,802</b>	<b>190</b>	<b>252</b>	<b>294</b>	<b>(42)</b>

## 26.2 Other provisions for contingencies and losses

As at 31 December 2018, the other provisions for contingencies and losses broke down as follows:

(€ million)	Employee-related disputes	Other disputes	Other	TOTAL
<b>Non-current provisions</b>	<b>161</b>	<b>16</b>	<b>152</b>	<b>328</b>
<b>Current provisions</b>	<b>84</b>	<b>161</b>	<b>322</b>	<b>567</b>
<b>Balance as at 31/12/2016</b>	<b>245</b>	<b>177</b>	<b>473</b>	<b>895</b>
Addition for the year	38	57	82	177
Reversal for use	(28)	(43)	(56)	(126)
Reversal of provisions no longer required	(165)	(53)	(58)	(277)
Other movements		(7)	4	(3)
<b>Non-current provisions</b>	<b>43</b>	<b>19</b>	<b>145</b>	<b>207</b>
<b>Current provisions</b>	<b>47</b>	<b>112</b>	<b>300</b>	<b>459</b>
<b>Balance as at 31/12/2017</b>	<b>90</b>	<b>131</b>	<b>446</b>	<b>667</b>
First time application of IFRS 9 <sup>(a)</sup>			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)
<b>Non-current provisions</b>	<b>18</b>	<b>3</b>	<b>104</b>	<b>124</b>
<b>Current provisions</b>	<b>52</b>	<b>114</b>	<b>325</b>	<b>491</b>
<b>Balance as at 31/12/2018</b>	<b>70</b>	<b>117</b>	<b>428</b>	<b>615</b>

(a) The impact of the first-time adoption of IFRS 9 is provision for financing commitments (see Note 3.C).

**Provisions for employee disputes** cover all employee disputes (industrial tribunal, etc.) and ongoing disputes with social security bodies.

**Provisions for other disputes** relate to disputes brought before administrative, civil or commercial courts, and include a €50 million provision covering the financial penalty issued by the ACPR to La Banque Postale (see Note 1.5).

As at 31 December 2018, **other provisions** included:

- a €136 million provision covering the penalty issued by the French Competition Authority against two companies of the Group

- a €32 million provision covering the negative net asset value of equity associates and joint ventures, compared to €40 million as at 31 December 2017 (see note 18.1)
- miscellaneous risks linked to the operational activity of the Group

## NOTE 27 BONDS AND OTHER FINANCIAL DEBT

- 27.1 Breakdown of financial debt
- 27.2 Breakdown of debt by maturity
- 27.3 Changes in financial debt
- 27.4 Bonds and deeply subordinated debt
- 27.5 Non-banking activities derivatives
- 27.6 Other financial debt

### 27.1 Breakdown of financial debt

(€ million)	31/12/2018		31/12/2017	
	Short-term	Medium-and long-term	Short-term	Medium-and long-term
<b>Financial debt at amortised cost</b>	<b>1,136</b>	<b>3,839</b>	<b>380</b>	<b>4,129</b>
Bonds	800	3,661		3,960
Finance leases	11	91	9	105
La Poste savings bonds	54		56	
Commercial paper	150		150	
Current bank facilities	22		41	
Deposits and guarantees received	70	26	99	25
Other borrowings at amortised cost	29	62	25	39
<b>Borrowings designated at fair value</b>		<b>683</b>	<b>504</b>	<b>705</b>
<b>Hedged borrowings</b>		<b>435</b>		<b>415</b>
Subordinated debt		435		415
<b>Financial derivative liabilities relating to bonds</b>	<b>9</b>	<b>46</b>	<b>4</b>	<b>63</b>
<b>Interest accrued not due on borrowings</b>	<b>79</b>		<b>96</b>	
<b>Medium and long-term bonds and other financial debt (non-current)</b>		<b>5,004</b>		<b>5,313</b>
<b>Short-term bonds and other financial debt (current)</b>	<b>1,225</b>		<b>984</b>	
<b>TOTAL CURRENT AND NON-CURRENT</b>	<b>6,229</b>		<b>6,297</b>	

### 27.2 Breakdown of debt by maturity

(€ million)	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Financial debt at amortised cost</b>								
Bonds	800		1,421	1,797	2,240	2,163	4,460	3,960
Finance leases	11	9	91	25		80	101	114
La Poste savings bonds	54	56					54	56
Commercial paper	150	150					150	150
Current bank facilities	22	41					22	41
Deposits and guarantees received	70	99	23	23	2	2	95	125
Other borrowings at amortised cost	29	25	62	39			91	63
<b>Borrowings at fair value</b>								
Bonds	(0)	504	683			705	683	1,209
<b>Hedged borrowings</b>								
Subordinated debt					435	415	435	415
<b>Financial derivative liabilities</b>	<b>9</b>	<b>4</b>	<b>46</b>			<b>63</b>	<b>56</b>	<b>68</b>
<b>Accrued interest not due</b>	<b>79</b>	<b>96</b>					<b>79</b>	<b>96</b>
<b>TOTAL</b>	<b>1,225</b>	<b>984</b>	<b>2,326</b>	<b>1,884</b>	<b>2,677</b>	<b>3,429</b>	<b>6,229</b>	<b>6,297</b>

## 27.3 Changes in financial debt

The following table shows the changes in financial debt in 2018 and 2017, and identifies the changes with an impact on cash and those without.

(€ million)	Bonds and other financial debt	Debt-related derivative assets (including security deposits)	Issue premiums and costs, cash payments on hedging operations	Non-banking CFS	La Banque Postale subordinated debt	GROUP CFS
<b>Balance as at 31/12/2016</b>	<b>6,900</b>	<b>(243)</b>			<b>2,980</b>	
<b>Flows with cash impact</b>						
Proceeds from new borrowings	260			260	150	410
Repayment of borrowings	(747)			(747)		(747)
Other cash flows from financing activities	(107)			(107)		(107)
<b>Flows without cash impact</b>						
Non-cash changes in finance leases debt	20					
Changes in consolidation scope and exchange rates	48					
Changes in fair value (excluding La Banque Postale)	(65)	70				
Other non-cash flows and reclassifications	(12)	9			(41)	
<b>Balance as at 31/12/2017</b>	<b>6,297<sup>(a)</sup></b>	<b>(164)<sup>(a)</sup></b>			<b>3,089</b>	
<b>Flows with cash impact</b>						
Proceeds from new borrowings <sup>(b)</sup>	890			890		890
Repayment of borrowings <sup>(c)</sup>	(925)			(925)		(925)
Other cash flows from financing activities	(55)		(12)	(66)		(66)
<b>Flows without cash impact</b>						
Non-cash changes in finance leases debt	9					
Changes in consolidation scope and exchange rates	36					
Changes in fair value (excluding La Banque Postale) <sup>(d)</sup>	(21)	22				
Other non-cash flows and reclassifications	(4)	15			(9)	
<b>BALANCE as at 31/12/2018</b>	<b>6,229<sup>(a)</sup></b>	<b>(127)<sup>(a)</sup></b>			<b>3,080</b>	

(a) See Note 28.1

(b) Proceeds from new borrowings :

La Poste issued a €500 million bond on 30 November 2018, at a fixed rate of 1.45% over a period of 10 years (maturity November 2028). Furthermore, commercial paper was issued for €380 million.

(c) Repayment of borrowings:

La Poste redeemed in 2018 a bond with a nominal value of €500 million, which was issued in 2008. This bond was recorded at fair value through profit or loss for the original issue. Furthermore, commercial paper was repaid for €380 million.

(d) Changes in fair value (excluding La Banque Postale):

In accordance with IFRS 9, some bonds backed by "fixed-for-floating" swaps are recognised at fair value through profit or loss.

The credit risk component of the change in fair value is recognised in "Other comprehensive income" (+€5 million in 2018, and +€8 million in 2017).

The corresponding swaps are also measured at fair value through profit or loss, in accordance with the general rule for measuring derivatives set out in IFRS 9.

## 27.4 Bonds and deeply subordinated debt

As at 31 December 2018, the Group bonds, which have a nominal value of over €500 million, broke down as follows:

Issue date	Maturity	Currency	Nominal rate	Nominal value (millions of currency units)	Accounting treatment
2003	2023	Euro	4,375%	580	Fair value
				<i>Other bonds at fair value</i>	
<b>TOTAL BONDS AT FAIR VALUE</b>				<b>580</b>	
2004	2019	Euro	4,750%	580	Amortised cost
2006	2021	Euro	4,250%	1 000	Amortised cost
2012-2013	2024	Euro	2,750%	1 000	Amortised cost
2015	2025	Euro	1,125%	750	Amortised cost
2018	2028	Euro	1,450%	500	Amortised cost
				<i>Other bonds at amortised cost</i>	
<b>TOTAL BONDS AT AMORTISED COST</b>				<b>4 470</b>	

The breakdown of the bond-rate by type of rate as at 31 December 2018 was as follows:

(€ million)	Debt breakdown before fixed-for-floating swaps		Impact of fixed-for-floating transactions	Debt breakdown after fixed-for-floating swaps	
	Amount	%	Amount	Amount	%
Fixed-rate borrowings	5,144	100%	(683)	4,460	87%
Floating-rate borrowings			683	683	13%
<i>Of which borrowings covered by partial or total rate-refixing swaps (see note below)</i>			683		
<b>TOTAL BORROWINGS</b>	<b>5,144</b>	<b>100%</b>		<b>5,144</b>	<b>100%</b>

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 2018, the floating-rate borrowings covered by these "rate refixing" swaps amounted to €683 million, i.e. 13.3% of total borrowings. These borrowings are still shown on the "Floating-rate borrowings" line.

"Rate-refixing" swaps represent a nominal amount of €580 million.

### Breakdown of debt by currency

All bonds are fully denominated in euros as at 31 December 2018.

The subordinated notes, which are denominated in US dollars, are hedged in a cash-flow hedge of currency and interest rate risk via a cross-currency swap.

## 27.5 Non-banking activities derivatives

(€ million)	Fair value as at 31/12/2018		Fair value as at 31/12/2017	
	Assets	Liabilities	Assets	Liabilities
<b>Trading derivatives at fair value through profit or loss</b>				
Fixed-for-floating derivatives	123		163	
Floating-for-fixed derivatives		8		3
<b>TOTAL</b>	<b>123</b>	<b>8</b>	<b>163</b>	<b>3</b>
<b>Hedging derivatives</b>				
Fair value hedges				
Cash flow hedges	1	46		64
<b>TOTAL DERIVATIVES RELATING TO DEBT</b>	<b>124</b>	<b>55</b>	<b>163</b>	<b>67</b>
<b>Other</b>				
Currency swaps	3	1	1	
Cash management funds derivatives				
<b>TOTAL NON-BANKING ACTIVITIES DERIVATIVES</b>	<b>127</b>	<b>56</b>	<b>163</b>	<b>67</b>
<b>Amortisable balance on interrupted hedging derivatives</b>				
Cash flow hedging derivatives	7			2

## 27.6 Other financial debt

### Finance leases

Liabilities relating to assets held under finance leases primarily involve properties and sorting machines.

### La Poste savings bonds

This line represents La Poste's savings bond liabilities. All of the bonds had matured by the end of 2018.

### Commercial paper

Commercial paper issued by La Poste and not matured as at 31 December 2018 had maturities of three months or less and represented €150 million without change from 31 December 2017.

### Deposits and guarantees paid

This line primarily relates to security deposits received in respect of financial instruments put in place to manage bonds.

## NOTE 28 GROUP NET DEBT

### 28.1 Group net debt position 28.2 Changes to Group net debt

#### 28.1 Group net debt position

(€ million)	Note	31/12/2018	31/12/2017
Cash and cash equivalents (balance sheet line)	23	2,286	1,735
Debt-related derivative assets	19	127	164
Investment securities with initial maturities of over 3 months and UCITS	19	450	670
Net financial receivable against La Banque Postale		(76)	(93)
<b>Cash and other asset items (1)</b>		<b>2,787</b>	<b>2,477</b>
Medium and long-term bonds and other financial debt	27	5,004	5,313
Short-term bonds and other financial debt	27	1,225	984
<b>Gross debt (2)</b>		<b>6,229</b>	<b>6,297</b>
<b>NET DEBT (2)-(1)</b>		<b>3,442</b>	<b>3,820</b>
<b>Increase (Decrease) in net debt as at 31 december 2018</b>		<b>(378)</b>	

#### 28.2 Changes to Group net debt

(€ million)	Cross-references	31/12/2018	31/12/2017
<b>Cash flows from operating activities</b>	CFS <sup>(a)</sup>	<b>962</b>	<b>1,827</b>
Cash flows from investing activities	CFS	(684)	(1,701)
Cancellation of the change in cash management financial assets	CFS	(220)	200
<b>Cash flow from investing activities excluding the acquisitions and disposals of cash management financial assets <sup>(b)</sup></b>		<b>(904)</b>	<b>(1,501)</b>
Undated hybrid subordinated notes	CFS	744	
Dividends paid to the government	CFS	(171)	(171)
Purchase of non-controlling interests	CFS	(23)	(21)
Net financial interest expense		(157)	(159)
Change in the fair value of financial instruments		(10)	(5)
Impact of changes in consolidation scope on gross debt		(36)	(48)
Increase in finance lease liabilities		(9)	(20)
Issue premiums and costs		(12)	
Other items <sup>(c)</sup>		(5)	(3)
<b>Cash flows and change in debt from financing activities</b>		<b>320</b>	<b>(426)</b>
<b>DECREASE (INCREASE) IN NET DEBT SINCE 1 JANUARY</b>		<b>378</b>	<b>(101)</b>
Net debt at the beginning of the period		(3,820)	(3,719)
Net debt at the end of the period		(3,442)	(3,820)

(a) "CFS" refers to the non-banking column of the Cash Flow Statement in the consolidated financial statements.

(b) The cash flows from investing activities stand out from CFS due to the exclusion of the "change in cash management financial assets", assets deducted from the net debt calculation.

(c) The "Other items" line includes the impact of currency fluctuations on net debt and dividends paid to non-controlling interests.

## NOTE 29 EMPLOYEE BENEFITS

- 29.1 Change in provisions for employee benefits
- 29.2 Description of employee benefits
- 29.3 Actuarial assumptions
- 29.4 Change in post-employment benefit commitments
- 29.5 Analysis of post-employment benefit expenses
- 29.6 Expected cash outflows

### 29.1 Change in provisions for employee benefits

Provisions for employee benefits have changed as follows during 2018:

€ million	31/12/2017		Changes in consolidation scope	Increase	Decrease for use	Interest cost	Other changes	31/12/2018	
	Current	Non-current						Current	Non-current
Post-employment benefits for La Poste's government employees	9	246		4	(8)	5	(15)	8	233
Retirement benefits for the Group's contract staff	13	394	6	36	(13)	7	(7)	13	422
Pension plans for employees of foreign subsidiaries		52		3	(6)	1	2		52
<b>Post-employment benefits</b>	<b>22</b>	<b>691</b>	<b>6</b>	<b>43</b>	<b>(27)</b>	<b>13</b>	<b>(20)</b>	<b>21</b>	<b>707</b>
<b>End-of-career arrangements</b>	<b>423</b>	<b>1 577</b>		<b>270</b>	<b>(430)</b>	<b>8</b>		<b>386</b>	<b>1 462</b>
Severance payments	111	28		2	1			109	33
Long-term sick leave/long-term paid leave	57	38		6	(13)			35	53
Accrued leave	129	115		18	(15)			128	120
Other long-term benefits	1	14		2	(3)			1	13
<b>Other benefits</b>	<b>298</b>	<b>195</b>		<b>28</b>	<b>(31)</b>			<b>272</b>	<b>218</b>
<b>TOTAL</b>	<b>743</b>	<b>2 463</b>	<b>6</b>	<b>341</b>	<b>(487)</b>	<b>21</b>	<b>(20)</b>	<b>679</b>	<b>2 388</b>

### 29.2 Description of employee benefits

Post-employment and long-term benefits resulting from defined benefit plans, together with their related costs, are measured using the projected unit credit method, in accordance with IAS 19. Annual actuarial appraisals are carried out.

The appraisal calculations involve taking third-party actuarial economic assumptions into account (discount rates, inflation rates, and the rate of increase in pensions, etc.), as well as assumptions that are specific to Le Groupe La Poste (employee turnover rates, mortality rates, and the rate of increase in salaries, etc.).

#### 29.2.1 Pension commitments for government employees at La Poste

Article 150 of the 2006 Amending Finance Act, published in the *Journal Officiel* of 31 December 2006, implemented an employer contribution made in full discharge of the obligation regarding the pensions of government employees working at La Poste.

As a result, no provision is recorded in La Poste's financial statements in respect of government employees' retirement benefits.

#### 29.2.2 Post-employment benefits granted to retired government employees attached to La Poste

Other commitments for post-employment benefits include:

- employee welfare services provided to government employees, primarily including holiday vouchers;
- a loyalty bonus granted to retired state employees who hold their pension in a current account at La Banque Postale;
- granting assistance to voluntary organisations that provide services to retired government employees.

#### 29.2.3 Retirement benefits for the contract staff of La Poste and the Group's French subsidiaries

Employees retiring from the Company and eligible for a pension receive retirement benefits, the amount of which is based on length of service and final salary.

#### 29.2.4 Pension plans for employees of the Group's foreign subsidiaries

Pension commitments for the Group's foreign subsidiaries primarily relate to the GeoPost sub-group and the GeoPost UK subsidiary. GeoPost UK's commitments are partially covered by a pension fund.

### 29.2.5 End-of-career arrangements

La Poste employees may benefit, under certain conditions, from early end-of-career arrangement plans. These arrangements are offered to people who meet a minimum-age requirement from 53 to 60 years of age and according to certain conditions (position that is physically demanding or not, active or office roles, number of years of service...).

During the term of the plan, the beneficiaries receive 70% of a full time remuneration while working in an operational activity for a smaller portion of the time.

The provisions relating to early end-of-career arrangement plans recognised as at 31 December 2018 factor in the expected enrolments to the plan available until 2020, as well as enrolments to the plans operating previously.

### 29.2.6 Other long-term benefits

These are paid leave schemes:

- **Accrued leave:** Accrued leave is a scheme that allows employees to accrue part of their unused earned leave beyond the period for using earned paid leave. The provision for Accrued Leave corresponds to the value of the leave rights included in this scheme.
- **Supplementary leave:** Government employees from the overseas departments or who work in the overseas departments benefit from paid supplementary leave, as well as from paid travel expenses. The provision covers these supplementary leave and travel rights.
- **Long-term sick leave/long-term paid leave:** the provision for long-term sick leave and long-term paid leave is designed to cover the costs relating to future leave incurred as at the balance-sheet date. This provision is measured at every balance-sheet date for every employee concerned, on the basis of future entitlements, as expressed by a number of payable index points.

## 29.3 Actuarial assumptions

The actuarial assumptions used to measure employee benefits are reviewed and updated once a year at the annual balance-sheet date.

The main assumptions selected as at 31 December 2018 were as follows:

- likelihood of retaining working staff within the Group, life expectancy and estimates of future salary increases;
- retirement age assumptions for employees of foreign companies and employees governed by foreign collective bargaining agreements, which take account of local economic and demographic factors;
- an assumed average benefit increase of 2% (no change compared with 2017);
- provisions for retirement commitments relating to end-of-career arrangements that form part of agreements are calculated on the basis of the definite enrolments in these plans as at the balance-sheet date, as well as of Management's best estimate of likely future enrolments up until the expiry date of these agreements. A one-point increase in the expected rate of enrolment would have increased the provision by around €50 million as at 31 December 2018.
- the discount rates used for actuarial appraisals as at the balance-sheet date, determined with reference to a basket of AA-rated corporate bonds published by *Reuters*, were as follows:

Maturity	5 years	10 years	15 years	20 years
<b>2018</b>				
Euro zone	0,7%	1,3%	1,6%	1,7%
UK zone	2,0%	2,3%	2,5%	2,7%
<b>2017</b>				
Euro zone	0,4%	1,0%	1,6%	1,9%
UK zone	1,5%	2,1%	2,3%	2,5%

## 29.4 Changes in post-employment benefit commitments

(€ million)	2018	2017
<b>Commitment at the beginning of the period</b>	<b>900</b>	<b>940</b>
Cost of services provided	40	41
Discount unwinding costs	17	17
Curtailment and settlement of plans		
Benefits paid	(27)	(25)
Employee contributions	2	1
Actuarial (gain) loss relating to changes in assumptions	1	(76)
Actuarial (gain) loss due to experience adjustments	(30)	10
Translation adjustments	(1)	(10)
Change in consolidation scope	6	3
<b>COMMITMENT AT THE END OF THE PERIOD</b>	<b>907</b>	<b>900</b>
<b>Plan assets at the beginning of the period</b>	<b>187</b>	<b>186</b>
Expected return on assets	5	5
Employer contributions	9	7
Employee contributions	1	1
Benefits paid	(11)	(11)
Actuarial differences	(10)	7
Translation adjustments	(1)	(7)
<b>PLAN ASSETS AT THE END OF THE PERIOD</b>	<b>179</b>	<b>187</b>
Commitments	907	900
Plan assets	(179)	(187)
<b>NET COMMITMENT</b>	<b>728</b>	<b>713</b>
<i>of which non-current provision</i>	<i>707</i>	<i>691</i>
<i>of which current provision</i>	<i>21</i>	<i>22</i>

### Changes in actuarial differences (recognized in "other comprehensive income")

(€ million)	2018	2017
<b>Actuarial (gain) loss at the beginning of the period</b>	<b>71</b>	<b>145</b>
Actuarial (gain) loss relating to changes in assumptions	1	(76)
Actuarial (gain) loss due to experience adjustments	(30)	10
Actuarial differences on plan assets	10	(7)
<b>ACTUARIAL (GAIN) LOSS AT THE END OF THE PERIOD</b>	<b>53</b>	<b>71</b>

### Breakdown of plan assets

Types of assets	31/12/2018	31/12/2017
Equities	18%	19%
Diversified investment funds	43%	43%
LDI funds (Liability-Driven Investment)	19%	19%
Insurance contracts	16%	16%
Other	5%	3%

### Discount rate sensitivity

A 50 basis point reduction in the discount rate would increase the Group's net post-employment benefit commitment by around €79 million.

## 29.5 Analysis of post-employment benefit expenses

(€ million)	2018	2017
Cost of services provided	40	41
Discount unwinding costs	17	17
Expected return on assets	(5)	(5)
<b>EXPENSE (INCOME) FOR THE PERIOD</b>	<b>52</b>	<b>53</b>

## 29.6 Expected cash outflows

The table below presents an estimate of the benefits payable over the next five years in respect of defined-benefit post-employment benefits:

(€ million)	Cash outflows
2019	24
2020	17
2021	18
2022	19
2023	20

As at 31 December 2018, the average duration of post-employment benefits was 18 years.

# NOTE 30 BANKING ACTIVITIES FINANCIAL LIABILITIES

- 30.1 Liabilities to credit institutions
- 30.2 Liabilities to customers
- 30.3 Debt evidenced by a certificate and other banking financial liabilities

## 30.1 Liabilities to credit institutions

(€ million)	31/12/2018	31/12/2017
Ordinary accounts payable	1,263	698
Other amounts due	15	26
<b>Sight liabilities to credit institutions</b>	<b>1,279</b>	<b>724</b>
Securities given under repurchase agreements	14,618	11,049
Term deposits and loans	2,980	2,382
<b>Term liabilities to credit institutions</b>	<b>17,599</b>	<b>13,431</b>
<b>TOTAL</b>	<b>18,877</b>	<b>14,154</b>

Securities given under repurchase agreements correspond to inter-bank and similar transactions.

The maturity schedule for liabilities to credit institutions is as follows:

( <i>€ million</i> )	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Sight liabilities to credit institutions	1,279	724					1,279	724
Term liabilities to credit institutions	17,016	12,650	230	414	353	367	17,599	13,431
<b>TOTAL</b>	<b>18,295</b>	<b>13,373</b>	<b>230</b>	<b>414</b>	<b>353</b>	<b>367</b>	<b>18,877</b>	<b>14,154</b>

## 30.2 Liabilities to customers

This item primarily represents deposits by customers of the Banking activities plus accrued interest not due on these deposits.

( <i>€ million</i> )	31/12/2018	31/12/2017
Livret A passbook savings accounts	60,616	59,934
Home Loan Savings Plans (PEL) and Home Loan Savings Accounts (CEL)	31,805	32,118
Other special accounts	22,110	22,008
<b>Special savings accounts</b>	<b>114,532</b>	<b>114,060</b>
Ordinary trade payables	65,662	62,713
Customer borrowings	822	1,742
Term deposits	52	165
Equities and securities given under repurchase agreements	3,934	3,165
Other amounts due to customers	800	711
<b>Liabilities to customers</b>	<b>71,270</b>	<b>68,496</b>
<b>TOTAL</b>	<b>185,802</b>	<b>182,556</b>

Since 1 January 2009, the funds in La Banque Postale's Livret A passbook savings accounts, which were previously held by Caisse Nationale d'Épargne, have been taken over directly by La Banque Postale. This is

pursuant to the deregulation of the distribution of Livret A passbook savings accounts, which resulted in the winding up of Caisse Nationale d'Épargne.

### 30.3 Debt evidenced by a certificate and other banking financial liabilities

(€ million)	31/12/2018	31/12/2017
Subordinated debt <sup>(a)</sup>	3,080	3,089
Bonds	8,823	6,200
Certificates of deposit	8,110	5,172
<b>Debt evidenced by a certificate</b>	<b>20,013</b>	<b>14,462</b>
<b>Guarantee deposits received</b>	<b>1,067</b>	<b>1,259</b>
<b>Financial liabilities at fair value through profit or loss <sup>(b)</sup></b>	<b>631</b>	<b>302</b>
<b>Hedging derivatives</b>	<b>348</b>	<b>238</b>
<b>Other financial liabilities <sup>(c)</sup></b>	<b>1,700</b>	<b>1,614</b>
<b>TOTAL</b>	<b>23,759</b>	<b>17,875</b>

(a) The subordinated debt corresponds to La Banque Postale's bond issues.

(b) The "financial liabilities at fair value through profit or loss" primarily correspond to interest rate derivatives.

(c) The "Other financial liabilities" include €461 million relating to put options granted to minority shareholders of consolidated subsidiaries.

The maturity schedule for debt evidenced by a certificate is as follows:

(€ million)	Maturity of < 1 year		Maturity of 1 to 5 years		Maturity of > 5 years		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Debt evidenced by a certificate	8,356	5,603	1,698	2,528	9,959	6,332	20,013	14,462

## NOTE 31 TRADE AND OTHER PAYABLES

(€ million)	31/12/2018	31/12/2017
Trade payables and related accounts	2,116	1,965
Tax and social security liabilities	1,906	1,838
Payable to suppliers of non-current assets	328	377
International mail payables	674	598
Customer advances and deposits	177	164
Other operating payables	231	212
<b>TOTAL</b>	<b>5,432</b>	<b>5,154</b>

## ADDITIONAL INFORMATION

### NOTE 32 INFORMATION ON RISKS EXCLUDING BANKING ACTIVITIES

- 32.1 Credit and counterparty risk
- 32.2 Liquidity risk
- 32.3 Interest-rate risk
- 32.4 Currency risk

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.

#### 32.1 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.

#### 32.2 Liquidity risk

The Group strives to have sufficient financial resources to finance current business activities and the capital expenditure needed for future growth at all times. The aim of cash management is to find resources at the lowest cost and ensure they can be obtained at any given moment.

Liquidity risk is measured via monthly provisions of cash and cash equivalents and dealt with by:

- negotiating confirmed credit facilities with financial institutions. The Group has a five-year €1 billion syndicated credit line expiring in March 2023 (renewable twice for one year), for which it has received commitments from the eleven banks in the banking pool (see note 37.4.2);
- keeping at all times a minimum amount of cash and cash equivalents and investments over 3 months called "Security cash. This amount is set at €1.2 billion and is defined and monitored by the Group's Financial Committee;
- issuing short term Negotiable European Commercial Paper and Euro Commercial Paper;

- By the prospective monitoring of indicators linked to short and long term equity markets in order to anticipate liquidity crisis situations.

The table below shows the contractual cash flows relating to non-derivative financial liabilities, as well as the contractual flows relating to debt management derivatives, regardless of whether they are shown as

liabilities or assets. These flows are not discounted and their total may therefore differ from the amount recognised on the balance sheet.

These liabilities do not have any specific clause likely to significantly modify the terms.

As at 31/12/2018 (€ million)	Balance sheet amount	2019 flows		2020 flows		2021-2023 flows		2024 flows and beyond	
		Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
<b>Bonds</b>	<b>5,144</b>	<b>149</b>	<b>800</b>	<b>129</b>		<b>275</b>	<b>2,000</b>	<b>73</b>	<b>2,250</b>
Borrowings at amortised cost	4,460	124	800	104		212	1,420	73	2,250
Borrowings at fair value	683	25		25		63	580		
<b>Subordinated debt</b>	<b>435</b>	<b>23</b>		<b>23</b>		<b>69</b>		<b>460</b>	<b>435</b>
<b>Other financial debt</b>	<b>515</b>		<b>328</b>		<b>35</b>		<b>106</b>		<b>46</b>
Finance leases	101		11		18		55		18
La Poste savings bonds	54		54						
Commercial paper	150		150						
Current bank facilities	22		22						
Deposits and guarantees received	95		70		5		14		7
Other borrowings at amortised cost	91		20		12		37		22
<b>Derivatives</b>	<b>(71)</b>	<b>(30)</b>		<b>(30)</b>		<b>(92)</b>	<b>32</b>	<b>2</b>	
Derivative liabilities	56	(6)		(6)		(25)	34	2	
Derivative assets	(127)	(25)		(24)		(67)	(2)		
<b>TOTAL</b>	<b>6,023</b>	<b>142</b>	<b>1,128</b>	<b>123</b>	<b>35</b>	<b>251</b>	<b>2,138</b>	<b>535</b>	<b>2,731</b>

### 32.3 Interest-rate risk

The Group's interest rate risk stems from changes in market rates (principally Eonia and 3-month Euribor), which would result in higher interest expense on borrowings, lower returns on investments or the loss of opportunity when market conditions are more favourable than the historical average.

To better manage interest rate risk, the Group has established:

- an active strategy in the management of its bond debt based on the use of derivative instruments to take advantage of market opportunities and reduce the cost of its bonds;
- an active strategy in the management of its investments based on the use of derivatives to guarantee returns and adjust the Group's exposure to fluctuations in interest rates;
- prospective monitoring over 12 rolling months of its net debt and investment position indexed to market rates, and the fluctuation of financial income and expense resulting from adverse change in market rates (triggering an alert when the estimated impact exceeds €10 million). Monitoring of this nature serves notably to allow active debt and investment management strategies to be adjusted as and to limit the impact of change in interest rates, upward or downward.

### Sensitivity analysis

A uniform sudden 50-basis point increase in the market yield curve would not result in the increase in the Group's annual financial expense, after taking into account debt management derivative instruments (compared to an increase of €0.8 million as at 31 December 2017).

A uniform sudden 50-basis point increase in the market yield curve would result in a €10.1 million profit in income (compared with €9.2 million as at 31 December 2017), resulting from the change in the fair value of the debt recognised at fair value through profit or loss and of the debt management swaps.

### 32.4 Currency risk

The Group exercises international activities, from France or foreign subsidiaries, through its Services-Mail-Parcels and GeoPost business units.

In order to support its growing globalisation and the resulting currency risk, the Group has established a currency risk management Policy. This policy targets as a priority:

- acquisition flows of foreign currency investment securities;
- foreign currency financial debt and loans;
- foreign currency net assets held and consolidated by the Group.

This policy defines the governance, hedging conditions and materiality thresholds for these different types of exposure.

To date, and in accordance with the established thresholds and conditions, the Group uses currency derivative instruments backed:

- to its subordinated debt in US dollars (\$500 million), hedged at 100% using a euro dollar currency swap
- to its US dollar equity investments, partly hedged by euro dollar currency swaps (\$34 million)

The bulk of these operating activities generates income and expenses denominated in the subsidiaries' functional and accounting currency. Residual currency risk related to operations only involves marginal amounts in relation to the size of the Group.

As at 31 December 2018, the accounting currency effect on revenue amounted to -€68 million, including -€19 million on the Brazilian real, -€18 million on the rouble and -€14 million on the pound sterling. The accounting impact of currency fluctuations on operating profit/(loss) was -€4 million in 2018.

## NOTE 33 INFORMATION ON RISKS RELATING TO BANKING ACTIVITIES

- 33.1 Structural risk factors
- 33.2 Credit risk
- 33.3 Market risk and hedging
- 33.4 Liquidity risk
- 33.5 Interest-rate risk

### 33.1 Structural risk factors

La Banque Postale has reviewed the risks that could have a material adverse effect on its business, its financial position and its results (or its ability to achieve its targets), and considers that there are no significant risks other than those shown.

The structural risk factors that affect La Banque Postale are primarily related to its retail banking business, i.e. liquidity and interest-rate risk linked to converting short-term customer deposits to longer-term use, credit risk on the loans granted to its customers, and the operational risk relating to the banking activities.

Market risk also represents a structural risk factor, which La Banque Postale monitors closely.

### 33.2 Credit risk

#### 33.2.1. General framework

The Risk Department covers credit risk, specifically, the risk incurred in the event of default by a counterparty or counterparties considered as a single beneficiary within the meaning of Regulation (EU) No. 575/2013 of the European Parliament and Council on prudential requirements applicable to credit institutions and investment companies (the Capital Requirements Regulation or CRR).

The Management Board sets the common basic principles (strategic priorities, values, risk appetite, governance) validated by the Supervisory Board, on the basis of which each business line sets out its priorities for action and control of the associated risk, under the supervision of the Group Risk Department (DRG).

#### 33.2.2. Significant increase in credit risk – the principles

##### The principles

La Banque Postale defines seven principles to assess increased credit risk in accordance with IFRS and the European Banking Authority's (EBA) guidelines defining the conditions for migration from bucket 1 to bucket 2.

**Principle 1 – Credit risk monitoring:** IFRS 9\*.-+/- indicates that the assessment of credit quality is carried out from the outset at the commitment level. This credit quality assessment from the initial recognition must be carried out at each year-end to determine the allocation of the asset concerned.

La Banque Postale considers that a financial instrument is classified as sensitive if its credit quality has 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.

### 33.2.3. Provisioning – methodological approach in relation to expected credit loss

#### The expected credit loss concept

The methodology for calculation of Expected Credit Losses (ECL) must reflect a measurement of the possible probabilistic amounts, taking into account the time value of money and all available information. This methodology was described in Note 2.14.7 (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 (ECL<sub>lifetime</sub>)**

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 (PDTC) 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.
- The scenarios are not necessarily built to have a strong impact on the credit component in particular. Negative scenarios where the probability of

occurrence is high may be selected even though their main impact is on the "rate" component.

- The selected scenarios are not necessarily unfavourable to LBP.

These scenarios are documented and include forecasts for all the macroeconomic variables required to operate the models developed to obtain the PD and LGD at maturity. The probability of occurrence of each scenario is subject to documentation by the Bank's economists.

The process uses a significant amount of scenarios. All the models used by the IFRS 9 process are independently reviewed by the Models Validation team and are approved before use by the Models Validation Committee.

### 33.2.4. Operational implementation

La Banque Postale is supported by its risk management system. Significant IT development work took place in 2016 and 2017, both on a central level and in the subsidiaries, with regard to data collection for the calculation and recognition of impairment in "Bucket 1" and "Bucket 2".

Impairment is calculated in a centralised way for the entire Group by the Group Risk Department teams.

### 33.2.5. Exposure to credit risk

#### a. Change in book value and allowances for losses over the period

Allowances for losses correspond to the impairment of assets and provisions on off-balance sheet commitments recognised in net profit/(loss) (Cost of risk) in respect of credit risk.

The different stages of impairment ("Healthy Assets - Bucket 1", "Deteriorated Assets - Bucket 2" and "Impaired Assets - Bucket 3") as well as the definition of impaired assets from acquisition or creation are explained in note 33.2.2 Significant Increase in Credit Risk - the Principles.

The following tables present a conciliation between the opening and closing balances of the allowances for losses recognised in Cost of risk and the associated book values, by accounting category and instrument type.

The "Modifications to flows not resulting in derecognition" line enables the identification of impacts on the gross book value and the allowance for loss relating to a restructuring for risk during the period.

### Financial assets at amortised cost

31/12/2018	Gross book value	Allowance for losses	Net amount
(€ million)			
Securities at amortised cost	23,584	(3)	23,582
Loans and receivables - Credit and similar institutions at amortised cost	87,353	(2)	87,352
Customer loans and receivables at amortised cost	96,500	(764)	95,736
Securities at amortised cost - insurance activities			
<b>TOTAL</b>	<b>207,438</b>	<b>(768)</b>	<b>206,670</b>

(€ million)	Assets subject to a 12-month ECL (Bucket 1)		Assets subject to a lifetime ECL (Bucket 2)		Impaired assets (Bucket 3)		TOTAL		
	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
	(a)	(b)	(a)	(b)	(a)	(b)	(a)	(b)	(a) + (b)
<b>At 1 January 2018</b>	<b>185 447</b>	<b>(52)</b>	<b>4 982</b>	<b>(160)</b>	<b>1 377</b>	<b>(544)</b>	<b>191 806</b>	<b>(755)</b>	<b>191 051</b>
<b>Transfers of active assets from one bucket to another</b>	<b>1 771</b>	<b>(6)</b>	<b>(2 059)</b>	<b>29</b>	<b>287</b>	<b>(57)</b>		<b>(34)</b>	<b>(34)</b>
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
<b>Total after transfer</b>	<b>187 218</b>	<b>(58)</b>	<b>2 923</b>	<b>(130)</b>	<b>1 665</b>	<b>(601)</b>	<b>191 806</b>	<b>(789)</b>	<b>191 017</b>
<b>Change in Gross book values and Allowances for losses</b>	<b>16 363</b>	<b>(26)</b>	<b>(510)</b>	<b>13</b>	<b>(221)</b>	<b>34</b>	<b>15 631</b>	<b>21</b>	<b>15 653</b>
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)						
<b>Total</b>	<b>203 581</b>	<b>(84)</b>	<b>2 413</b>	<b>(117)</b>	<b>1 444</b>	<b>(567)</b>	<b>207 438</b>	<b>(768)</b>	<b>206 670</b>
Impact of fair value adjustments of micro-hedged instruments									
<b>As at 31 December 2018</b>	<b>203 581</b>	<b>(84)</b>	<b>2 413</b>	<b>(117)</b>	<b>1 444</b>	<b>(567)</b>	<b>207 438</b>	<b>(768)</b>	<b>206 670</b>

### Financial assets at fair value through recyclable equity

(€ million)	31/12/2018	
	Fair Value	o/w allowance for losses
Debt instruments at fair value through equity	13,576	(3)
Debt instruments at fair value through equity - insurance activities	2,132	
<b>TOTAL</b>	<b>15,708</b>	<b>(3)</b>

	Assets subject to a 12-month ECL		Assets subject to a lifetime ECL		Impaired assets		TOTAL	
	(Bucket 1)		(Bucket 2)		(Bucket 3)			
	Fair Value	<i>o/w allowance for losses</i>	Fair Value	<i>o/w allowance for losses</i>	Fair Value	<i>o/w allowance for losses</i>	Fair Value	<i>o/w allowance for losses</i>
<i>(€ million)</i>								
<b>At 1 January 2018</b>	<b>16,401</b>	<b>(2)</b>					<b>16,401</b>	<b>(2)</b>
<b>Change in gross book values and allowances for losses</b>	<b>(693)</b>	<b>(2)</b>					<b>(693)</b>	<b>(2)</b>
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)
<b>As at 31 December 2018</b>	<b>15,708</b>	<b>(3)</b>					<b>15,708</b>	<b>(4)</b>

#### Off-balance sheet (financing and guarantee commitment)

	31/12/2018		
	Gross book value	Allowance for losses	Net amount
<i>(€ million)</i>			
Financing and guarantee commitments	27,128		
Provisions for financing and guarantee commitments		47	
<b>Total financing and guarantee commitments</b>	<b>27,128</b>	<b>47</b>	<b>27,081</b>

	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 (a)	Allowance for losses (b)	Net book Value (a) - (b)
(€ million)	Gross book value	Allowance for losses	Gross book value	Allowance for losses	Gross book value	Allowance for losses			
<b>At 1 January 2018</b>	<b>22,293</b>	<b>26</b>	<b>489</b>	<b>21</b>	<b>46</b>	<b>15</b>	<b>22,828</b>	<b>63</b>	<b>22,765</b>
<b>Transfers of active assets from one bucket to another</b>	<b>(28)</b>	<b>2</b>	<b>4</b>	<b>(8)</b>	<b>24</b>	<b>2</b>		<b>(4)</b>	<b>4</b>
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)									
<b>Total after transfer</b>	<b>22,265</b>	<b>29</b>	<b>493</b>	<b>13</b>	<b>70</b>	<b>17</b>	<b>22,828</b>	<b>59</b>	<b>22,769</b>
<b>Change in gross book values and Allowances for losses</b>	<b>4,578</b>	<b>(5)</b>	<b>(236)</b>	<b>(4)</b>	<b>(42)</b>	<b>(3)</b>	<b>4,300</b>	<b>(12)</b>	<b>4,312</b>
New production: purchase, granting, origination, etc.	13,169	12	88	4	7	3	13,263	20	
Deconsolidation: sale, redemption, maturity, etc.	(8,591)	(17)	(324)	(8)	(48)	(6)	(8,963)	(32)	
Write-offs									
Change in flows not giving rise to deconsolidation									
Change in the model / methodology									
Changes in consolidation scope									
Other									
<b>As at 31 December 2018</b>	<b>26,842</b>	<b>24</b>	<b>257</b>	<b>9</b>	<b>29</b>	<b>14</b>	<b>27,128</b>	<b>47</b>	<b>27,081</b>

## b. 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:

(€ million)	Book value before transfer under restructuring	Amount of discount recognised in the income statement	Gross book value
Loans and receivables – Customers	91	(10)	81
Debt securities			
<b>TOTAL</b>	<b>91</b>	<b>(10)</b>	<b>81</b>

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:

	31/12/2018
	<b>Transfer to Bucket 1</b>
<i>(€ million)</i>	
Loans and receivables – Customers	15
Debt securities	
<b>TOTAL MODIFIED FINANCIAL ASSETS</b>	<b>15</b>

### c. Credit risk concentration

#### Credit risk concentration by economic agent

<i>(€ million)</i>	As at 31/12/2018			
	Book value			
	Healthy or degraded assets		Impaired assets	TOTAL
	Assets subject to a 12-month ECL (Stage 1)	Assets subject to a lifetime ECL (Stage 2)		
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)
<b>TOTAL</b>	<b>203,498</b>	<b>2,296</b>	<b>876</b>	<b>206,670</b>

<i>(€ million)</i>	As at 31/12/2018			
	Book value			
	Healthy or degraded assets		Impaired assets	TOTAL
	Assets subject to a 12-month ECL (Stage 1)	Assets subject to a lifetime ECL (Stage 2)		
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
<b>TOTAL</b>	<b>15,708</b>			<b>15,708</b>
<i>Of which impairment</i>	(4)			(4)

Off-balance sheet (financing and guarantee commitment)	As at 31/12/2018			
	Commitment amount			TOTAL
	Healthy or degraded commitments		Impaired commitments	
(€ million)	Commitments subject to a 12-month ECL (Stage 1)	Commitments subject to a lifetime ECL (Stage 2)		(Stage 3)
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 <sup>(1)</sup>	(24)	(9)	(14)	(47)
<b>TOTAL</b>	<b>26,819</b>	<b>248</b>	<b>15</b>	<b>27,081</b>

(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

Financial assets at amortised cost	As at 31/12/2018			
	Gross book value			TOTAL
	Healthy or degraded assets		Impaired assets	
(€ million)	Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)		(Bucket 3)
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
<b>Doubtful contracts - disputes</b>			1,210	1,210
<b>TOTAL</b>	<b>64,679</b>	<b>2,292</b>	<b>1,210</b>	<b>68,181</b>

Off-balance sheet (financing and guarantee commitment)	As at 31/12/2018			
	Commitment amount			
	Healthy or degraded commitments		Impaired commitments (Bucket 3)	TOTAL
Commitments subject to a 12-month ECL (Bucket 1)	Commitments subject to a lifetime ECL (Bucket 2)			
(€ million)				
PD < 1%	9,429	6		9,435
1% < PD < 3%	934	49		984
3% < PD < 10%	257	37		294
PD > 10%	1	114		115
<b>Doubtful contracts - disputes</b>			28	28
<b>TOTAL</b>	<b>10,621</b>	<b>207</b>	<b>28</b>	<b>10,856</b>

### Corporate credit risk exposure

Financial assets at amortised cost	As at 31/12/2018			
	Gross book value			
	Healthy or degraded assets		Impaired assets (Bucket 3)	TOTAL
Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)			
(€ million)				
AAA	570			570
AA	1,155	1	15	1,171
A	1,623		26	1,650
Other	18,387	118	147	18,652
<b>TOTAL</b>	<b>21,736</b>	<b>119</b>	<b>188</b>	<b>22,044</b>

Financial assets at fair value through recyclable equity	As at 31/12/2018			
	Gross book value			
	Healthy or degraded assets		Impaired assets (Bucket 3)	TOTAL
Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)			
(€ million)				
AAA	1			1
AA	154			154
A	290			290
Other	894			894
<b>TOTAL</b>	<b>1,339</b>			<b>1,339</b>

Off-balance sheet (financing and guarantee commitment)	As at 31/12/2018			
	Commitment amount			
	Healthy or degraded commitments		Impaired commitments	TOTAL
	Commitments subject to a 12-month ECL	Commitments subject to a lifetime ECL		
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
AAA	40			40
AA	476			476
A	1,446			1,446
Other	6,639	48	1	6,687
<b>TOTAL</b>	<b>8,600</b>	<b>48</b>	<b>1</b>	<b>8,649</b>

#### Administration and central banks credit risk exposure

Financial assets at amortised cost	As at 31/12/2018			
	Gross book value			
	Healthy or degraded assets		Impaired assets	TOTAL
	Assets subject to a 12-month ECL	Assets subject to a lifetime ECL		
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
AAA	17,625			17,625
AA	88,302			88,302
A	336			336
Autres	6,796	2	30	6,828
<b>TOTAL</b>	<b>113,058</b>	<b>2</b>	<b>30</b>	<b>113,091</b>

Financial assets at fair value through recyclable equity	As at 31/12/2018			
	Gross book value			
	Healthy or degraded assets		Impaired assets	TOTAL
	Assets subject to a 12 month ECL	Assets subject to a lifetime ECL		
(€ million)	(Bucket 1)	(Bucket 2)	(Bucket 3)	
AAA	1,572			1,572
AA	2,823			2,823
A	434			434
Autres	579			579
<b>TOTAL</b>	<b>5,407</b>			<b>5,407</b>

Off-balance sheet (financing and guarantee commitment)	As at 31/12/2018			
	Commitment amount			
	Healthy or degraded commitments		Impaired commitments	TOTAL
	Commitments subject to a 12-month ECL (Bucket 1)	Commitments subject to a lifetime ECL (Bucket 2)		
(€ million)				
AAA	8			8
AA	202			202
A	149			149
Autres	5,683	3		5,686
<b>TOTAL</b>	<b>6,042</b>	<b>3</b>		<b>6,044</b>

#### Credit institutions credit risk exposure

Financial assets at amortised cost	As at 31/12/2018			
	Gross book value			
	Healthy or degraded assets		Impaired assets	TOTAL
	Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)		
(€ million)				
AAA	181			181
AA	23			23
A	3,176			3,176
Autres	727		15	742
<b>TOTAL</b>	<b>4,108</b>		<b>15</b>	<b>4,123</b>

Financial assets at fair value through recyclable equity	As at 31/12/2018			
	Gross book value			
	Healthy or degraded assets		Impaired assets	TOTAL
	Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)		
(€ million)				
AAA	353			353
AA	2,290			2,290
A	3,199			3,199
Autres	3,120			3,120
<b>TOTAL</b>	<b>8,962</b>			<b>8,962</b>

Off-balance sheet (financing and guarantee commitment)	As at 31/12/2018			
	Commitment amount			TOTAL
	Healthy or degraded commitments		Impaired commitments	
(€ million)	Commitments subject to a 12-month ECL (Bucket 1)	Commitments subject to a lifetime ECL (Bucket 2)	(Bucket 3)	
AAA				
AA	4			4
A	1,257			1,257
Autres	318			318
<b>TOTAL</b>	<b>1,579</b>			<b>1,579</b>

#### Credit risk exposure by geographical area

Financial assets at amortised cost	As at 31/12/2018			
	Gross book value			TOTAL
	Healthy or degraded assets		Impaired assets	
(€ million)	Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)	(Bucket 3)	
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)
<b>TOTAL</b>	<b>203,498</b>	<b>2,296</b>	<b>876</b>	<b>206,670</b>

Financial assets at fair value through recyclable equity	As at 31/12/2018			
	Gross book value			TOTAL
	Healthy or degraded assets		Impaired assets	
(€ million)	Assets subject to a 12-month ECL (Bucket 1)	Assets subject to a lifetime ECL (Bucket 2)	(Bucket 3)	
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
<b>TOTAL</b>	<b>15,708</b>			<b>15,708</b>
<i>Of which impairment</i>	(4)			(4)

Off-balance sheet (financing and guarantee commitment)	As at 31/12/2018			
	Commitment amount			TOTAL
	Healthy or degraded commitments		Impaired commitments	
Commitments subject to a 12-month ECL (Bucket 1)	Commitments subject to a lifetime ECL (Bucket 2)	Impaired commitments (Bucket 3)		TOTAL
(€ million)				
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 <sup>(1)</sup>	(24)	(9)	(14)	(47)
<b>TOTAL</b>	<b>26,819</b>	<b>248</b>	<b>15</b>	<b>27,081</b>

(1) Expected or realised losses relating to off-balance sheet commitments are recognised as provisions under liabilities on the balance sheet.

#### d. Information on financial assets in arrears

	31/12/2018		
	Gross amount		
	<= 30 days	> 30 days and <= 90 days	> 90 day
(€ million)			
<b>Loans and advances</b>	<b>850</b>	<b>153</b>	<b>703</b>
<b>Assets subject to a 12-month ECL (Bucket 1)</b>	<b>695</b>		
Administration	41		
Central banks			
Retail clients	175		
Credit institutions	0		
Non-financial companies	477		
Other financial companies	1		
<b>Assets subject to a lifetime ECL (Bucket 2)</b>	<b>117</b>	<b>102</b>	
Administration			
Central banks			
Retail clients	117	85	
Credit institutions			
Non-financial companies		17	
Other financial companies			
<b>Assets subject to a impaired lifetime ECL (Bucket 3)</b>	<b>39</b>	<b>51</b>	<b>703</b>
Administration			1
Central banks			
Retail clients	38	50	594
Credit institutions			15
Non-financial companies	1	1	94
Other financial companies			
<b>Impairment</b>	<b>(29)</b>	<b>(28)</b>	<b>(297)</b>
<b>Total assets in arrears by economic agent</b>	<b>821</b>	<b>125</b>	<b>406</b>

### 33.2.6 Additional information on sovereign exposure

The list of sovereign exposures was prepared in accordance with the scope defined by the European Banking Authority (EBA), in other words by including the exposure data relative to regional authorities,

central authorities and businesses guaranteed by the French government.

These exposures include deposits centralised at Caisse des Dépôts (which were excluded in 2017).

(€ million)	Bank portfolio	Assets at fair value through profit or loss	Insurance investments	Total direct exposure <sup>(a)</sup>	Repo	Off-balance sheet	Total direct and indirect exposure <sup>(b)</sup>	Exposure (as a %)
Greece								
Ireland								
Italy	101	849	57	1,007	184		1,192	1.0%
Portugal	302	249		552			552	0.5%
Spain	83	723	29	835			835	0.7%
<b>TOTAL GIIPes</b>	<b>486</b>	<b>1,822</b>	<b>87</b>	<b>2,395</b>	<b>184</b>		<b>2,579</b>	<b>2.2%</b>
Germany	3,228		12	3,240			3,240	2.8%
Austria			15	15			15	0.0%
Belgium	3,023		50	3,073			3,073	2.7%
France	102,651	155	1,171	103,977	31	669	104,677	90.9%
Luxembourg	159		36	194			194	0.2%
Netherlands	152			152			152	0.1%
Poland			17	17	26		43	0.0%
Romania	20			20			20	0.0%
Slovenia			5	5			5	0.0%
Switzerland	23		6	29			29	0.0%
<b>TOTAL EUROPE</b>	<b>109,256</b>	<b>155</b>	<b>1,311</b>	<b>110,721</b>	<b>57</b>	<b>669</b>	<b>111,447</b>	<b>96.8%</b>
Rest of the World	936		13	949	166		1,116	1.0%
<b>TOTAL</b>	<b>110,678</b>	<b>1,977</b>	<b>1,410</b>	<b>114,065</b>	<b>408</b>	<b>669</b>	<b>115,142</b>	<b>100%</b>

(a) Direct exposure: net book value (including impairment) of the Bank's proprietary exposure.

(b) Direct and indirect exposure: direct exposure, plus indirect exposure through the guarantees granted to some of the Group's UCITS

Unrealised gains and losses recognised in equity were not material. All investments are classified as level 1. No significant impairment was recognised on the investments as at 31 December 2018.

Maturities of sovereign investments are usually below one year.

## 33.3 Market risk and hedging

### 33.3.1 General risk management strategy framework

#### General framework

Market risks reflect the potential impact of changes in the financial markets on the bank's net profit/(loss) or its balance sheet. They include price risk, currency risk and commodity risk.

Most of the items in the balance sheet generate interest income and expenses whose amounts are exposed to interest rate changes, either through the implementation of new transactions where the rate is unknown, or through the comparative assessment of the rate at which existing transactions would have been implemented. In the first case, it is a cash flow risk, whereas in the second case, it is a fair value risk.

While waiting for the macro-hedging standard to take effect, IFRS 9 offers the option to defer the application of new provisions relating to hedge accounting. La Banque Postale Group has decided to take advantage of the option to keep IAS 39 principles pertaining to hedge

accounting. With regard to macro-hedging, the European Union's provisions relating to fair value hedging of a portfolio of interest rate items continue to apply.

#### Type of hedging – management of related risks

As part of the management of market risk associated with asset/liability balances and the risk management policy, La Banque Postale Group implements hedging using derivative instruments.

This economic hedging reflects different accounting types.

When derivatives are held for trading, they are held in symmetry with the hedged underlying; they do not fall under the category of derivatives used for hedging under the accounting meaning. There is no hedge accounting.

Hedging derivatives that qualify as hedging instruments according to IAS 39 are classified in "Fair value hedges" or "Cash flow hedges".

#### Fair Value Hedges

Fair value hedging enables exposure to fluctuations in the fair value of financial assets or liabilities; it is mainly used to hedge interest rate risk on fixed rate assets and liabilities and on sight deposits, as part of the options allowed by the European Union. The derivatives used to hedge fair value stabilise the value by evolving in an opposite direction to that of the hedged item. Hedging is considered effective when the hedging instrument's change in value offsets that of the hedged instrument effectively, i.e. when the ratio

between the two changes in value remains within a range of 80% to 125%.

**Cash flow hedges: Cash Flow Hedge and all-in-one Cash Flow Hedge**

Cash flow hedges are used to hedge exposure to movements in cash flows from financial assets or liabilities, firm commitments or future transactions. More specifically, they are used to cover interest-rate risk on reviewable-rate assets and liabilities. The derivatives used for cash flow hedging must effectively enable cash flows to be fixed. In the specific case of forward contracts, they are all-in-one cash flow hedges which are, by construction, effective given that these contracts hedge the underlying specified for delivery (the contracts incorporate both the derivative and the underlying, which explains the name "all-in-one").

**Macro-hedging**

La Banque Postale Group applies the provisions of IAS 39 as adopted by the European Union to macro-hedging transactions which are performed as part of the asset and liability management of fixed rate positions.

Macro-hedging instruments are primarily interest rate swaps designed as fair value hedges for the Group's fixed rate resources and uses. The flow rate of these hedging swaps is systematically shorter than the probable flow rate of the fixed rate hedged items. This is known as the bottom-layer approach. In the event of over-hedging, the effectiveness test conducted by La Banque Postale Group shows that it is not complied with and the ineffective portion of the hedging derivative is systematically cancelled.

**Hedging instruments**

La Banque Postale Group uses several types of hedging derivatives to manage the interest rate and currency risks of balance sheet items.

For interest rate swaps (over the counter contracts enabling the exchange, based on a nominal amount, of interest rate flows calculated using a fixed rate against interest rate flows calculated using a floating rate), La Banque Postale Group favours these swaps over OIS swaps.

For Options (over the counter contracts between two counterparties giving the buyer the option of hedging beyond a certain level), La Banque Postale Group used Caps to hedge against an increase in interest rates beyond a predetermined level (ceiling or exercise rate, also called the strike rate), against the - generally immediate - payment of a premium.

For currency swaps, La Banque Postale Group uses cross currency swaps (currency swaps, with payer of the rate in currency and receiver of the floating rate in euros). The cross currency swap ensures both financing in foreign currency and currency hedging (financing and interest). Currency flows for the security and swap are completely matched in terms of amounts, dates and outflows.

**33.3.2 Scopes and economic ties with the hedged risk (underlying)**

**Underlyings**

La Banque Postale Group carries out hedging of transactions in the Group's balance sheet (for both customer and financial origins) with derivatives traded with market counterparties. These transactions depend on the portfolio's accounting business model. The transactions use different hedging strategies aiming mainly to hedge interest rate risk.

Hedged item	Derivatives	Hedging
Fixed rate loans	Fixed payer swap	Carve-out fair value hedge (CO-FVH)
	Fixed payer swap	Fair value hedge (FVH)
	Fixed payer swap	Cash Flow Hedge (CFH) <sup>(a)</sup>
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)

<sup>(a)</sup> position extinguished at end 2018

**Underlying hedged assets**

The hedged risk corresponds to the interest rate risk in value attached to fixed rate bonds and customer loans (real estate, consumer), and to cash flow interest rate risk (purchase of term bonds).

**Underlying hedged liabilities:**

The hedged risk corresponds to the interest rate risk in value attached to fixed rate customer deposits (sight, Home Loan Savings Plans), and fixed rate bond issues.

**Sources of ineffectiveness**

**Hedging of a security by a swap**

There are two types of fair value hedging:

**Hedging against Euribor:** Hedges against Euribor are valued using a EURIBOR discount curve for securities, whilst derivatives are valued using an EONIA curve. The introduction of two different discount curves creates a slight hedging ineffectiveness which is more significant when the EONIA- EURIBOR spread varies over time.

**Hedging against Eonia:** Hedges against EONIA are valued using an EONIA discount curve for securities and derivatives. Thus, the mathematical hedging between the security and the swap (security discounted against EONIA with restatement of the credit component and swap discounted against EONIA) is perfect - for this reason they are considered to be 100% effective and do not require retrospective effectiveness tests.

**Hedging of several securities by several swaps**

The defined principles enable the attainment of simplified hedging documentation that is considered to be 100% effective, whilst correctly managing the accounting treatment of the hedged rate component and, in particular, the recycling of hedging results according to the securities' transactions carried out.

The securities and their hedging (a swap, more exceptionally several swaps) are grouped by macro-

hedging "strategy". Each macro-hedging strategy complies with the following constraints:

1. the strategy's securities and swaps have a maturity date included in the same bucket for a maximum period of one year;
2. the notional amount of the strategy's swap must be strictly lower than the total principal amount of the securities;
3. the maturity of the strategy's swap must be less than or equal to the smallest maturity of the strategy's securities;
4. the sensitivity of the strategy's swap must be less than or equal to the overall sensitivity of the securities;
5. if there are several swaps in the strategy, they must be executed on the same day;
6. once the securities and swap(s) have been matched, no additional securities can be purchased under the strategy, only the sales of securities and unwinding of swaps are authorised.

As part of this management framework, once a hedging strategy has been constituted, new securities or new swaps must not be introduced. This guarantees that during the hedging period, all the securities and swaps have had homogeneous value changes (in respect of interest rate risk) over time.

La Banque Postale has set itself unwinding rules by following the principal amount of the securities sold, strategy by strategy, to constantly comply with the defined constraints, and by partially cancelling swap outstandings that exceed the principal of the remaining securities on the same day the securities are sold. In the event of over-hedging, the effectiveness test put in place by La Banque Postale Group is not met; in this event, an "ineffectiveness" figure is then calculated, and the over-hedged amount of the hedging derivative is systematically cancelled.

Macro-hedging: the sources of ineffectiveness mainly consist of the disappearance of the underlying item.

#### Hedging ratio

For hedging that is not considered to be 100% effective by construction, the hedging ratio (quantity of items hedged / quantity of hedging instruments) corresponds to the ratio used by La Banque Postale Group in its operational risk management.

The hedging ratio is calculated as follows: At each closing date, the retrospective documentation consists of checking that the change in value of the hedged item since the origin is consistent with the change in the hedging item, and that the ratio of value changes remains within the range [80% - 125%].

#### Effectiveness test

La Banque Postale Group conducts an effectiveness test at least twice per half year.

#### Cash Flow Hedge:

La Banque Postale Group uses the hypothetical derivative method for Cash Flow Hedges. This hypothetical derivative method consists of comparing the changes in value of the derivative instrument to the

changes in value of a fictional derivative instrument called the hypothetical derivative that perfectly represents the hedged risk.

#### Fair Value Hedge:

##### Hedging of a security by a swap

La Banque Postale Group uses the hypothetical derivative method for micro-hedging on EURIBOR swaps. Working from the assumption that swaps against EONIA are 100% effective in micro-hedging, the method consists of creating an EONIA swap that could have been set up during the hedging (exactly replicating the security) and it assesses the change in value of this swap compared to the change in value of the swap that was actually set up.

The residual ineffectiveness corresponds to the sum of changes in value of the hedged item and the hedging item. The security and swap are valued using an identical and constant rate curve, with only the market exchange rate taken into account. Thus, the change in value of the security valued in this way is independent from changes in interest rates and is only impacted by the change in exchange rates.

In cases where the effectiveness test is not complied with, La Banque Postale Group requires that all or part of the hedging underlying is cancelled. For this, effectiveness tests are carried out before and after disposals to ensure the cancellation operation is compliant.

##### Hedging of several securities by a swap

To ensure the monitoring of the hedging strategy, La Banque Postale has set up rolling documentation of hedging strategies to substantiate the absence of new or additional securities on existing positions.

##### Hedging of several loans by several swaps (bottom of tank / carve out)

For a sub-group of fixed rate customer contracts, La Banque Postale Group carries out tests to ensure that the flow of the hedged underlyings is much higher than that of the nominal amount of the derivatives (swaps or options) used for hedging. If the nominal amount of the derivatives is higher, this ends the hedging relationship and the derivative(s) is/are systematically cancelled.

Fair value and cash flow hedging derivatives	As at 31/12/2018		
	Assets	Liabilities	Notional
<i>(€ million)</i>			
<b>Interest rate instruments</b>	<b>1,131</b>	<b>329</b>	<b>38,848</b>
Interest rate swaps	1,130	329	38,484
Caps-floors-collars			364
<b>Foreign currency instruments</b>		<b>18</b>	<b>346</b>
Firm foreign exchange transactions		18	346
<b>Other instruments</b>			
<b>TOTAL FAIR VALUE HEDGING DERIVATIVES</b>	<b>1,131</b>	<b>348</b>	<b>39,194</b>
<b>Interest rate instruments</b>	<b>29</b>		<b>1,476</b>
<b>Foreign currency instruments</b>			
<b>Other instruments</b>			
<b>TOTAL CASH FLOW HEDGING DERIVATIVES</b>	<b>29</b>		<b>1,476</b>
<b>TOTAL HEDGING DERIVATIVES</b>	<b>1,159</b>	<b>348</b>	<b>40,670</b>

Fair value and cash flow hedging notionals	As at 31/12/2018					
	Less than 3 months	3 months to 1 year	1 to 5 years	> 5 years	indefinite	TOTAL
<i>(€ million)</i>						
<b>Interest rate instruments</b>	<b>586</b>	<b>1,341</b>	<b>18,707</b>	<b>18,214</b>		<b>38,848</b>
Interest rate swaps	526	1,240	18,560	18,158		38,484
Caps-floors-collars	60	101	146	56		364
<b>Foreign currency instruments</b>		<b>208</b>	<b>137</b>			<b>346</b>
Firm foreign exchange transactions		208	137			346
<b>Other instruments</b>						
<b>TOTAL FAIR VALUE HEDGING DERIVATIVE NOTIONALS</b>	<b>586</b>	<b>1,550</b>	<b>18,844</b>	<b>18,214</b>		<b>39,194</b>
<b>Interest rate instruments</b>	<b>984</b>	<b>492</b>				<b>1,476</b>
<b>Foreign currency instruments</b>						
<b>Other instruments</b>						
<b>TOTAL CASH FLOW HEDGING DERIVATIVE NOTIONALS</b>	<b>984</b>	<b>492</b>				<b>1,476</b>
<b>TOTAL HEDGING DERIVATIVE NOTIONALS</b>	<b>1,570</b>	<b>2,042</b>	<b>18,844</b>	<b>18,214</b>		<b>40,670</b>

## Fair value hedge

### Hedged items

	31/12/2018			Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
	Existing hedging		Discontinued hedges	
	Book value	of which total fair value adjustments related to the hedge	Total fair value adjustments related to the hedge still to be amortised	
<i>(€ million)</i>				
<b>ASSETS</b>				
Interest rate	10,804	54		173
Foreign exchange	366	1		(1)
Other				
<b>Financial instruments at fair value through equity</b>	<b>11,170</b>	<b>54</b>		<b>173</b>
Interest rate	284	7		(1)
Foreign exchange				
Other				
<b>Financial instruments at amortised cost</b>	<b>284</b>	<b>7</b>		<b>(1)</b>
<b>LIABILITIES</b>				
Interest rate	7,236	238		(8)
Foreign exchange				
Other				
<b>Financial instruments at amortised cost</b>	<b>7,236</b>	<b>238</b>		<b>(8)</b>

	31/12/2018
<i>(€ million)</i>	Book value
Debt instruments recognised at fair value through equity	
Debt instruments classified at amortised cost	4
<b>Total- ASSETS</b>	<b>4</b>
Debt instruments classified at amortised cost	17
<b>Total LIABILITIES</b>	<b>17</b>
<b>TOTAL</b>	<b>21</b>
<b>Fair value hedging of the interest rate risk exposure of a portfolio of financial instruments</b>	

### Fair value hedge accounting result

	31/12/2018		
	Net result (hedge accounting result)		
	Change in fair value on hedging instruments (including discontinuations)	Change in fair value on hedged items (including discontinuations)	Ineffective part of the hedge
<i>(€ million)</i>			
Interest rate	(151)	149	(2)
Foreign exchange	(24)	24	
Other			
<b>TOTAL</b>	<b>(175)</b>	<b>173</b>	<b>(2)</b>

## Cash-flow hedge

### Hedging items

	31/12/2018			Fair value adjustment over the period related to the hedge (including discontinued hedges during the period)
	Existing hedging		Discontinued hedges	
	Book value	of which total fair value adjustments related to the hedge	Total fair value adjustments related to the hedge still to be amortised	
(€ million)				
<b>ASSETS</b>				
Interest rate	1,476	(29)		(28)
Foreign exchange				
Other				
<b>Financial instruments at fair value through equity</b>	<b>1,476</b>	<b>(29)</b>		<b>(28)</b>

### Cash-flow hedge accounting result

	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			
<b>TOTAL</b>	<b>28</b>	<b>(174)</b>	

### 33.3.3 Assessment of risk

#### Value at risk (VaR)

VaR is a risk indicator used to assess the potential loss which the bank could face. It provides an estimate of the maximum potential loss at a given horizon with a given probability. This indicator does not provide an estimate of the potential loss which could result from rare events.

The VaR indicator covers transaction portfolios as well as certain banking portfolios. A global VaR is also calculated on all positions. The VaR indicator is available for each activity included in the market portfolio.

The Bank has decided to apply a Value at Risk indicator (1-day, 99%) to all its marked-to-market positions as a cautionary measure. The VaR implemented at La Banque Postale is a parametric VaR, which is calculated based on a variance-covariance matrix covering interest-rate risk, spread risk, currency risk and the risk of fluctuations in the equity indices to which the bank is exposed. In terms of risk factors, the main approximation concerns the "specific interest-rate risk": the credit spread risk (to which bonds are sensitive) is taken into account via a sector-rating approach which only captures a portion of this type of risk.

This matrix is calculated with a scaling factor designed to overweight recent changes compared with earlier ones. Therefore, La Banque Postale's implementation does not cover second tier risks (convexity), which are actually a rare occurrence for the Bank.

The VaR calculated in this way partially covers option risk, although second-tier risks are not taken into account. The development of option positions, which are currently not material, could result in the Risk Department using a more appropriate method.

The Risk Department back-tests the results of the model used to calculate the VaR, in order to assess its quality.

#### Stress scenarios

A stress scenario is used to simulate an extreme situation in order to evaluate its financial consequences on the results or the equity of La Banque Postale.

Using scenarios is a tool to analyse and monitor market risks.

### 33.4 Liquidity risk

Liquidity risk is defined by the Decree of 3 November 2014 as a company's risk of not being able to meet its commitments or not being able to resolve or offset a position due to the market situation (systemic risk) or idiosyncratic factors (its own credit risk), within a determined time frame and at a reasonable cost.

Two types of management are concerned: the management of the bank's current liquidity in order to minimise the cost of management within reasonable risk limits on the one hand, and the management of the bank's liquidity in the event of major stress on the other hand.

La Banque Postale has a strong liquidity position based on:

- customer deposits in excess of loans to customers. La Banque Postale has a very large, diversified deposit base (in excess of €160 billion), principally consisting of deposits by French individual customers;
- a significant HQLA (High Quality Liquidity Assets) portfolio, La Banque Postale has traditionally invested a large part of its balance sheet in sovereign bonds, due to its long-standing business of collecting deposits, while the customer loans business only developed as of 2006. This portfolio exclusively contains liquid, high quality assets in line with the provisions of Delegated Regulation (EU) No. 2015/61, which brings its short-term liquidity ratio above 135% and on average around 150%;
- proven access to capital markets financing.

As the resources from customers are for the most part without maturity and payable at any time (deposits, saving accounts), their outflow is modelled in order to determine its time profile. La Banque Postale selected a conservative approach for its liquidity valuation, and used very conservative assumptions to estimate outflows. Resources are thus valued using increased outstanding volatility and decreased liquidity duration.

#### Managing the liquidity risk

Responsibility for managing the liquidity risk rests with the ALM Committee in line with the principles and limitations approved by the Group's Risk Management Committee. This responsibility is partially delegated to the COGOB and the cash and long-term finance divisions of the trading floor for the tactical liquidity risk linked to the Bank's cash management.

Operationally, La Banque Postale has implemented an internal liquidity assessment system, or ILAAP (Internal Liquidity Adequacy Assessment Process), which covers all of the arrangements on limits, assessment, monitoring, reporting and management of liquidity. These arrangements include:

- a guidelines and limits system;
- a financing plan which ensures ex ante the bank's balanced funding position as regards budget planning for La Banque Postale;
- maintaining and monitoring of changes to a high-quality, unencumbered liquid securities buffer, as well as the amounts referred to the central bank's deposit facility;
- the emergency financing plan (PFU), the main objectives of which are (cf. infra):
- to define the alert thresholds for the early detection of tensions on liquidity, whether these be idiosyncratic (specific to the Banks) or systemic;
- to identify all available capacities to generate liquidity (liquidity reserves and financing capacities);
- to mobilise a governance able to manage a crisis with the required expediency,
- as well as a stress test system aimed at measuring the margins of manoeuvre of La Banque Postale in

situations of historically high tensions on the Bank's liquidity.

The Bank's bodies (Risk Committee of the Supervisory Board) approved the entire ILAAP system in March 2018.

The prudential liquidity risk declaration systems apply to the entire scope of prudential consolidation. Nevertheless, some of the limits and indicators used in management refer to the Group's corporate units, notably La Banque Postale, the Group's largest entity.

#### Assessment of liquidity risk

##### Short-term liquidity monitoring

This strategy is based on:

- Regulatory liquidity ratios and reporting;
- LCR (Liquidity Coverage Ratio);
- NSFR (Net Stable Funding Ratio).

##### Liquidity Coverage Ratio (LCR)

The LCR is a monthly short-term liquidity ratio which measures the Bank's ability to resist during 30 days to a severely degraded situation in a context of a systemic shock. The target value of this ratio is over 100%, and the subject institution benefits from a transition period to reach this target. This ratio is calculated by dividing the sum of high-quality, liquid assets free of commitments by the liquidity requirement under stress over 30 days.

Consistent with the balance sheet movements detected in the "interest-rate risk" part, (development of commercial assets), the LCR fell in 2018.

The LCR is also one of the limitations to be adhered to under the dynamic liquidity projections.

Under the ILAAP, several stresses on the LCR have been developed.

The LCR and the liquidity reserve are calculated daily.

The concentration, cost and structure of refinancing, as well as the concentration of the asset cushion are regularly reviewed and are subject to regulatory reports (ALMM) together with LCR publishing.

##### Net Stable Funding Ratio (NSFR)

The NSFR represents the stable available financing divided by mandatory stable financing. This ratio should be at all times greater than 100%. The Available Stable Funding is the portion of resources which are not payable within the relevant time frame, here, one year under the NSFR. A bank's amount of Required Stable Funding depends on the liquidity features and the residual term of the assets (and off-balance sheet positions) held.

As of today, as part of the regulatory liquidity exercises performed for the ECB, La Banque Postale's NSFR exceeds 100%.

The arrangement also relies on:

- tools enabling the Treasury Department to monitor intraday positions in real time;
- a daily calculation of the cash liquidity gap;

- advanced weekly liquidity crisis indicators, defined in the emergency financing plan;
- bi-annual testing of market access in different currencies.

#### Long-term liquidity monitoring

The Bank uses a liquidity gap to assess its long-term liquidity level. This gap comprises projections of static gaps by maturity and limits set for 1, 3 and 5 years. The assumptions taken into account follow a stressed approach, resulting in a prudent estimation of the Group's liquidity situation.

The methods used to evaluate the liquidity gap are determined depending on the type on assets and liabilities in the balance sheet:

- outstanding amounts with maturities (contractual outflows, corrected or not by a model);
- outstanding amounts without maturities (outflow agreement);
- liquidity profile of transferable assets;
- off-balance sheet commitments (liquidity commitments and guarantees).

Operations without contractual maturity (including sight deposits and savings accounts) are taken into account using outflow agreements approved by the ALM Committee and the Group Risks Department. Off-balance sheet commitments are taken into account using drawing assumptions. The transferable nature of certain operations can in some cases be taken into account.

#### Emergency Financing Plan (PFU)

The Emergency Financing Plan is designed to be monitored by the financial management governance bodies (ALM Committee, COGOB, Group Risk Management Committee) and executed operationally by the Financial Transactions Department.

The Emergency Financing Plan (PFU) is part of the Bank's annual internal liquidity assessment process. The PFU presents the indicators used to determine the health of the markets (financial or banking) on which the liquidity of La Banque Postale is exposed. These indicators are broken down into two main families:

- systemic indicators;
- idiosyncratic indicators.

A threshold is set for each indicator (comfort, vigilance or alert).

The Emergency Financing Plan also includes arrangements to be implemented in the event of a proven crisis, whether it be systemic or idiosyncratic. This arrangement mainly takes the form of an analysis of the various sources of financing (or liquidities) which La Banque Postale can access, depending on the amounts represented and the speed of implementation. The PFU also provides for specific governance via committees, which monitor the indicators. The aim of this governance is to provide a higher level of surveillance of the Bank's liquidity risk. The indicators (in normal periods) are presented during the COGOB. Finally, the selected indicators and the proposed responses are tested on the markets to assess their relevance and the liquidity of the market.

The financing test involves testing the market by carrying out short-term borrowings. The aim of this type of test is to regularly check the bank's ability to quickly secure funds on the markets to ensure that the estimates on the Bank's ability to borrow remain valid. It is envisaged that this type of test will take place at least twice a year.

In 2017, La Banque Postale twice successfully tested its ability to finance itself for a significant amount over a day in its different currencies.

#### Liquidity reserve

The liquidity reserve represents the amount of cash and liquidity available rapidly for transfer or repurchase agreements, in order to deal with a liquidity crisis.

The liquidity reserve comprises:

- cash placed with the central bank (excluding average obligatory reserves calculated over the maintenance period);
- securities forming the HQLA (High Quality Liquid Assets) cushion, comprising mainly state securities, covered bonds and corporate securities complying with prudential liquidity criteria, as defined by regulation rules for the calculation of the LCR, for which valuation of investments is affected by a haircut according to prudential rules;
- other securities transferable to the ECB (mainly banking securities) affected by the ECB haircut.

High quality guaranteed home loans, which are convertible through the issue of covered bonds by the Home Financing Company of the Group, are also a significant liquidity resource (around €11.9 billion potential collateral as at 31 December 2018, in addition to the bank's other usual financing resources).

#### Risk mitigation techniques

In addition to the prudent liquidity risk management guidelines implemented by the ALM Committee and the Risk Committee, La Banque Postale has established diversified sources of funding:

- a €20 billion Neu-CP (Negotiable European Commercial Paper) programme with the goal of refinancing part of the Bank's short-term financing needs, and to satisfy institutional clients;
- a €2 billion Neu-MTN programme with the goal of refinancing part of the Bank's short-term financing needs, and to satisfy institutional clients;
- a €10 billion EMTN programme, for the issue of a Home Lending Bond (OFH) via its secured financing vehicle implemented in 2013, LBP Home Loan SFH, subsidiary of LBP SA;
- access to refinancing by the BEI as part of La Banque Postale's commitment for eligible funds;
- a portfolio of held-to-maturity securities, which mainly consists of high-quality government bonds, which are rapidly convertible and provides a permanent source of eligible securities granting access to the ECB's refinancing transactions or to the repurchase agreements market;
- access to the inter-bank market.

La Banque Postale also has access to a secured financing vehicle via la Caisse de Financement Local (CAFFIL), to which it regularly assigns loans to local authorities.

These "Secured financing" vehicles are a reliable source of financing, as shown by the fact that the market for secured finance continued to operate normally during the recent banking crisis of 2011.

### 33.5 Interest-rate risk

Interest rate risk represents the likelihood of seeing the Bank's future margins or economic value affected by fluctuations in interest rates. Managing the interest rate risk includes managing the sensibility of the net interest margin (NIM).

This risk is monitored via future margin sensibility and economic value sensitivity to interest rates indicators, as well as scenarios designed to assess the ability of the institution to withstand exogenous shocks.

The interest rates movements in these scenarios affect both uncertain inflows from financial products and results from retail banking operations, via customer behaviour models, in particular regarding the implicit options available to customers.

The ALM Committee is primarily responsible for monitoring interest-rate risk. It monitors the interest-rate risk performance indicators, and anticipates their future development, in light of the Bank's commercial policy, and of observations on customer behaviour. Interest-rate risk indicators are also reviewed by the Risk Committee CPRG. Interest rate risk indicators are also reviewed the Group Risk Steering Committee, mostly on a monthly basis.

#### Assessment of risk

Interest rate risk is managed in order to cover the sensibility of the future net interest margin whilst respecting the value sensibility indicators. This management is done dynamically, based on the business plan, through the setup of interest-rate derivative instruments, or changes in the commercial policy.

The balance sheet has implicit and explicit options, resulting in a non-linear nature of the economic value according to the rates. Therefore, the ALM provides regular rebalancing on the structural positions via market instruments.

As required by the Basel Committee, major interest-rate risks in the banking book are identified and measured. Some of them may result in specific monitoring arrangements.

Interest rate risk is measured by maturity and index type for products dependent on variable rates or indexes (Euribor, inflation, Eonia, etc.) while taking into account outflow agreements, which are themselves

dependent on market conditions. It covers several risk factors:

- refixing risk linked to the differences between the new rates on the assets and liabilities side (according to references and maturities);
- curve risk, linked to the refixing risk: generated by the changes in the rate curve (translation, rotation, etc.);
- basis risk: linked to the many rate references used which generate risk due to the less than perfect correlation between the references;
- option risk (contractual or behavioural);
- risks from positions exposed to the actual rate/inflation.

Therefore, the change in the net interest margin is measured using several rate scenarios. The interest-rate risk in the balance sheet is simulated dynamically, taking into account future changes in amounts outstanding (early redemptions, new productions, etc.) in accordance with the behavioural models developed and in the business plan.

Delegated-management bond portfolio transactions are not part of the overall interest-rate risk, as their risk is monitored and contained by the limits specific to each portfolio. These portfolios, which relate to the trading floor, are contained by market risk type limits.

#### Assessment of general interest rate risk

##### Conventions and procedures

The methods used to evaluate the interest rate gap and sensibilities are determined depending on the type on assets and liabilities in the balance sheet:

- outstanding amounts with maturities (contractual outflows, corrected or not by a model);
- outstanding amounts without maturities (outflow agreement);
- off-balance sheet commitments (liquidity commitments and guarantees).

Operations without maturities (including sight deposits and savings accounts) are taken into account using outflow agreements reviewed by the ALM Committee and the Group Risks Department.

Off-balance sheet commitments are taken into account using drawing assumptions.

##### Rate gaps

For a given currency, the nominal rate gap is calculated for fixed-rate and variable-rate transactions, and can be reviewed until their next review or setting date. The nominal rate gap does not take rate drops into account.

The rate gap is the difference between the average amounts of fixed-rate assets and the average amounts of fixed-rate liabilities including the impacts of off-balance sheet items (swaps and depreciation on payments) by maturity.

## NOTE 34 ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

- 34.1 Fair value and ranking of financial instruments
- 34.2 Methods for calculating the fair value of financial instruments
- 34.3 Impact of financial instrument on net profit/(loss) and equity
- 34.4 Financial hedging instruments
- 34.5 Reclassification of financial assets
- 34.6 Offsetting of financial instruments

### 34.1 Fair value and ranking of financial instruments

The fair value ranking levels defined in IFRS 7 are as follows:

- Level 1: valuation determined by prices listed on an active market
- Level 2: valuation determined by techniques using observable data;
- Level 3: valuation determined by techniques using unobservable data.

Fair value ranking <sup>(b)</sup>					
	Level 1	Level 2	Level 3		
	Book value	Fair value <sup>(a)</sup>			
<b>ASSETS</b>					
<b>Bank assets</b>					
	95,671	98,340			
Customer loans and receivables					
Credit institutions loans and receivables	87,352	87,362			
Securities portfolio	51,262	52,704	18,694	8,394	592
<b>Non-bank assets</b>					
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	
<b>LIABILITIES</b>					
<b>Bank liabilities</b>					
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	
<b>Non-banking liabilities</b>					
Bonds and other financial debt	6,229	6,633		739	
Trade and other payables	5,432	5,432			

(a) Including fair value of items recognised at amortised cost

(b) For items recognised at fair value

**Reclassifications from Level 2 to Level 1:** €28.2 million (3 fixed-rate investments whose transactions now meet the criteria for volume and frequency).

**Reclassifications from Level 1 to Level 2:** €73.3million (8 fixed-rate investments whose transactions do not meet the criteria for volume and frequency any more).

(€ million)	31/12/2017		
	Level 1	Level 2	Level 3
<b>BANKING ACTIVITIES ASSETS</b>			
Government securities and similar	945	5	
Bonds and other fixed-income securities	1,127	4,931	
Equities and other variable-income securities	61		
<b>Financial assets at fair value through profit or loss</b>	<b>2,133</b>	<b>4,936</b>	
Equities and other variable-income securities	35		
<b>Financial assets designated at fair value through profit or loss</b>	<b>35</b>		
Interest-rate derivatives		384	
Foreign exchange derivatives		94	
Credit derivatives		3	
Equity and index derivatives		10	
<b>Trading derivatives</b>		<b>491</b>	
Interest-rate derivatives		1,138	
Foreign exchange derivatives		5	
<b>Fair value hedging derivatives</b>		<b>1,143</b>	
Interest-rate derivatives		2	
<b>Cash flow hedging derivatives</b>		<b>2</b>	
Government securities and similar	6,701	20	
Bonds and other fixed-income securities	9,327	215	
Equities and other variable-income securities	804	222	300
Unconsolidated investments			200
<b>Available-for-sale financial assets</b>	<b>16,832</b>	<b>457</b>	<b>501</b>
<b>NON-BANKING ACTIVITIES ASSETS</b>			
Other non-current financial assets		460	139
Trade and other receivables		3,930	
Other current financial assets		712	
Cash and cash equivalents	350	1,385	
<b>BANKING ACTIVITIES LIABILITIES</b>			
Debt evidenced by a certificate		5	
<b>Financial liabilities designated at fair value through profit or loss</b>		<b>5</b>	
Interest-rate derivatives		392	
Foreign exchange derivatives		93	
Other derivative instruments		20	
Credit derivatives		13	
Equity and index derivatives		10	
<b>Trading derivatives</b>		<b>528</b>	
Interest-rate derivatives		238	
Exchange-rate derivatives			
<b>Fair value hedging derivatives</b>		<b>238</b>	
<b>NON-BANKING ACTIVITIES LIABILITIES</b>			
Bonds and other financial debt		6,297	
Trade and other payables		5,154	

**Level 3 fair values: reconciliation of opening and closing balances (banking activities)**

(€ million)	Assets at fair value through profit or loss	Assets designated at fair value through equity	Hedging derivatives	<b>TOTAL</b>
<b>Opening balance</b>	<b>250</b>	<b>251</b>		<b>501</b>
Gains and losses recorded in income	10			<b>10</b>
Gains and losses recorded in equity		12		<b>12</b>
Purchases	70	31		<b>101</b>
Redemptions	(28)			<b>(28)</b>
Other movements	1	(5)		<b>(4)</b>
<b>Closing balance</b>	<b>303</b>	<b>289</b>		<b>591</b>

**Level 3 fair values: profits and losses for the period recognised in income**

None

**34.2 Methods for calculating the fair value of financial instruments**

**34.2.1 Financial instruments excluding banking activities**

The fair value of the bond debt and of the related swaps is measured using a calculation method based on observable data, which corresponds to Level 2 of the fair value ranking established in IFRS 7. Details of this calculation method are provided below.

Every financial product is assessed as a series of future cash flows regardless of whether they are determined at the calculation date. The fair value calculation is based on discounting these future cash flows. The discounting factors are deduced from a zero coupon curve. To calculate the fair value of the bond debt, La Poste's credit spread is added to the zero coupon curve. La Poste's implied credit spread is determined based on price brackets supplied by various market participants (brokers).

In the case of cash flows dependent on a floating-rate not yet determined at the calculation date, future rates are estimated based on the future structure of interest rates.

In the case of financial products with cash flows in different currencies, the cash flows are discounted for each currency based on discounting factors specific to each currency. The currency market values obtained are then translated into euros at the ECB exchange rate on the day of the calculation.

Option products are determined by factoring in implied market volatility, in view of the option exercise dates. The fair value of current financial assets and liabilities is deemed equivalent to their book value, in view of their short-term maturity.

The fair value of bonds and UCITS units is determined according to listed prices.

**34.2.2 Financial instruments used in banking activities**

IFRS 13 defines the fair value as the price that would be received for the sale of an asset or paid for the

transfer of a liability during a normal transaction between market participants at the measurement date.

When an instrument is first recognised, its fair value is usually the transaction price.

IFRS 13 recommends initially using a listed price on an active market to determine the fair value of a financial asset or liability. A market is considered to be active if prices are easily and regularly available from a stock exchange, a broker (multi contribution), a trader or a regulatory agency, and if these prices represent actual transactions (volume, price range) carried out at arm's length. In the absence of an active market, fair value must be determined using valuation techniques. These techniques include the use of recent arm's length transactions. They are based on market data, the fair values of substantially identical instruments, discounted cash flow models or option pricing models, and use recognised valuation methods. The aim of a valuation technique is to establish what the instrument's price would have been in a normal market. For example, the fair value of fixed-income securities, equity securities and futures is determined using listed prices. Valuation techniques referring to market data are used mainly for over-the-counter derivatives, discount securities (e.g. commercial paper, and certificates of deposit, etc.) and repurchase agreement deposits.

The financial instruments are presented in note 34.1 according to three levels based on the observability of values, in descending order, and the parameters used for their valuation:

- **level 1:** Instruments valued using (unadjusted) listed prices on an active market for identical assets or liabilities.

These are mainly listed shares and derivatives on organised markets (futures, options, etc.);

- **level 2:** Instruments valued using data other than the prices indicated in level 1 and which are observable for the asset and liability concerned, either directly (i.e. prices) or indirectly (i.e. data derived from prices).

These are instruments which are valued with techniques using observable parameters and standard models or instruments that are valued by referring to similar instruments listed on an active market. This classification concerns rate swaps, caps, etc;

- **level 3:** Instruments valued using unobservable market data.

These are mainly unlisted equity investments, FCPR or FCPI funds.

The market value for unlisted equity investments is set by referring to certain criteria such as net assets, profitability outlook and discounting of future cash flows.

The listed price for an asset held or a liability to be issued is usually the bid price, and the ask price for a liability held or an asset to be acquired.

#### Fair value of loans

The scope applied is that of all loans drawn down and included on La Banque Postale's balance sheet. Loans that have been granted but not yet released are not taken into account, as it is assumed that, since their rate has just been fixed, their value will not be different from the amount advanced.

For the types of loans sold by the Bank, the main assumptions underlying the calculation are as follows:

- The fair value of overdrafts on sight accounts is assumed to correspond to the accounting value due

to the very short length of the loans (less than one month).

- The fair value of loans is determined on the basis of internal models, which consist in discounting future recoverable capital and interest flows over the residual maturity, which are discounted based on opportunity interest rates.

#### Fair value of deposits

The main underlying assumptions for the calculation are as follows:

- For deposits where the remuneration rate is regulated, Livret B (savings passbook) accounts, Youth passbook savings accounts, National Savings Accounts and term deposits accounts, fair value is assumed to correspond to the net book value of the amount outstanding.
- The fair value of sight deposits is assumed to correspond to the net book value of the amount outstanding, net of the fair cost value of the swaps used to hedge overnight deposits (via the carve-out option).

#### Fair value of held or issued debt instruments

The fair value of listed financial instruments corresponds to the closing market price. The fair value of unlisted financial instruments is determined by discounting future cash flows at the market rate in effect at the closing date.

## 34.3 Impact of financial instrument on net profit/(loss) and equity

### Non-banking activities

The impact of the Group's financial instruments on income (excluding Banking activities) is described in Note 13 "financial profit / (loss)".

### Banking activities

The table below details the impact of the Banking activities financial instruments on income and equity.

2018	Interest income (expense)	Changes in fair value		Impairment	Deconsolidation and dividends	Net gain (loss)
		Fair value through profit or loss	Fair value through equity			
(€ million)						
Assets classified at amortised cost	1,929					1,929
Assets classified at fair value through recyclable OCI	111		(419)		342	34
Financial instruments at fair value through profit or loss		27				27
Hedging	188	(2)	(147)			39
<b>TOTAL</b>	<b>2,228</b>	<b>25</b>	<b>(566)</b>		<b>342</b>	<b>2,029</b>
<b>2017</b>						
Loans, receivables and payables	1,685			(192)		1,493
Assets held to maturity	690					690
Available-for-sale assets	176		(63)		278	391
Financial instruments at fair value through profit or loss		(4)				(4)
Hedging	154	(4)	(54)			96
<b>TOTAL</b>	<b>2,705</b>	<b>(8)</b>	<b>(117)</b>	<b>(192)</b>	<b>278</b>	<b>2,666</b>

## 34.4 Financial hedging instruments

### Non-banking activities

See Note 27.

### Banking activities

See Note 33.3

## 34.5 Reclassification of financial assets

In 2008, La Banque Postale chose the option provided by the 13 October 2008 amendment to IAS 39 and IFRS 7 to reclassify certain available-for-sale financial assets under "loans and receivables".

The transfer of part of the securities in the available-for-sale financial assets portfolio that no longer had the expected liquidity to the loans and receivables category

enables the financial statements to provide a better view of La Banque Postale's allocation of resources.

The net book value and fair value of securities reclassified on 1 July 2008 remain immaterial as at 31 December 2018.

## 34.6 Offsetting of financial instruments

The following disclosures present the information required by IFRS 7 on financial instruments that are offset on the balance sheet, as well as on financial instruments that are not offset on the balance sheet, but are subject to an enforceable master netting arrangement or a similar agreement.

### 34.6.1 Non-banking derivative instruments

2018	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Net amounts
(€ million)	A	B	C=A-B	Derivative instruments D	Collateral cash E	F=C-D-E
Derivative assets	127		127	56	68	3
Derivative liabilities	56		56	56		
2017	A	B	C=A-B	Derivative instruments D	Collateral cash E	F=C-D-E
Derivative assets	164		164	68	99	(3)
Derivative liabilities	68		68	68		

La Poste has put framework agreements in place with all of its market counterparties in order to reduce its exposure if its market counterparties default. These agreements result in the losing counterparty paying a guarantee deposit to the winning counterparty in cash, equivalent to the net position of the derivatives. Margin

calls occur weekly or daily, according to the counterparties. These agreements do not comply with the criteria in IAS 32 governing the offset of derivative assets and liabilities on the balance sheet. They do, however, fall within the scope of disclosures under the IFRS 7 standard on offsetting.

### 34.6.2 Banking financial instruments

2018	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Securities received / given as guarantees	Net amounts
				Financial instruments D	Collateral cash D		
(€ million)	A	B	C=A-B			E	F=C-D-E
<b>ASSETS</b>							
<b>Financial instruments at fair value through profit or loss</b>	<b>11,397</b>		<b>11,397</b>	<b>639</b>	<b>914</b>		<b>9,845</b>
Of which derivatives (including hedging derivatives)	1,618		1,618	639	914		65
<b>Customer and credit institutions loans and receivables</b>	<b>188,314</b>	<b>5,226</b>	<b>183,088</b>	<b>264</b>		<b>416</b>	<b>182,407</b>
Of which securities under repurchase agreements	5,907	5,226	681	264		416	0
<b>Accruals and other assets</b>	<b>2,981</b>		<b>2,981</b>	<b>3</b>			<b>2,978</b>
Of which deposits and guarantees paid	5		5	3			2
<b>Other assets not offset</b>	<b>47,734</b>		<b>47,734</b>				<b>47,734</b>
<b>TOTAL ASSETS</b>	<b>250,427</b>	<b>5,226</b>	<b>245,200</b>	<b>906</b>	<b>914</b>	<b>416</b>	<b>242,965</b>
<b>LIABILITIES</b>							
<b>Financial instruments at fair value through profit or loss</b>	<b>1,157</b>		<b>1,157</b>	<b>639</b>	<b>216</b>		<b>302</b>
Of which derivatives (including hedging derivatives)	878		878	639	216		23
<b>Customer and credit institutions liabilities</b>	<b>209,915</b>	<b>5,226</b>	<b>204,688</b>	<b>264</b>	<b>36</b>	<b>18,237</b>	<b>186,151</b>
Of which securities under repurchase agreements	23,779	5,226	18,553	264	36	18,237	16
<b>Other liabilities not offset (excluding equity)</b>	<b>29,688</b>		<b>29,688</b>				<b>29,688</b>
<b>TOTAL LIABILITIES</b>	<b>240,759</b>	<b>5,226</b>	<b>235,533</b>	<b>902</b>	<b>252</b>	<b>18,237</b>	<b>216,141</b>

2017	Gross amount	Offset amount on balance sheet	Net amount on balance sheet	Amounts not offset on balance sheet		Securities received / given as guarantees	Net amounts
				Financial instruments D	Collateral cash D		
(€ million)	A	B	C=A-B			E	F=C-D-E
<b>ASSETS</b>							
<b>Financial instruments at fair value through profit or loss</b>	<b>7,596</b>		<b>7,596</b>	<b>448</b>	<b>1,162</b>		<b>5,986</b>
Of which derivatives (including hedging derivatives)	1,634		1,634	448	1,162		24
<b>Customer and credit institutions loans and receivables</b>	<b>93,075</b>	<b>4,940</b>	<b>88,135</b>	<b>200</b>	<b>1</b>	<b>102</b>	<b>87,833</b>
Of which securities under repurchase agreements	5,164	4,940	225	200	1	102	(78)
<b>Accruals and other assets</b>	<b>3,411</b>		<b>3,411</b>	<b>8</b>			<b>3,403</b>
Of which deposits and guarantees paid	10		10	8			2
<b>Other assets not offset</b>	<b>132,334</b>		<b>132,334</b>				<b>132,334</b>
<b>TOTAL ASSETS</b>	<b>236,416</b>	<b>4,940</b>	<b>231,477</b>	<b>655</b>	<b>1,163</b>	<b>102</b>	<b>229,556</b>
<b>LIABILITIES</b>							
<b>Financial instruments at fair value through profit or loss</b>	<b>238</b>		<b>238</b>	<b>448</b>	<b>288</b>		<b>(498)</b>
Of which derivatives (including hedging derivatives)	743		743	448	288		7
<b>Customer and credit institutions liabilities</b>	<b>187,503</b>	<b>4,940</b>	<b>182,564</b>	<b>200</b>	<b>43</b>	<b>13,892</b>	<b>168,430</b>
Of which securities under repurchase agreements	19,171	4,940	14,232	200	43	13,892	98
<b>Other liabilities not offset (excluding equity)</b>	<b>38,581</b>		<b>38,581</b>				<b>38,581</b>
<b>TOTAL LIABILITIES</b>	<b>226,323</b>	<b>4,940</b>	<b>221,383</b>	<b>647</b>	<b>331</b>	<b>13,892</b>	<b>206,513</b>

## NOTE 35 RELATED PARTY TRANSACTIONS

- 35.1 Relations with the French government and public sector companies
- 35.2 Relations with consolidated companies
- 35.3 Remuneration of administration and management bodies

### 35.1 Relations with the French government and public sector companies

#### 35.1.1 Relations with the French government

Since the 10 February 2010 Act reaffirming the provisions of the July 1990 Act on the restructuring of the postal and telecommunications public service, La Poste has been a *société anonyme* (public limited company) overseen by the Minister 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.

#### 35.1.2 Relations with public sector companies

Le Groupe La Poste enters into transactions, under market conditions, with public sector companies in the normal course of its business.

### 35.2 Relations with consolidated companies

Transactions performed between fully consolidated Group companies are eliminated on consolidation and are therefore not discussed in this Note.

Transactions with equity associates primarily relate to CNP Assurances, with which La Banque Postale has signed a commercial partnership agreement, resulting in the payment of commissions. The impact on the Group's financial statements of transactions with CNP Assurances of transactions are summarised in the table below:

(€ million)	31/12/2018	31/12/2017
Income	606	570
Expenses		
Accounts receivable	127	109
Liabilities	288	256

Transactions with other equity associates and joint ventures are not material.

### 35.3 Remuneration of administration and management bodies

The remuneration of Le Groupe La Poste senior executives amounted to €5.3 million in total for the year ended 31 December 2018 (€4.9 million in 2017). Senior executives do not benefit from any specific post-employment benefits.

The Group's main senior executives are the members of the Executive Committee and the members of the Board of Directors (whose remuneration comprises attendance fees, for the most part paid back to the State or to Caisse des Dépôts, and the salaries of employee representatives). Attendance fees paid in 2018 amounted to €0.2 million (€0.2 million in 2017).

## NOTE 36 STRUCTURED ENTITIES

- 36.1 Consolidated structured entities
- 36.2 Unconsolidated structured entities

### 36.1 Consolidated structured entities

Pursuant to IFRS 10 and 11, and taking into account materiality, the Group consolidates three structured entities, FCT Elise 2012, LBP Dutch Mortgage Portfolio 1 and LBP Dutch Mortgage Portfolio 2.

The "FCT Elise 2012" entity was first consolidated in October 2012. It is a French fund whose debt is owned at 95% by La Banque Postale, and at 5% by Crédit Foncier de France. This fund carries in its balance sheet assets interest-free loans granted to retail customers of La Banque Postale pre-dating 2010 (date of the launch of interest-free loans in the bank's balance sheet).

This fund represents total assets of €353 million as at 31 December 2018. It is fully consolidated.

Two Dutch mutual receivables funds, LBP Dutch Mortgage Portfolio 1 and 2, were first consolidated respectively in October and November 2017. These funds, whose debt is owned at 100% by La Banque Postale, carry in their balance sheet assets home loans granted to retail customers of Aegon Hypotheken and Rabobank. The total net amount of loans carried by these funds represent €1,141 million and €1,311 million, respectively. They are fully consolidated.

### 36.2 Unconsolidated structured entities

As at 31 December 2018, the Group identified the two following classes of non-consolidated structured entities: securitisation and asset management.

#### Structured entities with financial interests

As at 31 December 2018, the only significant operations with structured entities with financial interests within the Group are financial liabilities at fair value through profit or loss for €86 million, and €68 million in shares of securitisation funds. Revenues earned by the Group from these entities amounted to €80 million and are mainly comprised of management fees. No loss was recorded as at 31 December 2018.

The maximum loss exposure is usually limited to shares held in the funds, except for those funds where La Banque Postale grants a performance and capital guarantee.

Concerning funds managed by the entity La Banque Postale Asset Management, and given the structuring of derivatives, the guarantee only applies in case of a default by the performance swaps suppliers. Counterparties are market counterparties and the default risk is considered low.

#### Structured entities without financial ties

Are defined as sponsors those funds that are structured by a management company controlled by the Group, mainly by La Banque Postale Asset Management.

Revenues earned by the Group from these entities amounted to €63 million and are mainly comprised of management fees.

## NOTE 37 OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

- 37.1 Lease commitments
- 37.2 Banking activities commitments
- 37.3 Other commitments given
- 37.4 Other commitments received
- 37.5 Other commitments
- 37.6 Contingent liabilities

### 37.1 Lease commitments

The minimum future payments for operating leases where the Group is the lessee broke down as follows:

(€ million)	31/12/2018	31/12/2017
Less than 1 year	614	599
1 to 5 years	1,301	1,201
Over 5 years	816	729
<b>TOTAL</b>	<b>2,731</b>	<b>2,529</b>

Operating lease payments amounted to €807 million in 2018 (€775 million in 2017).

### 37.2 Banking activities commitments

The contractual value of commitments given and received as part of La Banque Postale's business activities is as follows:

(€ million)	31/12/2018	31/12/2017
<b>Financing and guarantee commitments and commitments on securities given</b>		
Financing commitments		
to credit institutions	1,576	1,182
to customers	23,235	19,367
Guarantee commitments		
to credit institutions	379	402
to customers <sup>(a)</sup>	1,938	1,877
Commitments on securities to be delivered	3,213	1,382
<b>Financing and guarantee commitments and commitments on securities received</b>		
Financing commitments		
from credit institutions <sup>(b)</sup>	1,967	870
from customers	1,620	1,136
Guarantee commitments		
from credit institutions	33,998	31,473
from customers	4,639	9,167
Commitments on securities to be received	461	246
Other commitments given <sup>(b)(c)</sup>	11,708	9,628
Other commitments received	2,417	1,410

(a) Includes capital and performance guarantees granted to holders of shares of UCITS managed by Group entities.

(b) Of which commitments given (€653 million) and received (€600 million) as part of the "3 G" guarantee management arrangement with the Banque de France, which allows banks to jointly manage all collateral relating to their refinancing transactions with Banque de France.

(c) In 2018, this includes commitments of €10,869 million (€8,490 million in 2017) relating to home loans given in guarantees of bonds issued by La Banque Postale Home Loan SFH, the housing financing company of the Group.

**Commitments related to Cr dit Logement**

Le Groupe La Poste has undertaken to maintain Cr dit Logement's basic equity, in proportion to its 6% interest, so that Cr dit Logement can meet its solvency ratio.

The Group has undertaken, where applicable, to replenish Cr dit Logement's mutual guarantee fund, which covers borrower default on the loans held on Cr dit Logement's books. This commitment, which corresponds to the proportion of loans distributed by La Poste's network, amounted to €236 million as at 31 December 2018.

**37.3 Other commitments given****37.3.1 Guarantees and endorsements**

Total guarantees and endorsements given amounted to €25 million as at 31 December 2018.

**37.3.2 Commitments relating to the acquisition of Seur**

Under the shareholders' agreement signed on 10 March 2008 with Seur franchisees who were shareholders in Seur SA, GeoPost granted each shareholder an individual put option with the following terms and conditions:

- Sale of all the shares in Seur SA to GeoPost. The Group recorded the corresponding debt;
- Sale of the shares in the franchises owned;

These options are exercisable over a period of 20 years as from 10 March 2008, subject to the acquisition of a franchise by GeoPost subsequent to this agreement.

The purchase obligation guaranteed by GeoPost is subject to an annual ceiling of €100 million.

These options have been in place since the acquisition of the Teruel franchise by GeoPost in March 2009.

**37.3.3 Commitment related to the acquisition of DPD Bulgaria and DPD Romania**

In relation to the sale of DPD Bulgaria and DPD Romania in November 2014, GeoPost SA provided a set of guarantees to the acquirer, including guarantees of ownership of the securities and tax and social guarantees, for a period of 60 months.

Potential compensation will be equal to 100% of damages and up to:

- for the acquisition of DPD Bulgaria: €417 thousand, except for the ownership of securities for which the guarantee is up to the sale price of 100% of the shares, i.e. €4.2 million.
- for the acquisition of DPD Romania: €892 thousand, except for the ownership of securities for which the guarantee is up to the sale price of 100% of the shares, i.e. €8.8 million and the tax and social guarantees granted for a maximum amount of €2 million.

To be admissible, a claim must be for more than €10 thousand or the sum of claims must be for more than €50 thousand.

**37.3.4 Sponsorship**

La Poste committed to finance several sponsorship projects for a total amount of €10.5 million as at 31 December 2018.

**37.4 Other commitments received****37.4.1 Guarantees and endorsements**

Total guarantees and endorsements received amounted to €72 million as at 31 December 2018, including €58 million for La Poste.

**37.4.2 Credit facilities**

The Group has access to a €1 billion renewable credit facility with a 5-year maturity until March 2023, for which it received commitments from the eleven banks in the banking pool. This facility had not been used as at 31 December 2018.

**37.4.3 Property sale commitments**

La Poste has entered into property sale commitments that are expected to be completed in 2019 or later. As at 31 December 2018, the commitments received in this respect amounted to €36 million in total.

**37.4.4 Call options on securities**

On 21 December 2000, Caisse d' pargne Group granted Le Groupe La Poste an unreserved irrevocable call option on CNP Assurances shares and additional securities representing 2% of the share capital of CNP Assurances.

**37.4.5 Liabilities guarantees**

As part of its business acquisition transactions, the Group was granted by the sellers liabilities guarantees which cannot be precisely estimated, as they depend on trigger thresholds and/or caps.

**37.4.6 Non-compete clauses**

As part of the acquisition of Seur franchises in Spain and Portugal, the sellers committed to non-compete clauses whose violation would require the sellers to pay compensation in the total amount of €8.5 million.

**37.5 Other commitments****37.5.1 Shareholders' agreement regarding CNP Assurances**

The French government, Caisse des D p ts, Caisse Nationale des Caisses d' pargne et de Pr voyance (CNCE), Le Groupe La Poste and Sopassure have entered into a shareholders' agreement regarding CNP Assurances. The agreement, which was originally set to expire on 31 December 2008, was extended to 31 December 2019.

Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and

obligations under this shareholders' agreement were taken over by La Banque Postale.

### **37.5.2 Commitments relating to the acquisition of a portion of the SAS Carte Bleue shares**

As part of SF2's acquisition of an interest in SAS Carte Bleue, La Poste has undertaken to retain a majority interest in its SF2 subsidiary.

In addition, SF2 has granted La Poste a call option over all of the shares and related rights to the SAS Carte Bleue share capital that La Poste could exercise should it become a minority shareholder in SF2. In this event, the purchase price of the SAS Carte Bleue shares shall be jointly agreed upon between La Poste and SF2.

Pursuant to the asset transfer agreement between La Poste and La Banque Postale, La Poste's rights and obligations under this shareholders' agreement were taken over by La Banque Postale.

### **37.6 Contingent liabilities**

The Group is not aware of any material risks for which no provision has been recorded in the consolidated financial statements.

## NOTE 38 BANKING ACTIVITIES BALANCE SHEET

38.1 La Banque Postale sub-group balance sheet (in banking format)  
38.2 Banking assets and liabilities by residual maturity

### 38.1 La Banque Postale sub-group balance sheet (in banking format)

#### ASSETS

(€ million)	31/12/2018	31/12/2017
Cash on hand and at central banks	2,007	3,325
Financial assets at fair value through profit or loss	10,060	7,366
Hedging derivatives	1,159	1,146
Financial assets at fair value through OCI	13,864	17,850
Financial assets classified at amortised cost	23,582	20,734
Loans and receivables – Credit institutions	87,352	84,088
Loans and receivables - Customers	95,671	88,048
Revaluation adjustment on interest-rate hedged portfolios	82	69
Securities of insurance activities	2,810	
Tax assets	242	181
Accruals and other assets	2,872	3,340
Investments in equity associates	3,260	3,376
Tangible and intangible assets, and investment properties	1,195	1,047
Net goodwill – Assets	143	143
Elimination of investments	(4,052)	(4,052)
<b>TOTAL</b>	<b>240,246</b>	<b>226,660</b>

#### LIABILITIES

(€ million)	31/12/2018	31/12/2017
Financial liabilities at fair value through profit or loss	631	302
Hedging derivatives	348	238
Inter-bank and similar transactions: Liabilities to credit institutions	18,877	14,154
Customer transactions	185,802	182,556
Debt evidenced by a certificate	16,934	11,373
Revaluation adjustment on interest-rate hedged portfolios	743	721
Tax liabilities	116	192
Accruals and sundry liabilities	4,982	4,837
Underwriting reserves of insurance companies	2,480	2,376
Provisions	469	478
Subordinated debt	3,080	3,089
<b>Non-controlling interests</b>	<b>113</b>	<b>104</b>
<b>Equity, Group share</b>	<b>5,241</b>	<b>5,681</b>
Consolidated reserves and other	4,515	4,891
Net profit/(loss) Group share	726	790
Balance of transactions with the rest of the Group – Impact on income		
Balance of transactions with the rest of the Group – Impact on the balance sheet	432	559
<b>TOTAL</b>	<b>240,246</b>	<b>226,660</b>

## 38.2 Banking assets and liabilities by residual maturity

(€ million)	Maturities of under 1 year	Maturities of over 1 year	Total
<b>Assets by residual maturity</b>			
Cash and central bank deposits	2,007		2,007
Securities portfolio	11,160	37,505	48,665
Receivables from credit institutions	85,854	1,498	87,352
Customer loans and receivables	15,448	80,223	95,671
Investments of insurance companies, excluding reinsurers' share of underwriting provisions	175	2,338	2,513
Revaluation adjustment on portfolio interest rate hedging - Assets	4	78	82
<b>Liabilities by residual maturity</b>			
Other financial liabilities	64	915	979
Liabilities to credit institutions	18,295	582	18,877
Liabilities to customers	184,994	807	185,802
Debt evidenced by a certificate	8,335	8,599	16,934
Subordinated debt	21	3,059	3,080
Revaluation adjustment on portfolio interest rate hedging - Liabilities	2	741	743

## NOTE 39 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

- 39.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax
- 39.2 Depreciation, amortisation and impairment
- 39.3 Change in working capital requirement
- 39.4 Change in balance of banking sources and uses
- 39.5 Outflows for acquisitions of tangible and intangible assets
- 39.6 Proceeds from new borrowings
- 39.7 Redemption of borrowings
- 39.8 Other cash flows from financing activities
- 39.9 Change in net cash from banking activities

### 39.1 Reconciliation between net profit/(loss) and cash flows from operating activities before the cost of net financial debt and tax

(€ million)	Note	2018	2017
<b>Consolidated net profit/(loss)</b>			
		<b>837</b>	<b>893</b>
Share in profits of equity associates		(277)	(305)
Unrealised gains and losses on fair value adjustments (excluding Banking activities)		3	(5)
Gains and losses on disposal (including dilution)		(161)	(42)
Net changes in provisions		(163)	238
Depreciation, amortisation and impairment	39.2	1,080	991
Other non-cash income and expenses		(57)	0
<b>Operating cash flow after the cost of net financial debt and tax</b>		<b>1,261</b>	<b>1,769</b>
Cost of net financial debt <sup>(a)</sup>		157	159
Corporation tax (including deferred taxes)		161	249
<b>CASH FLOWS FROM OPERATING ACTIVITIES BEFORE COST OF NET DEBT AND TAXES</b>		<b>1,579</b>	<b>2,176</b>

(a) Excluding change in unrealised gains and losses on fair value adjustments

### 39.2 Depreciation, amortisation and impairment

(€ million)	2018	2017
Additions to and reversals of amortisation of operating profit/(loss)	1,009	988
Additions to and reversals of amortisation of financial profit/(loss)	4	(3)
Impairment of goodwill	67	7
<b>TOTAL</b>	<b>1,080</b>	<b>991</b>

### 39.3 Change in working capital requirement

(€ million)	2018	2017
Change in inventories and work-in-progress	(9)	(19)
Change in operating receivables	(248)	(99)
Change in operating payables and other operating assets and liabilities	(141)	262
<b>TOTAL</b>	<b>(397)</b>	<b>145</b>

### 39.4 Change in balance of banking sources and uses

(€ million)	2018	2017
Change in Banking activities securities portfolio	86	7,867
Change in Banking activities loans and receivables	(11,399)	(9,264)
Change in credit institution receivables (Banking activities)	1,709	495
Change in other Banking activities current financial assets	(119)	308
Change in liabilities to credit institutions (Banking activities)	4,193	(4,873)
Change in customer transactions (Banking activities)	3,246	6,887
Change in other financial liabilities (Banking activities)	5,373	(435)
Change in accruals (Banking activities)	847	(181)
<b>TOTAL</b>	<b>3,937</b>	<b>804</b>

### 39.5 Outflows for acquisitions of tangible and intangible assets

(€ million)	2018	2017
Acquisitions of intangible assets	(519)	(463)
Acquisitions of tangible assets	(998)	(880)
Change in payables to suppliers of non-current assets	25	(8)
<b>TOTAL</b>	<b>(1,493)</b>	<b>(1,352)</b>

### 39.6 Proceeds from new borrowings

(€ million)	2018	2017
Bonds	500	
Borrowings from credit institutions	10	7
Commercial paper	380	251
Other borrowings and similar debt	1	152
<b>TOTAL</b>	<b>890</b>	<b>410</b>

### 39.7 Redemption of borrowings

(€ million)	2018	2017
Borrowings from credit institutions	(20)	(23)
La Poste savings bonds	(1)	(2)
Commercial paper	(381)	(100)
Borrowings on finance leases	(19)	(19)
Other borrowings and similar debt	(502)	(603)
<b>TOTAL</b>	<b>(924)</b>	<b>(747)</b>

### 39.8 Other cash flows from financing activities

(€ million)	2018	2017
Collection of deposits and guarantees received	3	5
Repayment of deposits and guarantees received	(32)	(138)
Other	(37)	27
<b>TOTAL</b>	<b>(67)</b>	<b>(107)</b>

### 39.9 Change in net cash from banking activities

(€ million)	NOTE	2018	2017
Opening cash and central bank deposits (assets)		3,325	2,732
Sight loans and receivables - credit institutions (assets)		10,318	10,199
Sight loans and receivables - credit institutions (liabilities)		(724)	(698)
<b>Opening</b>		<b>12,920</b>	<b>12,233</b>
Closing cash and central bank deposits (assets)	23.2	2,007	3,325
Sight loans and receivables - credit institutions (assets)	20.2	15,767	10,318
Sight loans and receivables - credit institutions (liabilities)	30.1	(1,279)	(724)
<b>Closing</b>		<b>16,495</b>	<b>12,920</b>
<b>Net decrease (increase) in cash and cash equivalents from banking activities</b>		<b>3,575</b>	<b>687</b>
of which impact of changes in consolidation scope			
<b>Net decrease (increase) in cash and cash equivalents from banking activities on the balance sheet before impact of changes in consolidation scope</b>		<b>3,575</b>	<b>687</b>

## NOTE 40 FEES PAID TO THE STATUTORY AUDITORS

Pursuant to Decree No. 2008-1487 of 30 December 2008, the fees paid to the Statutory Auditors recognised by La Poste and its consolidated companies in the income statement are set out below.

### 2018

(€ million excl. tax)	KPMG	%	MAZARS	%
<b>Statutory audit, certification, review of separate and consolidated financial statements</b>				
- parent company	0.7	13%	0.7	22%
- fully consolidated subsidiaries	4.0	76%	2.1	64%
	<b>4.7</b>	<b>88%</b>	<b>2.8</b>	<b>87%</b>
<b>Service other than Statutory Auditor's assignment</b>				
- parent company	0.3	6%	0.2	6%
- fully consolidated subsidiaries	0.3	6%	0.2	7%
	<b>0.6</b>	<b>12%</b>	<b>0.4</b>	<b>13%</b>
<b>TOTAL</b>	<b>5.3</b>	<b>100%</b>	<b>3.3</b>	<b>100%</b>

### 2017

(€ million excl. tax)	KPMG	%	MAZARS	%
<b>Statutory audit, certification, review of separate and consolidated financial statements</b>				
- parent company	0.7	14%	0.7	19%
- fully consolidated subsidiaries	3.7	76%	2.3	64%
	<b>4.4</b>	<b>90%</b>	<b>3.0</b>	<b>83%</b>
<b>Service other than Statutory Auditor's assignment</b>				
- parent company	0.2	4%	0.2	6%
- fully consolidated subsidiaries	0.3	6%	0.4	11%
	<b>0.5</b>	<b>10%</b>	<b>0.6</b>	<b>17%</b>
<b>TOTAL</b>	<b>4.9</b>	<b>100%</b>	<b>3.6</b>	<b>100%</b>

The services provided by PwC are as follows: statements and agreed procedures, letters of comfort relating to EMTN programme updates or bond issues, training, assessments of internal control procedures and information systems, and technical consultations.

The services provided by KPMG are as follows: statements and agreed procedures, letters of comfort to EMTN programme updates or bond issues, assessments of internal control procedures, accounting consultations, and assessments of employment, environmental and social data or indicators.

## NOTE 41 POST-BALANCE SHEET EVENTS

None

## NOTE 42 SCOPE OF CONSOLIDATION

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
<b>CONSOLIDATING COMPANY</b>							
<b>LA POSTE</b>							
9 rue du Colonel Pierre Avia 75757 PARIS CEDEX 15							
<b>SERVICES-MAIL-PARCELS SEGMENT</b>							
ADIMMO	France	52.63	52.63	99.90	99.90	FC	FC
ADIR ASSISTANCE	France	52.68	52.68	100.00	100.00	FC	FC
AGEVIE	France	52.68	52.68	100.00	100.00	FC	FC
AIR A DOMICILE	France	52.68	52.68	100.00	100.00	FC	FC
ALISEO	France	52.68	52.68	100.00	100.00	FC	FC
Asendia Austria GmbH	Austria		60.00		100.00		FC
Asendia Benelux B.V.	Netherlands		60.00		100.00		FC
Asendia Germany GmbH	Germany		60.00		100.00		FC
Asendia Holding AG	Switzerland	50.00	60.00	50.00	60.00	EM	FC
Asendia Honk Kong Ltd	Hong Kong		60.00		100.00		FC
Asendia Italy S.p.A.	Italy		60.00		100.00		FC
Asendia Mgmt SAS	France		60.00		100.00		FC
Asendia Mgmt SAS, branch bern	Switzerland		60.00		100.00		FC
Asendia Nordic AB	Sweden		60.00		100.00		FC
Asendia Nordic AB, brench Danemark	Denmark		60.00		100.00		FC
Asendia Norway A/S	Norway		60.00		100.00		FC
Asendia Opérations (SCL)	Germany		60.00		100.00		FC
Asendia Opérations Verwaltung GmbH	Germany		60.00		100.00		FC
Asendia Press Edigroup SA	Switzerland		60.00		100.00		FC
Asendia Press EDS AG	Switzerland		60.00		100.00		FC
Asendia Singapore	Singapore		60.00		100.00		FC
Asendia Spain S.L.	Spain		60.00		100.00		FC
Asendia UK Ltd	United Kingdom		60.00		100.00		FC
Asendia USA	United States		60.00		100.00		FC
ASTEN Est	France		52.68		100.00		FC
ASTEN Santé	France	52.68	52.68	52.68	52.68	FC	FC
AXEO Developpement	France	51.00	51.00	51.00	100.00	FC	FC
AXEO Pro Services	France	51.00	51.00	51.00	100.00	FC	FC
AXEO Services	France	51.00	51.00	51.00	100.00	FC	FC
AXEO Travaux	France	51.00	51.00	51.00	100.00	FC	FC
Bien Etre Assistance	France		24.90		24.90		EM
BlueSom	France	41.15	50.05	78.12	95.00	FC	FC
BTB Mailflight	United Kingdom		60.00		100.00		FC
BTB Mailflight Holding	United Kingdom		60.00		100.00		FC
Budget Box	France	40.01	40.01	40.01	40.01	EM	EM
Cassiop	France	70.01	70.01	70.01	70.01	FC	FC
Coordination AXEO	France	51.00	51.00	51.00	100.00	FC	FC
Creat Direct	Romania	100.00	100.00	100.00	100.00	FC	FC
DDS	France	52.68	52.68	100.00	100.00	FC	FC
Diadom Care	France		100.00		100.00		FC
Diadom SAS	France		100.00		100.00		FC
EAP France	France		24.90		24.90		EM
Eurobussula LDA	Portugal	100.00	100.00	100.00	100.00	FC	FC
Financière AXEO	France	51.00	51.00	51.00	51.00	FC	FC
GEOPTIS	France	100.00	100.00	100.00	100.00	FC	FC
GIE SANTE A DOMICILE	France	41.15		85.71		FC	
Globegisticis Inc.	United States		60.00		100.00		FC
Greenovia	France	100.00		100.00		FC	
H2AD	France	50.91	50.91	96.64	96.64	FC	FC
HELLOCASA	France	50.00		50.00		EM	
Help Confort	France	48.45	48.45	51.00	95.00	FC	FC
Help Confort ST Nazaire	France	51.00	51.00	51.00	100.00	FC	FC
Hit Mail Bulgaria	Bulgaria		100.00		100.00		FC
Inbox Marketing	Romania	98.40	98.40	98.40	98.40	FC	FC
Innovagency	Portugal		75.77		75.77		FC
Innovagency Resources	Portugal		75.77		100.00		FC
Interactions Marketing	Romania	90.00	90.00	90.00	90.00	FC	FC
La Poste Global Mail	France	100.00	100.00	100.00	100.00	FC	FC
La Poste IMS	France		60.00		100.00		FC
La Poste Nouveaux services	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Services à la Personne (ex Veiller sur mes parents)	France	100.00	100.00	100.00	100.00	FC	FC
La Poste Silver	France	100.00	100.00	100.00	100.00	FC	FC
La Poste silver 2	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost Distribuição Postal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Mediapost Espagne	Spain	100.00	100.00	100.00	100.00	FC	FC
Mediapost Hit Mail	Romania	100.00	100.00	100.00	100.00	FC	FC
Mediapost SAS	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost SGPS	Portugal	100.00	100.00	100.00	100.00	FC	FC
Metrica	Bulgaria		60.00		60.00		FC
Meyem	Spain	100.00		100.00		FC	
Mil Services	France	51.00	51.00	51.00	100.00	FC	FC
Mobigreen	France	100.00	100.00	100.00	100.00	FC	FC
Mobile Marketing	Romania	90.00	90.00	90.00	90.00	FC	FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Morin Développement	France	100.00	100.00	100.00	100.00	FC	FC
Morin Logistic	France	100.00	100.00	100.00	100.00	FC	FC
Morin Logistic Sud	France	100.00	100.00	100.00	100.00	FC	FC
MSCM2	France	50.91	50.91	100.00	100.00	FC	FC
Neolog	France	100.00	100.00	100.00	100.00	FC	FC
Neopress Direct	France	100.00		100.00		FC	
Neopress Routage	France	66.00		66.00		FC	
North America Direct, Inc.	United States		30.06		100.00		FC
Nouvelle Attitude SAS	France	100.00	100.00	100.00	100.00	FC	FC
Organisme Formation Services	France	51.00	51.00	51.00	100.00	FC	FC
Orium	France	100.00	100.00	100.00	100.00	FC	FC
Orium GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
PARAMEDICAL DE LA PLAINE	France	52.68	52.68	100.00	100.00	FC	FC
Proximy	France	25.00	25.00	25.00	25.00	EM	EM
Recygo	France		51.00		51.00		FC
S2A OXYGENE	France	39.59	47.25	75.16	89.69	FC	FC
S2A Santé	France	52.68	52.68	52.68	100.00	FC	FC
SADIMMO	France	47.41	47.41	90.00	90.00	FC	FC
SADIR ASSISTANCE	France	52.68	52.68	100.00	100.00	FC	FC
SCI STP Immo	France	100.00	100.00	100.00	100.00	FC	FC
SMP	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Gestion	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Informatique	France	100.00	100.00	100.00	100.00	FC	FC
SOGEC Marketing	France	100.00	100.00	100.00	100.00	FC	FC
SOGEFINAD	France	100.00	100.00	100.00	100.00	FC	FC
Somepost	France	100.00	100.00	100.00	100.00	FC	FC
SPI UK	United Kingdom		60.00		100.00		FC
STP SA	France	100.00	100.00	100.00	100.00	FC	FC
Tikeasy	France	100.00	100.00	100.00	100.00	FC	FC
US Direct (Singapore) PTELtd	Singapore		30.06		100.00		FC
US Direct eCommerce Holding Ltd	Ireland		30.06		50.10		FC
US Direct eCommerce Ltd	Ireland		30.06		100.00		FC
US Direct eCommerce Nominee DAC	Ireland		30.06		100.00		FC
ViaPost	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Ascq	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Dourges	France	100.00	100.00	100.00	100.00	FC	FC
Viapost Maintenance	France		100.00		100.00		FC
Viapost Transport Management	France	100.00	100.00	100.00	100.00	FC	FC
<b>GEOPOST SEGMENT</b>							
GeoPost	France	100.00	100.00	100.00	100.00	FC	FC
360° Services SAS	France	100.00	100.00		100.00		FC
ACP Global Forwarding	Poland	100.00	100.00	100.00	100.00	FC	FC
Alturing	France	100.00	100.00	100.00	100.00	FC	FC
Albatross Logistics Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
A.L.P SAS	France		100.00		100.00		FC
Armadillo Holding GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Biocair Asia Ltd	Hong Kong	100.00	100.00	100.00	100.00	FC	FC
Biocair Australia PTY Ltd	Australia	100.00	100.00	100.00	100.00	FC	FC
Biocair Belgium	Belgium	100.00	100.00	100.00	100.00	FC	FC
Bio Cair Forwarding Intern. Co Ltd	China	100.00	100.00	100.00	100.00	FC	FC
Biocair Germany GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Biocair Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Biocair International Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Biocair Singapore Pte Ltd	Singapore	100.00	100.00	100.00	100.00	FC	FC
Biocair South Africa Ltd	South Africa	100.00	100.00	100.00	100.00	FC	FC
Biologistic SAS	France	100.00	100.00	100.00	100.00	FC	FC
Bloomsburys GmbH	Germany	80.00	100.00	100.00	100.00	FC	FC
Buy Online GmbH	Germany	71.92	71.92	100.00	100.00	FC	FC
Calédonie Express	France	60.00	60.00	60.00	60.00	EM	EM
Castlegate 555 Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Chronopost	France	100.00	100.00	100.00	100.00	FC	FC
Chronopost Food	France	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Burkina Faso	Burkina Faso	40.00	40.00	40.00	40.00	EM	EM
Chronopost International Portugal	Portugal	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Algérie	Algeria	100.00	100.00	100.00	100.00	FC	FC
Chronopost International Côte d'Ivoire	Ivory Coast	50.00	50.00	50.00	50.00	FC	FC
Chronopost International Niger	Niger	50.00	50.00	50.00	50.00	FC	FC
Chronopost International Maroc	Morocco	34.00	34.00	34.00	34.00	EM	EM
Delifresh IDF	France		100.00		100.00		FC
DPD Austria	Austria	25.57	25.57	25.57	25.57	EM	EM
DPD Belarus	Belarus	100.00	100.00	100.00	100.00	FC	FC
DPD Belgium NV	Belgium	100.00	100.00	100.00	100.00	FC	FC
DPD Croatia	Croatia	100.00	100.00	100.00	100.00	FC	FC
DPD Czech Republic	Czech Republic	100.00	100.00	100.00	100.00	FC	FC
DPD Deutschland GmbH (ex DPD GeoPost GmbH)	Germany	100.00	100.00	100.00	100.00	FC	FC
DPD Eesti AS	Estonia	100.00	100.00	100.00	100.00	FC	FC
DPD France	France	100.00	100.00	100.00	100.00	FC	FC
DPD Group International Services GmbH & Co. KG (ex DPD Aschaffenburg)	Germany	100.00	100.00	100.00	100.00	FC	FC
DPDgroup IT Solutions	Poland		100.00		100.00		FC
DPD Hungaria kft	Hungary	100.00	100.00	100.00	100.00	FC	FC
DPD Ireland Ltd	Ireland	100.00	100.00	100.00	100.00	FC	FC
DPDgroup UK Ltd (ex GeoPost UK Ltd)	United Kingdom	100.00	100.00	100.00	100.00	FC	FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
DPD Laser	South Africa	75.00	75.00	75.00	75.00	FC	FC
DPD Laser Mauritius Ltd	Mauritius	62.25	62.25	75.00	75.00	FC	FC
DPD Latvija SIA	Latvia	100.00	100.00	100.00	100.00	FC	FC
DPD Lietuva UAB	Lithuania	100.00	100.00	100.00	100.00	FC	FC
DPD Local UK Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Luxembourg SA	Luxembourg	100.00	100.00	100.00	100.00	FC	FC
DPD Netherlands BV	Netherlands	100.00	100.00	100.00	100.00	FC	FC
DPD Polska	Poland	100.00	100.00	100.00	100.00	FC	FC
DPD Schweiz AG	Switzerland	100.00	100.00	100.00	100.00	FC	FC
DPD Slovakia Sro	Slovakia	100.00	100.00	100.00	100.00	FC	FC
DPD Slovenia	Slovenia	100.00	100.00	100.00	100.00	FC	FC
DPD Strefa Paczki	Poland	100.00	100.00	100.00	100.00	FC	FC
DPD (UK) Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
DPD Ukraine	Ukraine	100.00		100.00		FC	
DPD RUS (ex Armadillo Bizpak)	Russia	77.90	77.90	100.00	100.00	FC	FC
DS Russia GmbH & Co. Asset KG	Germany	77.90	77.90	77.90	77.90	FC	FC
DS Russia GP GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
DS Russia Management GmbH	Germany	77.90	77.90	77.90	77.90	FC	FC
DTDC	India	43.17	42.52	43.17	42.52	EM	EM
Dynamic Parcel Distribution Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Eatingdesk	Belgium	80.00	100.00	100.00	100.00	FC	FC
E-Radius Informatikai Szolgaltato LLC	Hungary	100.00	100.00	100.00	100.00	FC	FC
Flap Locadora e Trans. Ltda.	Brazil	60.00	60.00	60.00	60.00	FC	FC
Forwarder Line Logistik	Liechtenstein	100.00	100.00	100.00	100.00	FC	FC
Freshlog SAS	France		100.00		100.00		FC
Geopost Americas Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
GeoPost Espagne	Spain	92.76	100.00	92.76	100.00	FC	FC
GeoPost Holdings Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
GeoPost IMDH GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
GeoPost Intermediate Holdings	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
GeoPost Ireland Limited	Ireland	100.00	100.00	100.00	100.00	FC	FC
GeoPost Urban Logistics	France	100.00	100.00	100.00	100.00	FC	FC
GeoPost YK Servisi AS	Turkey	51.00		51.00		FC	
Gourmet delivery	Spain	80.00	100.00	100.00	100.00	FC	FC
GP Caspian	Kazakhstan	100.00	100.00	100.00	100.00	FC	FC
Groupe SRT (STUART)	France	100.00	100.00	100.00	100.00	FC	FC
Gruppo BRT	Italia	37.50	37.50	37.50	37.50	EM	EM
Iloxx GmbH	Germany	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Plc	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Interlink Express Parcels Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Jadlog Logistica Ltda.	Brazil	60.00	60.00	60.00	60.00	FC	FC
JLGP Brasil Participações Ltda	Brazil	100.00	100.00	100.00	100.00	FC	FC
KDAG Holdings Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Keyopstech	France	95.00	95.00	95.00	95.00	FC	FC
Keyopstech Ivoire SARL	Ivory Coast		90.25		100.00		FC
KOT Ivoire SAS	France		90.25		95.00		FC
La Navette Pick-up	France	100.00		100.00		FC	
Lenton Group Ltd	Hong Kong	34.65	34.65	34.65	34.65	EM	EM
L'espace Pro SAS	France	100.00	100.00	100.00	100.00	FC	FC
LWW South Africa	South Africa	71.92	71.92	100.00	100.00	FC	FC
Mail Plus Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Menexpres	Spain	92.76	100.00	100.00	100.00	FC	FC
Ninja Logistics Pte. Ltd	Singapore		32.27		32.27		EM
Packcity France	France	25.00	25.00	25.00	25.00	EM	EM
Packcity Geopost	France	50.50	50.50	34.00	34.00	EM	EM
Parceline Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
ParcelLock GmbH	Germany	33.33	50.00	33.33	50.00	EM	EM
Paquetes Logrono, S.L.	Spain		100.00		100.00		FC
PickPoint (Russia) LLC	Russia	28.44	29.06	28.44	29.06	EM	EM
Pickpoint Delivery System Ltd. (Cyprus)	Cyprus	28.44	29.06	28.44	29.06	EM	EM
Pickup Services	France	100.00	100.00	100.00	100.00	FC	FC
Pickup Store	France	100.00	100.00	100.00	100.00	FC	FC
Pie Mapping Software Limited	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Pour de bon	France	46.76	46.76	46.76	46.76	EM	EM
Red Logistica Navarra SA	Spain	78.80		90.24		FC	
Resto-in	France	80.00	100.00	80.00	100.00	FC	FC
Resto-in Uk	United Kingdom	80.00	100.00	100.00	100.00	FC	FC
SCI EXA Immo	France	100.00	100.00	100.00	100.00	FC	FC
SCI Examurs Paris	France	100.00	100.00	100.00	100.00	FC	FC
Sci Intel Immo	France	100.00	100.00	100.00	100.00	FC	FC
Seur Espana Operaciones	Spain	87.33	93.68	100.00	100.00	FC	FC
Seur GeoPost	Spain	92.76	100.00	100.00	100.00	FC	FC
Seur Gerencia de Riesgos	Spain	87.33	93.68	100.00	100.00	FC	FC
Seur Logistica S.A	Spain	87.33	93.68	100.00	100.00	FC	FC
Seur Portugal (Lisespo)	Portugal	100.00	100.00	100.00	100.00	FC	FC
Seur, S.A.	Spain	87.33	93.68	89.56	93.68	FC	FC
Signet International Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Signet International Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Siodemka Systemy Sp z o.o.	Poland	100.00	100.00	100.00	100.00	FC	FC
Sodexi	France	35.00	35.00	35.00	35.00	EM	EM
Someva, S.L.U.	Spain	87.33	93.68	100.00	100.00	FC	FC
Speedy AD	Bulgaria	25.00	24.81	25.00	24.81	EM	EM
SPSR Express (Russie) LLC	Russia	77.90	77.90	100.00	100.00	FC	FC
SRT France SAS	France	100.00	100.00	100.00	100.00	FC	FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
Stuart Delivery LTD	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Stuart Delivery, S.L.	Spain	100.00	100.00	100.00	100.00	FC	FC
TD eLogistics	France	100.00	100.00	100.00	100.00	FC	FC
TD Express Services SARL	France	100.00	100.00	100.00	100.00	FC	FC
Tigers (China) Co. Ltd	China	71.92	71.92	100.00	100.00	FC	FC
Tigers (USA) Global Logistics 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		100.00		FC
Tigers Global Logistics Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers GmbH	Germany	71.92	71.92	100.00	100.00	FC	FC
Tigers HK Co. Ltd	Hong Kong	71.92	71.92	100.00	100.00	FC	FC
Tigers Indo China Logistic	Burma	50.34	50.34	70.00	70.00	FC	FC
Tigers Intern. Logistics BV	Netherlands	71.92	71.92	100.00	100.00	FC	FC
Tigers Intern. Transport BV	Netherlands	71.92	71.92	100.00	100.00	FC	FC
Tigers International Solutions Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
Tigers Logistics Group Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers Ltd	Hong Kong	71.92	71.92	65.87	65.87	FC	FC
Tigers Malaysia	Malaisie	71.92	71.92	100.00	100.00	FC	FC
Tigers Shared Services	South Africa	71.92	71.92	100.00	100.00	FC	FC
Tigers Trading Company Ltd	China	71.92	71.92	100.00	100.00	FC	FC
Tigers UK Holding Ltd	United Kingdom	71.92	71.92	100.00	100.00	FC	FC
Tigers Worldwide Logistics Ltd	India	53.76	53.76	74.75	74.75	FC	FC
Tiramizoo GmbH	Germany	17.39	17.39	17.39	17.39	EM	EM
Via Aquitana, S.A	Spain		100.00		100.00		FC
Wako Air Express Co. Ltd	Hong Kong	71.92	71.92	100.00	100.00	FC	FC
WDM (WA) Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
WLG (Australia) Pty Ltd	Australia	71.92	71.92	100.00	100.00	FC	FC
WLG Inc.	United States	71.92	71.92	100.00	100.00	FC	FC
WN TPC (IG)	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
WnDirect Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Yurtiçi Kargo Servisi A.S.	Turkey	25.00	25.00	25.00	25.00	EM	EM
<b>LA BANQUE POSTALE SEGMENT</b>							
La Banque Postale	France	100.00	100.00	100.00	100.00	FC	FC
AEW	France	40.00	40.00	40.00	40.00	EM	EM
BPE	France	100.00	100.00	100.00	100.00	FC	FC
CNP Assurances	France	20.15	20.15	36.25	36.25	EM	EM
Easybourse	France	100.00	100.00	100.00	100.00	FC	FC
FCT Elise 2012	France	95.00	95.00	95.00	95.00	FC	FC
La Banque Postale Asset Management	France	70.00	70.00	70.00	70.00	FC	FC
La Banque Postale Assurance Santé	France	51.00	51.00	51.00	51.00	FC	FC
La Banque Postale Assurances IARD	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Collectivités Locales	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Conseil en Assurances	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Crédit aux Entreprises	France	100.00	100.00	100.00	100.00	FC	FC
La Banque Postale Financement	France	65.00	65.00	65.00	65.00	FC	FC
La Banque Postale Prévoyance	France	100.00	100.00	100.00	100.00	FC	FC
LBP Dutch Mortgage Portfolio 1 B.V.	Netherlands	100.00	100.00	100.00	100.00	FC	FC
LBP Dutch Mortgage Portfolio 2 B.V.	Netherlands	100.00	100.00	100.00	100.00	FC	FC
LBP Home Loan SFH	France	100.00	100.00	100.00	100.00	FC	FC
Ma French Bank	France		100.00		100.00		FC
SCI CRSF DOM	France	99.94	99.94	99.94	99.94	FC	FC
SCI CRSF Métropole	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Saint Romain	France	100.00	100.00	100.00	100.00	FC	FC
SF2	France	100.00	100.00	100.00	100.00	FC	FC
SOFIAP	France	66.00	66.00	66.00	66.00	FC	FC
Sopassure	France	50.02	50.02	50.02	50.02	PC	PC
Tocqueville Finance	France	92.54	69.75	99.86	99.89	FC	FC
Tocqueville Finance Holding	France	92.67	69.82	92.67	97.70	FC	FC

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
<b>DIGITAL SERVICES SEGMENT</b>							
Adverline	France	99.51	100.00	99.38	99.88	FC	FC
AMETIX	France	70.00	70.00	100.00	100.00	FC	FC
AMETIX GROUP	France	70.00	70.03	70.00	70.03	FC	FC
Applicam Participations	France	100.00	100.00	100.00	100.00	FC	FC
Bretagne Routage	France	100.00	100.00	100.00	100.00	FC	FC
Cabestan	France	100.00	100.00	100.00	100.00	FC	FC
CER Docapost BPO SAS	France	50.98	50.98	50.98	50.98	FC	FC
Certinomis	France	100.00	100.00	100.00	100.00	FC	FC
CGLIB	France	100.00	100.00	100.00	100.00	FC	FC
CNTP Docapost BPO	France	66.00	66.00	66.00	66.00	FC	FC
Doc@post	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Applicam	France	100.00	100.00	100.00	100.00	FC	FC
Docapost BPO IS	France	65.00	65.00	65.00	65.00	FC	FC
Docapost BPO On Line	France	100.00		100.00		FC	
Docapost BPO SAS	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Conseil	France	100.00	100.00	100.00	100.00	FC	FC
Docapost CSP	France	100.00	100.00	100.00	100.00	FC	FC
Docapost DPS	France	100.00	100.00	100.00	100.00	FC	FC
DOCAPOST EXTERNALISATION	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Fast	France	100.00	100.00	100.00	100.00	FC	FC
DOCAPOST IOT	France	100.00	100.00	100.00	100.00	FC	FC
Docapost Localéo	France	100.00	100.00	100.00	100.00	FC	FC
Eukles	France		100.00		100.00		FC
Gescomail	France	65.00		100.00		FC	
Going To Digital	France	70.00	70.00	100.00	100.00	FC	FC
Holding B-NUM	France	100.00	100.00	100.00	100.00	FC	FC
Maileva	France	100.00	100.00	100.00	100.00	FC	FC
Maison	France	99.51	100.00	100.00	100.00	FC	FC
Matching SAS	France	81.67	81.67	81.67	81.67	FC	FC
Media Prisme BE	Belgium	81.68		100.00		FC	
Media Prisme SAS	France	81.68	82.05	81.68	82.05	FC	FC
Médiapost Holding	France	100.00	100.00	100.00	100.00	FC	FC
Mediapost Publicité	France	100.00	100.00	100.00	100.00	FC	FC
Mix Commerce	France	100.00	100.00	100.00	100.00	FC	FC
Oxeva	France	69.68	70.03	70.03	70.03	FC	FC
PROBAYES	France	100.00	100.00	100.00	100.00	FC	FC
Provéance	France	100.00		100.00		FC	
SBP Informatique	France	70.00	70.00	100.00	100.00	FC	FC
Sefas	France	100.00	100.00	100.00	100.00	FC	FC
Sefas Espana	Spain	100.00	100.00	100.00	100.00	FC	FC
Sefas Inc.	United States	100.00	100.00	100.00	100.00	FC	FC
Sefas Ltd	United Kingdom	100.00	100.00	100.00	100.00	FC	FC
Sérès	France	66.00	66.00	66.00	66.00	FC	FC
Sérès Allemagne	Germany	66.00	66.00	100.00	100.00	FC	FC
Sérès Espagne	Spain	66.00	66.00	100.00	100.00	FC	FC
Société	France	99.51	100.00	100.00	100.00	FC	FC
Sofaddev Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
SOGEC Datamark Services	France	100.00	100.00	100.00	100.00	FC	FC
T2IS Docapost BPO	Morocco	50.98	50.98	100.00	100.00	FC	FC
Vertical Mail	France	99.51	100.00	100.00	100.00	FC	FC
Voxaly	France		100.00		100.00		FC
Xange Capital	France	34.87		34.87		EM	
<b>LA POSTE NETWORK SEGMENT</b>							
LP Télécom	France	51.00	51.00	51.00	51.00	EM	EM

COMPANY	COUNTRY	% of interest		% of control		Method of consolidation	
		2017	2018	2017	2018	2017	2018
<b>REAL ESTATE SEGMENT</b>							
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
Arkatea Lyon Girondins	France		50.00		50.00	EM	EM
Arkatea SAS	France	50.00	50.00	50.00	50.00	EM	EM
Ciposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
Fréjorgues Energy SAS	France	49.00	46.00	49.00	46.00	EM	EM
Holding PI	France		46.00		46.00		EM
ImmoStoc SAS	France	100.00	100.00	100.00	100.00	FC	FC
LocaPoste SAS	France	100.00	100.00	100.00	100.00	FC	FC
Lumin' Toulouse SAS	France	44.00	44.00	44.00	44.00	EM	EM
Lumin'Logistique urbaine	France	44.00	44.00	44.00	44.00	EM	EM
PI Energy	France	46.00	46.00	46.00	46.00	EM	EM
PI Energy 2	France	46.00	46.00	46.00	46.00	EM	EM
Poste Immo Tertiaire	France		100.00		100.00		FC
SAS PI Développement	France	100.00	100.00	100.00	100.00	FC	FC
SAS PI Energies Renouvelables	France	100.00	100.00	100.00	100.00	FC	FC
SAS PI Invest	France	100.00	100.00	100.00	100.00	FC	FC
SAS STARWAY	France	28.00	28.00	28.00	28.00	EM	EM
SAS STARWAY PARTNERS	France	79.97	79.97	79.97	79.97	FC	FC
SC PYXIS	France	100.00	100.00	100.00	100.00	FC	FC
SCCV 56, rue Cler	France	49.00	49.00	49.00	49.00	EM	EM
SCCV PARIS CAMPAGNE PREMIERE	France	49.00	49.00	49.00	49.00	EM	EM
SCCV PI MARSEILLE COLBERT	France	100.00	100.00	100.00	100.00	FC	FC
SCI 44 Vaugirard	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Annexes	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Colis	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier de Proximité	France	100.00	100.00	100.00	100.00	FC	FC
SCI Activités Courrier Industriel	France	100.00	100.00	100.00	100.00	FC	FC
SCI Arkatea Fort de France	France	49.00	49.00	49.00	49.00	EM	EM
SCI Arkatea Lyon Crepet	France	35.00	35.00	35.00	35.00	EM	EM
SCI Arkatea Lyon Croix Rousse	France	30.00	30.00	30.00	30.00	EM	EM
SCI Arkatea Marseille Saint Victor	France	49.00	49.00	49.00	49.00	EM	EM
SCI Arkatea Rennes Trigone	France	49.00	49.00	49.00	49.00	EM	EM
SCI Bataille	France	35.00	35.00	35.00	35.00	EM	EM
SCI BP	France	100.00	100.00	100.00	100.00	FC	FC
SCI BP Mixte	France	100.00	100.00	100.00	100.00	FC	FC
SCI Centres de Loisirs	France	100.00	100.00	100.00	100.00	FC	FC
SCI DOM	France	100.00	100.00	100.00	100.00	FC	FC
SCI GREEN OPALE	France	100.00	100.00	100.00	100.00	FC	FC
SCI Logement	France	100.00	100.00	100.00	100.00	FC	FC
SCI PI Bordeaux Tourville	France	100.00	100.00	100.00	100.00	FC	FC
SCI PI 17	France		100.00		100.00		FC
SCI Route du Moulin Bateau Bonneuil (Ex SCI Activités Courrier Local)	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire	France	100.00	100.00	100.00	100.00	FC	FC
SCI Tertiaire Mixte	France	100.00	100.00	100.00	100.00	FC	FC
SOBRE	France	47.50	47.50	47.50	47.50	EM	EM
SOBRE GLP	France		74.28		51.00		FC
Société SCCV Rue du Champ Macret-Roye	France	100.00	100.00	100.00	100.00	FC	FC
TOULOUSE OCCITANIE	France	44.00	44.00	44.00	44.00	EM	EM
TPF2 Spicav	France	20.02	20.02	20.02	20.02	EM	EM
<b>UNALLOCATED</b>							
Sofrepost	France	99.99	99.99	99.99	99.99	FC	FC
Véhiposte SAS	France	100.00	100.00	100.00	100.00	FC	FC
GIE Véhiposte	France	100.00	100.00	100.00	100.00	FC	FC

FC : Full consolidation EM: Equity Method PC: Proportionate consolidation

## NOTE 43 OTHER UNCONSOLIDATED EQUITY INVESTMENTS – EXCLUDING FRANCE

€ thousand	Country	31/12/2018			31/12/2017
		Percentage held	Gross amount	Impairment	Net amount
Seur Toledo <sup>(b)</sup>	Spain	100%	9 198		9 198
Packlink Shipping, S.L.	Spain	10%	8 000		8 000
San Sebastian <sup>(b)</sup>	Spain	100%	6 021		6 021
Seur Granada <sup>(b)</sup>	Spain	100%	3 196		3 196
Cuenca Pack, S.A. <sup>(b)</sup>	Spain	100%	2 682		2 682
Logality Servicios	Spain	11%	1 768		1 768
Ponferrada	Spain	100%	1 287		1 287
Livelihoods <sup>(b)</sup>	Luxembourg	3%	1 000		1 000
Localz Pty Ltd.	Australia	5%	926		926
City Box Services, S.L.	Spain	3%	750		750
Seres Colombie	Colombia	100%	932	-290	642
Seres Mexique	Mexico	100%	586	-33	553
Mediapost Vietnam	Vietnam	36%	361	-50	311
Seres Argentine	Argentina	90%	683	-379	304
Guardrisk Insurance	South Africa	100%	173		173
Seres Equateur	Ecuador	100%	287	-71	216
Metrica	Bulgaria	60%	102		102
DPD Deutscher Paket Dienst Management	Germany	4%	77		77
CargoNetwork Gm	Germany	100%	40		40
LBP AM Dept Funds	Luxembourg	100%	31		31
DPD Service GmbH	Germany	100%	30		30
CIDES	Spain	10%	25		25
Kombiverkehr Deutsche Gesellschaft	Germany	ns	16		16
Applicam Tunisie	Tunisia	95%	10		10
Iglu Air Cargo	Germany	4%	11		11
Bancaja	Spain	ns	9		9
Other	Portugal	ns	8		8
IDP	Spain	10%	6		6
Other	Spain	ns	4		4
Other	Germany	ns	1		1
Interattica <sup>(a)</sup>	Greece	100%	20 657	-20 657	
Guangzhou DPD Co <sup>(a)</sup>	China	100%	7 950	-7 950	
MPIE Limited	United Kingdom	100%	838	-838	
Promarsa Portugal	Portugal	ns	12	-12	
Ninja Logistics Pte. Ltd. (ex Ninja Van) <sup>(c)</sup>	Singapore				63 864
Paquetes Logrono, S.L. <sup>(c)</sup>	Spain				3 075
Via Aquitana, S.A. <sup>(c)</sup>	Spain				2 958
Innovagency <sup>(c)</sup>	Portugal				2 412
Meditexpress, S.L. <sup>(c)</sup>	Spain				480
ALAI	Spain				27
BBVA	Spain				22
<b>TOTAL</b>			<b>67 677</b>	<b>-30 280</b>	<b>37 397</b>
					<b>79 450</b>

(a) Companies in the process of being liquidated.

(b) Companies acquired in the end of 2018, to be consolidated in 2019.

(c) Companies consolidated in 2018.