BANQUE PALATINE
L'Art d'être Banquier

FINANCIAL REPORT

2020

GROUPE BPCE

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

ANNUAL FINANCIAL REPORT
2021

Christine Fabresse

Christine Jacglin

Born from the will of entrepreneurs more than 240 years ago, Banque Palatine, a private bank for SMEs and medium-sized companies supports them in all their professional and personal projects.

Its human scale – less than 1,200 employees – and its national distribution network – 42 points of sale – make it a medium-sized bank, which lives and understands all the needs of these companies.

It offers value-added expertise dedicated to accelerating the growth and performance of its clients: wealth, legal and tax engineering, investment advice, global approach to the manager's assets, corporate finance, specialised approach to real estate, trade finance, trading room, etc.

The bank also endeavoured to develop a relationship model based on in-depth listening to 14,000 companies and 55,700 private customers and on "tailor-made" solutions.

Wholly owned by Groupe BPCE, the bank benefits from the strength and financial guarantees of France's second largest banking group.

Excellence, confidence, creativity and rigour: these values are most recognised in our quality of service and the dynamism of an outstanding bank.

www.palatine.fr

STATEMENT FROM THE PERSON RESPONSIBLE

Mr Didier Moaté, Chief Executive Officer of Banque Palatine SA

Having taken every reasonable measure for this purpose, I declare that to the best of my knowledge, the information contained in this annual financial report is accurate and does not omit any material fact.

I declare that to the best of my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and that they provide a faithful presentation of the assets, financial position and income of the company and all the companies included in the consolidation, and that the management report appearing on page 4 presents an accurate picture of the business, income and financial position of the company and all the companies included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed.

Done in Paris on 22 April 2022

Chief Executive Officer

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BOARD OF DIRECTORS' REPORT

1 Board of Directors' management report

Economic environment

After a year 2020 during which global activity contracted sharply, -3.1% according to data from the International Monetary Fund (IMF), under the effect of the pandemic that impacted all geographical areas of the globe, the year 2021 will be placed under the sign of economic recovery.

Indeed, although we experienced new waves of contamination during the year as well as the appearance of new variants, the benefit of vaccination made it possible to gradually reopen economies. The pace of the recovery is such that it is enough to create, here and there, disruptions in supply chains, the result of a disorganisation of the post-Covid global economy.

Thus, according to the latest update of its forecasts, the IMF expects global growth of around 5.9% in 2021.

However, the economic zones are not all at the same stage of recovery from the crisis. China and the United States have indeed quite quickly wiped out the losses related to the pandemic, followed by the Eurozone. In Japan, however, growth is struggling to pick up on a lasting basis. As for emerging countries, the recovery remains fragile for some, the resurgence of the pandemic risk being still present, due to the lack of sufficient vaccination of the population.

In the United States, the Biden government, whose mandate began in January 2021, continued the fiscal stimulus measures initiated by its predecessor by immediately passing a stimulus plan – the American Rescue Plan – in the amount of $1,900 billion. This plan, approved in March, mainly contains support measures for households. In addition, the plan also provides financial support measures for local authorities and the education system, as well as funding for the hospital system to deal with the health crisis.

In addition, the US President wanted to go much further than a specific response to the Covid crisis and submitted to Congress a plan for substantial investments in infrastructure (the American Jobs Plan) as well as a package of social and environmental measures to "build America back better" (the Build Back Better Act).

The improvement in the US economy first materialised in the publication of unemployment figures. The unemployment rate has indeed decreased markedly since its peak of 14.8% during the Covid crisis. It stood at 3.9% in December 2021, close to the pre-pandemic level (3.5% in February 2020). In 2021, the US economy will have created an average of nearly 537,000 non-agricultural jobs per month.

In terms of economic performance indicators, they are also upbeat. The ISM manufacturing sector index stood at 58.7 points in December and that of the services sector at 62 points, both showing growth in these two sectors for the 19th consecutive month.

The third assessment of the US Bureau of Economic Analysis (BEA) concerning the gross domestic product (GDP) in the 3rd quarter of 2021 shows an increase of 2.3%, after increases of more than 6% in the first and second quarters. The IMF expects growth of 6% in the United States in 2021.

In the Eurozone, the various government budget stimulus measures, which in the process tested public finances, also provided essential support in response to the Covid crisis.

As a result, the zone's economic activity recovered continuously throughout the year. The PMI Composite activity index, measuring the overall growth of the activity, thus stood at 55.8 points for the month of December, a level higher than its pre-pandemic level.

In detail, the manufacturing sector showed the strongest growth in activity with an index of 58 points, compared to 53.1 points in the services sector. While the services sector index is almost at its pre-crisis growth levels, the manufacturing sector recorded a spectacular leap since it was in recession, with an index of less than 50 points, when the pandemic occurred.

The improvement in the economic situation is also reflected in the evolution of the European Commission's economic sentiment index, which is the result of a survey of companies and consumers. It rose sharply compared to a year ago, standing at 115.3 points in December 2021. Again at a level higher than the start of the crisis.

According to Eurostat data, the Eurozone's GDP grew by 3.9% year-on-year in the third quarter. Among the components of the growth should be noted the preponderant place of and significant rebound in household consumption expenditure. According to the forecasts of the International Monetary Fund, European growth should stand at 5% in 2021.

On the employment front, the news is also positive as the unemployment rate has declined steadily since its high point at 8.6% in September 2020. In December this rate was down to 7.2%.

For emerging economies, the picture is a little more mixed. After a rapid and strong rebound at the end of 2020 and the beginning of 2021, the Chinese economy has recently been facing structural and cyclical problems that have adversely affected its growth since the second half of the year.

Indeed, the country is going through an energy crisis that has forced many companies to reduce their production or even, in the worst cases, shut down entirely. In addition, the government has embarked on the implementation of financial and prudential rules with the aim of strengthening the financial position of the country's companies.

The economic recovery that materialised in 2021 was favourable to the equity markets, as was the low interest rate environment in which we still find ourselves, which favoured the inflow of liquidity on the risky assets markets. Indeed, investors had no other solution than to rely on this type of asset to hope to obtain a more attractive yield.

In this context, almost all major global indices posted double-digit performances for the full year. The French CAC 40 index rose by nearly 29% to 7,153 points, thus exceeding its all-time high from September 2000 of 6,922 points. The Eurostoxx50 also rose, by 21%, over the year to 4,298 points.

The US equity markets continued the upward trend of 2020, still favoured by the stimulus plans among other factors. Overall, they performed by more than 20%, like the S&P 500, which closed at 4,696 points, up by 26.9%.

As regards the commodity market, prices rose sharply, with the exception of gold. Indeed, unlike 2020, a year in which gold rose sharply, fully playing its role as a safe haven, gold was somewhat neglected in 2021 in favour of riskier assets. As a result, the ounce of gold decreased by 3.6% to $1,829.

Energy products saw their prices rise sharply, as a result of much stronger demand. The barrel of Brent thus appreciated by 50.2% to $77.8 per barrel and its American counterpart, the West Texas Intermediate (WTI), increased by 55% to $75.2 per barrel.

According to preliminary data from Eurostat, inflation in the Eurozone should stand at 5% in December, the highest level communicated by the institution since the beginning of its publications in 1997. This high inflation figure reflects the particularly significant increase in energy prices. However, the other components of inflation are also on the rise. Price inflation for food, tobacco and alcohol products was 3.2%, ahead of manufactured goods at 2.9% and services at 2.4%. These figures are well above the European Central Bank's (ECB) target of 2% inflation in the Eurozone.

US inflation also broke records, standing at 7% in December, its highest level in nearly 40 years.

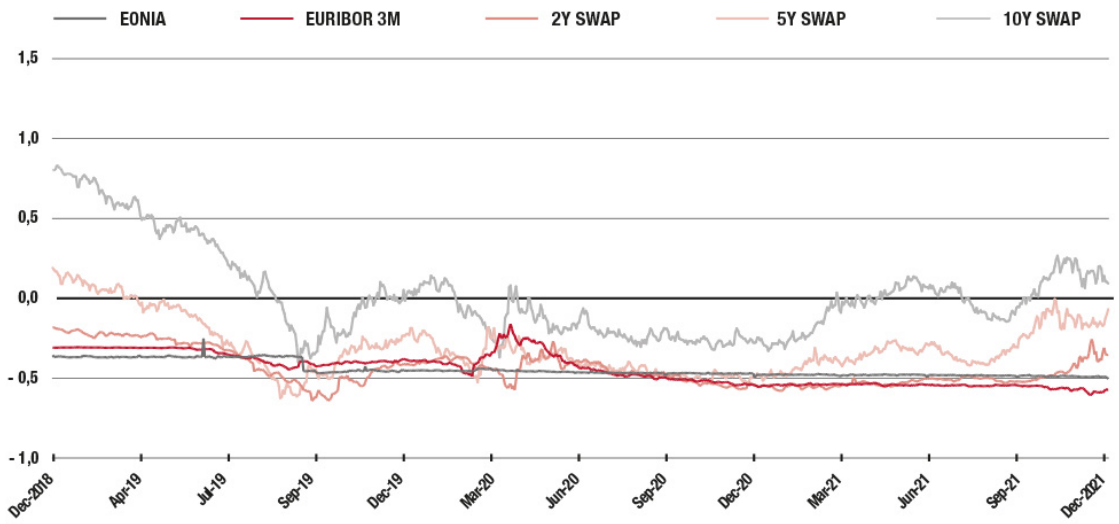
Interest rate trends

The inflationary surge has animated the debates within the Boards of Governors of the main central banks. Long perceived as transitory, the inflation data published for the last quarter caused some central banks to change their minds and to decide to take action at their December meetings.

In a health context disrupted by the appearance and rapid development of the Omicron variant in its territory, the Bank of England (BoE) nevertheless decided at its December meeting to act without further delay. It thus raised its main key rate by 15 basis points, from 0.10% to 0.25%. This decision shows the BoE's willingness to act in the face of inflation, which should, according to its forecasts, reach its high point in April 2022 before falling back.

As for the European Central Bank (ECB), the decisions taken at the monetary policy meeting of 16 December were rather measured. Although inflation forecasts have been revised upwards, and quite significantly for next year, 3.2% compared to 1.7% initially forecast in September, the ECB President indicated at the press conference that it was very unlikely that the institution will increase its key rates in 2022.

Euro interest rate trends since the beginning of 2019



This less accommodative monetary policy environment had an upward impact on long-term interest rates.

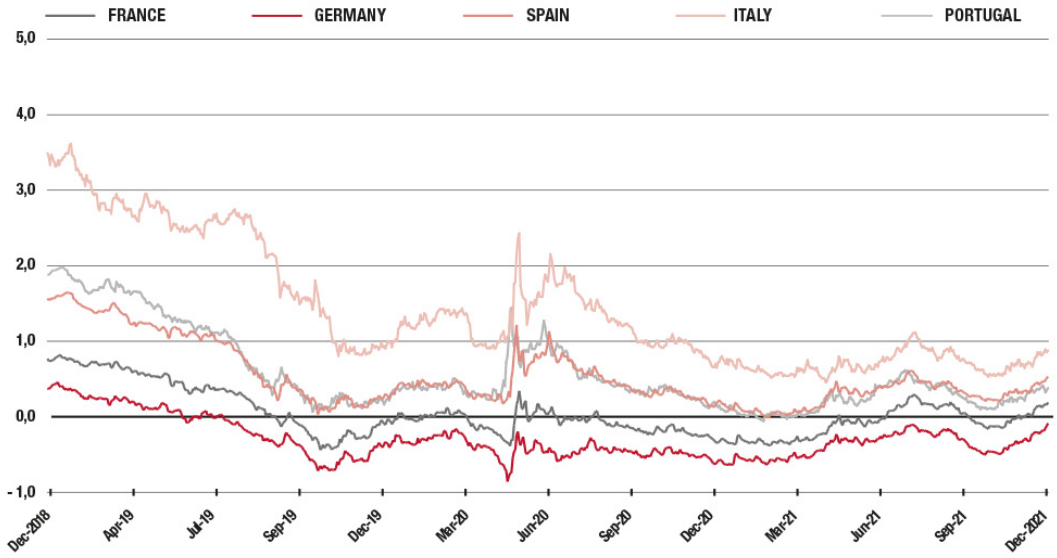
On the money market, the EONIA changed very little, yielding less than 1 basis point over the year to stand at -0.50% at 31 December 2021. The €ster, the new benchmark overnight rate in the Eurozone from 1 January 2022 was therefore -0.59%. As for the 3-month EURIBOR, it was also down slightly to -0.57%, *i.e.* down by 3 basis points over the year.

Long-term rates are on the rise. The 10-year swap rate in the Eurozone increased by 57 basis points, returning to positive territory at 0.27%. The 2-year rate rose, to a lesser extent, by 24 basis points to -0.32% at the end of the year. Over the course of the year, we have therefore seen a steepening of swap rate curves. The spread between the 2-year rate and the 10-year rate thus increased from 26 basis points in December 2020 to 59 basis points at 31 December 2021.

The rise in long-term rates also spread to sovereign debt yields, whether in the United States or the Eurozone.

The 10-year US T-note rose above 1% during the year and stood at 1.51% at 31 December. In the Eurozone, even if it still remains in negative territory, the Bund (German 10-year) rose by 39 basis points to -0.18%. The yield on the 10-year OAT gained 54 basis points to 0.20%.

Yields on the main 10-year Eurozone government bonds



Key figures of Banque Palatine (in consolidated figures)

Ratings at 31 December 2021

	Moody's	Fitch Ratings
Short-term rating	P-1	F1
Long-term rating	A1	A+
Outlook	Stable	Negative

Financial condition

in millions of euros	31/12/2021	31/12/2020
Equity attributable to equity holders of the parent	1,042.9	1,008.3
equity Tier 1	1,035.6	998.0

Prudential ratios

	31/12/2021	31/12/2020
Core Tier 1 ratio	9.61%	8.56%
Tier 1 ratio	10.64%	9.51%
Total capital adequacy ratio	12.37%	11.40%

Consolidated income statement

in millions of euros	31/12/2021	31/12/2020
Net banking income	329.5	323.0
Gross operating income	110.7	78.9
Net income	48.7	(14.7)
Cost/income ratio	66.39%	75.58%

Activities

in millions of euros	31/12/2021	31/12/2020
Total assets	17,226.0	17,524.0
Customer loans	10,599.5	11,168.5

Cost of risk

in millions of euros	31/12/2021	31/12/2020
Cost of risk	39.0	100.3

Significant events

Groupe BPCE highlights

In July 2021, Groupe BPCE presented its new BPCE 2024 strategic plan, which aims to unleash the full potential of its multi-brand and entrepreneurial cooperative model to be a leader in banking, insurance and asset management for everyone. The BPCE 2024 plan is based on three strategic priorities: (i) Conquest: €1.5 billion in additional revenue in five priority areas; (ii) Customer: the highest quality of service with an adapted relationship model; and (iii) Climate: concrete and measurable commitments as part of a net zero trajectory. It is based on three key areas: (i) Simple: a simpler, more transparent and more efficient organisation; (ii) Innovative: strong ambitions in data and the future of work, the foundation of HR innovation; and (iii) Secure: improvement of the economic performance and confirmation of the role as a trusted third party.

As part of the simplification process, Groupe BPCE filed a simplified takeover bid for 29.3% of the share capital of Natixis SA, followed by a squeeze-out. Following the closing of the public offer, on 21 July 2021 BPCE proceeded with the squeeze-out of all Natixis shares that were not tendered to the public offer. The Group is developing its model by distinguishing between the retail banking business lines, bringing together retail banking and insurance (Banques Populaires, Caisses d'Epargne), the financial solutions and expertise (FSE) business lines, and the insurance and payments business lines, on the one hand, and a new "Global financial services" group bringing together Asset and Wealth Management (Natixis Investment Managers, Natixis Wealth Management) and global customers banking (Natixis Corporate & Investment Banking), on the other.

In addition to this progress, a project to streamline the capital links and strengthen the industrial partnerships with La Banque Postale is underway. The transaction consisted in the sale to La Banque Postale of the 16.1% stake that BPCE held in CNP Assurances and is accompanied by the project to acquire La Banque Postale's 45% and 40% stakes in the capital of Ostrum AM and AEW Europe, respectively. La Banque Postale and Groupe BPCE would also strengthen and extend the industrial partnerships and commercial agreements between the two groups: (i) maintenance of all commercial relations until the end of 2030; and (ii) extension until the end of 2035 of the existing agreements for insurance products (protection, creditor insurance, group health), initially scheduled to end at the end of 2030.

In addition, after obtaining the last regulatory approvals on 26 August 2021, the sale of BPCE International's stake in BTK (Banque Tuniso-Koweitienne) took place on 27 August.

For retail banking and insurance the first half of the year was still marked by the effects of the health crisis, with the sending of letters proposing the positioning of customers with State-guaranteed loans (SGL) and the first early repayments made. One year after the implementation of the SGLs, the Group's banks as well as Natixis insurance were on the front line to implement the participative recovery loans system, as evidenced by Caisse d'Epargne Ile-de-France, which granted the first such loan in France.

The Group's digital Net Promoter Score improved further and the rating of the Banque Populaire and Caisse d'Epargne mobile apps in the Apple Store reached a level of 4.7/5, placing Groupe BPCE at the top of the ranking of traditional banks and at a level equivalent to that of pure players.

Groupe BPCE continued to enhance its online banking services across all its brands, with the aim of offering the same customer experience on both web and mobile devices. Particular priority was given to functionalities enabling customers to better manage their budget. New Banque Populaire and Caisse d'Epargne sites were launched with the aim of further increasing digital sales.

In terms of green offers, Groupe BPCE continued to market new products to promote the energy transition: (i) loans for professionals to finance the renovation of buildings, the use of renewable energies, clean vehicles, etc.; (ii) loans for households to finance energy renovation of homes as part of a partnership with Cozynergy; and (iii) launch by Caisses d'Epargne of the first debt fund dedicated to the financing of Renewable Energies endowed with €1.5 billion.

With regard to SMEs and medium-sized companies, Groupe BPCE launched a "recovery label" *(label relance)* range comprising four funds representing €1.2 billion in assets under management intended to strengthen the equity of French companies while respecting a set of environmental, social and good governance criteria. In addition, Groupe BPCE obtained €1 billion from a European guarantee fund (EGF) for Professionals, SMEs and medium-sized companies with fewer than 500 employees. This budget made it possible to guarantee loans intended to accelerate the innovation strategy of companies, as well as the Avenir Restructuration and Avenir Développement loans granted by Banques Populaires and Caisses d'Epargne.

In addition, green products and offers continued to be rolled out, such as leasing solution for electric charging stations and long-term lease contracts or the personal green vehicle loan.

Within this segment, Natixis Investment Managers continued to strengthen its multi-affiliate model by announcing the purchase of La Banque Postale's shares in AEW Europe (40%) and Ostrum AM (45%).

Natixis Investment Managers also continued its divestment process from H2O AM, with the management company gradually resuming the distribution of funds, in the interest of unit holders and in agreement with the regulatory authorities.

Alongside its affiliates, Natixis Investment Managers continued its commitment to financing a transition to a more sustainable economy, with the objective of achieving 50% of its assets under sustainable or impact management by 2024. At the end of 2021, 99% of Natixis Investment Managers' outstandings were managed by management companies that have signed the Principles for Responsible Investment (PRI). Natixis Investment Managers has also invested, alongside other investors, in Iceberg Data Lab, a fintech specialising in data, which develops models to measure the impact of investments on the environment and biodiversity.

As part of Groupe BPCE's new strategic plan, the Global Customers bank launched its Natixis Corporate & Investment Banking brand. In 2021, the Global Customers Bank continued to capitalise on the expertise of its Green & sustainable hub and also launched its Tech hub which aims to support customers in their technological transition, whether or not they are technology specialists.

Lastly, Natixis Corporate & Investment Banking received the "ESG Infrastructure Bank of the Year" award at the 2021 IJGlobal ESG Awards.

Highlights of the year for Banque Palatine

Governance

The Board of Directors meeting of 23 July 2021 took note of the resignations as Directors, with effect from 1 October 2021, of Marie Pic-Pâris Allavena and Maurice Bourrigaud. These departures occur following their appointment to the BPCE Supervisory Board, as a member of the Supervisory Board and as a non-voting Board member, respectively, in order to comply with Groupe BPCE's rules of good governance in terms of multiple directorships. The Board of Directors then co-opted Hélène Madar and Lionel Baud as Directors.

As a result of these movements, the composition of the Board of Directors and its committees was as follows at 31 December 2021:

Board of Directors	
Christine Fabresse	Chairwoman
Lionel Baud	Director
Bruno Goré	Director
Hélène Madar	Director
Nadia Mauzelaf	Employee-elected Director
Guillemette Valantin	Employee-elected Director
BPCE	Director, represented by Stéphanie Clavié
Caisse d'Epargne et de Prévoyance Provence Alpes Corse	Director, represented by Didier Moaté

Audit Committee	
Stéphanie Clavié	Chairwoman
Lionel Baud	Member
Guillemette Valantin	Member

Risk Committee	
Bruno Goré	Chairman
Hélène Madar	Member
Caisse d'Epargne et de Prévoyance Provence Alpes Corse	Member, represented by Didier Moaté

Appointments Committee	
Christine Fabresse	Chairwoman
Bruno Goré	Member
BPCE	Member, represented by Stéphanie Clavié

Remuneration Committee	
Christine Fabresse	Chairwoman
Lionel Baud	Member
Hélène Madar	Member
Caisse d'Epargne et de Prévoyance Provence Alpes Corse	Member, represented by Didier Moaté

At 31 December 2021, the percentage of female Directors reached 50%, excluding female Directors representing employees. The composition of the Board of Directors respects the Copé Zimmermann law.

At its meeting of 10 December 2021, the Board of Directors duly noted the resignation of Christine Jacglin from her duties as Chief Executive Officer effective from 31 December 2021 at midnight and appointed Didier Moaté as Chief Executive Officer with effect from 1 March 2022.

Covid-19 health crisis

The year 2021 is still marked by the Covid-19 health crisis and its consequences on the organisation of work, with in particular the massive use of remote working. This mode of operation is now fully controlled but had to be adapted in terms of procedures and controls due to the IT migration initiated in October 2020, and the changes made in terms of process and operation.

Given the importance of remote working in the event of a crisis and its crucial role for business continuity, an IT infrastructure continuity plan was initiated in 2021 with the aim of ensuring the rapid replacement of IT equipment for employees, particularly in the event of a crisis.

Although generalised teleworking makes it possible to test a certain number of business continuity plans in real life, a facility unavailability test was carried out for the business lines that cannot telework. This test, which took place at our fallback site in Noisy-le-Grand, was a success and enabled us to adjust our needs in terms of space on the site.

UP 2024 strategic plan

The UP 2024 strategic plan is based on two strategic orientations:

- acceleration of the targeted conquest of medium-sized companies and private customers,
- adaptation to the environment.

It also relies on three cross-functional markers: promote employee commitment; modernise and digitise uses; enhance Banque Palatine's involvement in corporate social responsibility.

- Acceleration of the targeted conquest of medium-sized companies and private customers by:
  - increasing commercial efficiency and strengthening the expertise model, which involves prioritising the sales force on the segment of companies with revenue above €50 million and continuing to move upmarket in the private customers segment (raising of intervention thresholds for customers with revenue exceeding €150 thousand and assets under management exceeding €250 thousand),
  - increasing the share of commissions in net revenue before tax to reduce its sensitivity to interest rates,
  - drawing up a commercial action plan to generate more synergies with Groupe BPCE's business lines in leasing, factoring, payments, insurance, asset management and sureties and guarantees.
- Adaptation to the environment by:
  - centring the commercial network around the corporate market. In the long term, the branches will address all the needs of companies, managers and high net-worth clients by promoting synergies around SMEs and mid-sized companies,
  - leveraging the modernisation of tools and the evolution of our business strategy to increase operational efficiency in the central functions.

By 2024, ambitious strategic objectives, thanks to:

- targeted conquest of medium-sized companies and private customers
  - +20% of the target business segment,
  - increase in the share of commissions to around 40% of net revenue before tax,
  - wealth management cost/income ratio brought below the threshold of 100%,
  - doubling of the distribution of the Group's products.
- better adaptation to the environment
  - 100% mixed branches (corporates and wealth management),
  - aim for a cost/income ratio of 60%,
  - cost of risk below €60 million,
  - control the change in risk-weighted assets related to loans, to less than €10.7 billion.
- employee commitment
  - ensure that 45% of managers are women (+8 points).
- modernisation and digitisation of uses
  - ensure that 75% of commercial contracts are signed electronically (+75 points).
- increased social and environmental responsibility
  - triple the amount of SRI-certified customer savings outstandings.
- the approach of a return on shareholders' equity of 5%[(1)].

(1) Return On Equity: normative capital at 10.5%.

Activity in 2021

Average monthly outstandings *(in millions of euros)*	At 31/12/2020	At 31/12/2021	Change *(in %)*
TOTAL USES OF FUNDS	**16,801**	**17,129**	**2.0**
Customer uses	11,327	11,235	(0.8)
Excluding SGLs[1]	9,953	10,050	1.0
SGLs only[1]	1,373	1,186	(13.6)
Financial uses	5,474	5,893	7.7
Of which BPCE loan	250	200	(20.0)
TOTAL RESOURCES	**16,801**	**17,129**	**2.0**
Customer resources	11,203	11,397	1.7
Financial resources	5,598	5,732	2.4
Including TLTROs[2]	1,256	1,256	0.0
Of which refinancing of SGLs[1]	1,318	764	(42.0)

(1) State-guaranteed loans.
(2) Targeted longer-term refinancing operations.

Credit production *(in millions of euros)*	Total as of 31/12/2020	Total as of 31/12/2021	Change *(in %)*
Medium-/long-term loans	**1,880**	**1,873**	**(0.4)**
Corporates	1,324	1,296	(2.2)
Individual customers	556	577	3.8
Short-term loans[1]	(169)	(106)	NS
Lease	77	86	12.1
TOTAL LOAN PRODUCTION	**1,788**	**1,852**	**3.6**
Loans guaranteed by the French State	**1,359**	**141**	

(1) Change in outstandings, including CICE.

Commercial banking

Corporate market

In the context of the Covid-19 crisis, the activities of the corporate market proved to be robust and resilient:

- the conquest of the "core target" (companies generating more than €15 million in revenue) was impacted by the restrictions related to the health crisis. However, 228 new contacts were made compared to 256 in 2020;
- the corporate financing activity was dynamic. As a result, the production of loans to companies (excluding SGLs) reached €1,275 million, up by 3.5% compared to 2020. The demand for production of SGLs, after a very strong year in 2020, amounting to €1,359.1 million, was very weak in 2021 at €140.5 million. The improved health of companies' cash flows led to lower use of credit lines, so total outstanding loans to companies (excluding SGLs) decreased from €7,356.5 million to €6,890.9 million, a decrease of 2.5%. Outstanding SGLs decreased by 15% from €1,377.8 million to €1,169.4 million due to the first repayments;
- the development of financing solution arrangement activities (corporate structured loans, LBOs, EuroPP, real estate, executive financing) was particularly dynamic and enabled the arrangement of 42 transactions, with a total financing of €4,578 million, having generated commissions in excess of €50 thousand, for a total of nearly €11.7 million;
- outstanding balance sheet resources with companies remained stable at €10.9 billion at the end of 2021 compared to €10.1 billion at the end of 2020.

Banque Palatine has also continued to develop synergies with the specialist business lines of BPCE and Natixis: Natixis Partners, BPCE Lease, BPCE Factor, Natixis Interépargne, Natixis Intertitres and CEGC.

Private banking market

In accordance with the UP 2024 strategic plan, new segmentation thresholds for private customers were implemented on 1 January 2021, in order to meet the bank's ambitions to move upmarket and in line with its confirmed positioning as a bank for medium-sized companies and private banking.

Core customers are now business leaders whose company generates more than €5 million in revenue, customers depositing more than €250 thousand in assets with Banque Palatine and/or customers with an income of more than €150 thousand.

The increase in the number of customers in 2021 illustrates the refocusing policy implemented: the number of target customers increased by 5%, while the total number of customers decreased by 7.6%.

The financial and balance sheet resources increased by 5.1% to €5,966 million. The main changes of note are the increase in assets under management with the subsidiary Palatine Asset Management and the increase in SRI assets. These two themes are priority areas for improvement included in the UP 2024 strategic plan.

Outstanding home loans increased by 8.7% and totalled €2,563 million at the end of 2021.

- a national network of 31 branches, including 15 mixed branches, which, in accordance with the objectives of the UP 2024 strategic plan, make it possible to strengthen the synergies between the markets;
- around 95 wealth management or private client advisors and 12 private bankers;
- an offer that continues to be digitised: a website and a mobile application with enhanced functionalities, in particular "self-care" functionalities and digitised customer journeys with electronic signatures (life insurance, investment advice);
- its specialist business lines consisting of wealth management specialists, real estate experts and experts in financing for company senior executives (capital transactions for businesses and capital incentive plans for senior executives), put their skills and know-how to work in support of the network;
- an extensive range of savings, investment and loan products, supported by the skills and know-how of:
  - Banque Palatine (discretionary management, Palatine Asset Management UCI offering, EMTN issues (including dedicated EMTNs), SOFICA, financing (real estate loans, personal loans, asset advances, manco financing: management company without manager),
  - Groupe BPCE (UCI offer from NIM, SCPI and real estate offer with tax relief from BPCE Solutions Immobilières, Natixis payment services),
  - external partners (life insurance, asset management companies (Private Equity, OPC), Girardin offer, Partners in real estate).

The quality of client relationships is a key priority for the bank. Each year, satisfaction surveys conducted among core target customers measure this aspect in particular.

The survey carried out in 2021 among a panel of executives, whether private, professional or dual customers, shows an increase in the results compared to the last pre-pandemic survey: 90% of managers were satisfied (*versus* 83%), a Net Promoter Score of +53 (*versus* +14) and an overall satisfaction score of 7.8 (*versus* 7.5), which reached 8.9 for the quality of the relationship with the bank's various contacts and 8.3 for the customer experience.

Financial activities of the bank

The 2021 financial year was marked by a context of continuing relatively low interest rates.

In this environment, Banque Palatine invested €130 million during the year, mainly in Eurozone sovereign bonds. At the end of 2021, the bank's total bond portfolio amounted to €933 billion.

This portfolio's objective is to constitute the liquidity reserve of the Liquidity Coverage Ratio (LCR). As they can be mobilised with the Central Bank, these securities also constitute a security for the bank's refinancing.

The bank's financial strategy is in line with the regulatory ratios set by the Group. The Liquidity Coverage Ratio (LCR) remained above 100% throughout 2021.

The bank's financing is assured by customer deposits thanks to a complete range of investment products. The ratio of loans to customer deposits was close to 100% at the end of the year. The bank therefore has a substantial customer deposit base giving it significant scope for commercial development. Although outstanding loans continue to grow, the solvency ratio was maintained at high levels throughout the year (12.37% at the end of 2021).

In 2021, Banque Palatine maintained its targets for balance sheet management, limiting its liquidity and rate risks:

- managing short- and medium-long-term liquidity is first and foremost aimed at ensuring the refinancing of the bank while guaranteeing attractive loan terms for its customers;
- the second objective is the strict control of interest-rate risk on the balance sheet. This approach allows Banque Palatine to manage changes in yields caused by interest rate movements. Through its careful management of its balance sheet, the bank is well-prepared for any future changes in interest rates. The residual gap measuring global interest-rate risk is now negative, which means the bank's balance sheet is favourably exposed to any rise in rates.

Business review of principal subsidiaries

Asset management – Palatine Asset Management

The company's offer is diversified and covers the range of financial market segments: equity, money market, bond, or diversified funds and mandates. It includes funds specialised in certain segments of the stock markets such as small- and mid-cap, thematic funds and SRI (Socially Responsible Investing) funds.

The assets under management amounted to €5.2 billion at the end of the year, up by 8%. Money market UCIs once again recorded very strong inflows (+€527 million). Bonds outstanding were up by €35 million (+6%). Outstanding equities were down by €214 million (-16%).

The main stock markets experienced almost continuous increases throughout the year thanks to both monetary and budgetary stimulus policies and vaccines against the coronavirus.

The markets were also buoyed by the publications of companies, which posted excellent results in all sectors, with profits soaring by nearly 45% in the United States and 65% in the Eurozone.

Other supporting factors were the many mergers and acquisitions that took place in 2021, not to mention a massive wave of share buybacks.

However, 2021 was also marked by a return of inflation, reflecting tensions between supply and demand, which were manifested by supply disruptions and difficulties in recruiting in many sectors of activity.

Activities of the other subsidiaries

The Ariès Assurances subsidiary continued to develop its activity in the field of collective social protection as well as in the development of tailor-made pension coverage for the evaluation and management of end-of-career benefits and in the implementation of civil liability insurance for executives and corporate officers.

In addition to these activities, Ariès Assurances supports Banque Palatine's customer service managers in setting up tailor-made contracts for borrowers and key personnel, and in researching a cyber insurance programme and a global cybersecurity offer for medium-sized companies.

Changes in scope of consolidation

There were no material changes in Banque Palatine's scope of consolidation in 2021.

Consolidated and individual balance sheet

Consolidated balance sheet

The consolidated balance sheet reached €17.2 billion at 31 December 2021, slightly down by €0.3 billion compared to the previous financial year.

On the asset side, customers' loans and receivables amounted to €10.6 billion, down by €0.6 billion, due in particular to the repayment of part of the loans guaranteed by the French State (SGLs) and the end of moratoria on bank loans. Credit institutions' loans and receivables increased by €1.1 billion, to reach a total of €4.6 billion, taking into account the reinvestment with BPCE SA of the surplus cash collected, particularly from corporate customers.

On the liabilities side, amounts due to customers remained stable at €11.3 billion due to the fact that customer demand accounts were maintained at a very high level in connection with the effects of the health crisis, which favoured the liquidity of companies and household precautionary savings. The amounts due to credit institutions decreased by €0.7 billion to €2.2 billion, and result from the liquidity obtained as part of the European Central Bank's refinancing programmes (TLTRO). Conversely, the debt represented by debt securities increased by €0.5 billion to €2.1 billion, in line with the bank's certificate of deposit issuance programmes.

Shareholders' equity amounted to €1 billion, up by €34.6 million due to the change in the bank's profits for the financial year.

Individual balance sheet (French GAAP)

At 31 December 2021, the individual balance sheet totalled €17.1 billion, a decrease of €0.2 billion compared to the previous financial year.

On the assets side, the receivables from customers amounted to €10.6 billion, a decrease of €0.6 billion. The amounts due from credit institutions increased by €1.1 billion to €4.3 billion.

On the liabilities side, the debts to customers stabilised at €11 billion. The amounts due to credit institutions were down by €0.6 billion to €2.3 billion, while debt securities were up by €0.5 billion to €2.1 billion.

The intangible assets and property, plant and equipment, amounted to €112.6 million at 31 December 2021, down by €6.9 million compared to the previous financial year. Intangible assets amounted to €95 million, reflecting the goodwill of the banking service businesses contributed by Crédit Foncier de France in 2008.

The subordinated debt amounted to €303 million, at the same level as the 2020 financial year.

Consolidated and parent-company earnings

Consolidated earnings

The net banking income amounted to €329.5 million, up by €6.5 million (+2%) compared to 31 December 2020.

The net interest margin amounted to €218.4 million, down slightly by €1.2 million. It was driven by the good performance of customer loan production and continues to benefit from the ECB's accommodative monetary policy measures, offsetting the maturity of former high-interest financial investments. The optimisation of the cost of customer and financial resources also contributed to the resilience of the net interest margin.

The net commissions amounted to €95.7 million, compared to €89.6 million in 2020, an increase of 6.8% resulting in particular from the strong rebound in structured finance advisory revenues in a buoyant market environment. Other sources of revenue from customer pricing also showed strong growth due to the full adoption of the new IT tool as well as the first benefits of the new strategic plan aimed at increasing the share of commissions in the bank's net banking income.

The net gains and losses on financial instruments at fair value through profit or loss increased by €4.5 million, in line with the adjustment to the counterparty risk provisioning inherent to these transactions. Net gains and losses on instruments at fair value through shareholders' equity decreased by €2.8 million after recording an exceptional capital gain on financial investment securities in 2020.

Lastly, the net income from other activities amounted to -€5 million and mainly consisted of the contribution paid to BPCE SA as the central body.

The total operating expenses amounted to €218.8 million, down by €25.4 million (-10.4%). This decrease was mainly due to the continuation of a strict discipline in terms of expenses and a financial year in 2020 marked by the costs of the migration to the new IT platform.

At 31 December 2021, the gross operating income amounted to €110.7 million, up sharply by €31.8 million (+40.4%), and the consolidated cost/income ratio reached 66.4%, compared to a level of 75.6% in 2020 which still supported the exceptional expenses of IT migration.

The annual cost of risk for 2021 amounted to €39 million, down by €61.3 million compared to 2020, reflecting the improvement in the economic outlook and the continuation of the bank's prudent provisioning policy with the increased coverage rate for impaired receivables.

The share in the net income of associates came to €0.4 million, generated entirely by Conservateur Finance, up by 45.4% compared to the 2020 financial year.

The net gains or losses on other assets item in 2021 includes the impairment of former business goodwill that is no longer operated by the bank.

The IFRS consolidated net income at 31 December 2021 represented a profit of €48.7 million compared to a loss of €14.7 million at 31 December 2020.

Parent company earnings (French GAAP)

The net banking income in 2021 reached €319.7 million, an increase of 11.7% compared to 31 December 2020.

The net interest margin was resilient, reaching €207.3 million, driven the European Central Bank's actions to support bank refinancing, offsetting the decrease in the average return on customer uses.

The income from variable income securities was up by €0.4 million, in line with the increase in dividends received during the year.

The net commissions increased by €6.5 million, or 9.1%, reflecting the rebound in the structured finance activity and the first effects of the new strategic plan in terms of intensifying customer relationships.

The total operating expenses amounted to €210.7 million, down by €25.3 million compared to 2020, which included more than €40 million in costs related to the migration to the bank's new IT platform.

The cost of risk decreased sharply by €25.9 million to €57.9 million at the end of 2021.

At 31 December 2021, the net income was €38.4 million, compared with a net expense of €28.5 million in 2020.

Results of the subsidiaries

Palatine Asset Management recorded net income of €5.7 million in 2021, in line with the result of the previous financial year.

The net income of Ariès Assurances amounted to €125 thousand in 2021, up by €76 thousand compared to 2020.

Main characteristics of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The information relating to the main characteristics of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information is described in the chapter entitled "Risk management".

Main characteristics of the internal control and risk management procedures for the consolidated entities

Information on the main characteristics of the internal control and risk management procedures for all of the entities included in the consolidation are outlined in the "Risk management" chapter.

Main risks and uncertainties

This information is presented in the "Risk management" chapter satisfying the obligations of the ministerial order of 20 February 2007 concerning the capital requirements applicable to credit institutions and investment firms. Some of this information is mandatory under IFRS 7 and is thus covered by the opinion of the Statutory Auditors on the consolidated financial statements.

Statement on non-financial performance

Given the statement made by BPCE, the parent company, Banque Palatine is under no regulatory requirement to file a statement on non-financial performance.

However, as a socially responsible company, Banque Palatine wishes to integrate the social, environmental and economic concerns of its activities and their interaction with its stakeholders. As a result, the bank draws up a voluntary statement on non-financial performance.

Five-year financial summary

A table showing the five-year financial highlights is presented in the appendix to the management report.

Events after the reporting period

No material event liable to have an impact on the parent-company or consolidated financial statements occurred between the reporting date and the preparation date of this report.

Significant investments

No significant investments were made in 2021.

Information on payment periods

Information concerning payment periods is contained in the appendix to the management report.

List of branches

A list of all agencies is provided in the appendix to the management report.

Employee participation in the share capital at 31 December 2021

At 31 December 2021, the employees did not hold any interest in Banque Palatine's share capital.

Ownership structure

BPCE holds 99.9% of the share capital.

Non-tax deductible expenses

In accordance with the provisions of Article 223 *quater* of the French General Tax Code, the financial statements for the financial year ended 31 December 2021 include €77,217 in non-tax-deductible expenses.

These non-tax-deductible expenses derived from the portion of rental costs on Banque Palatine's service vehicles not deductible for tax purposes.

Authorisation to effect capital increases

The Board of Directors has not received any delegation for capital increases.

Research and development activities

Banque Palatine did not conduct any research and development activities during the period.

Resolutions

The Board of Directors presented to the General Meeting of Shareholders the management report, the corporate governance report, the annual separate financial statements and the consolidated financial statements for the 2021 financial year as well as the appropriation of net income, which appear in the appendix to this report.

Pursuant to Article 243 *bis* of the French General Tax Code, the amounts distributed for the last three financial years are recalled:

Year	Number of shares	Total dividend payment	Net dividend per share
2018	26,940,134	-	-
2019	34,440,134	€18,253,271.02	€0.53
2020	34,440,134		

** Not eligible for the 40% rebate.*

Shareholders are consulted about the overall package of remuneration of any kind paid to the individuals covered by Article L. 511-71 of the French Monetary and Financial Code.

The shareholders are also asked to appoint a Director and to ratify the provisional co-option of two Directors, the transfer of the registered office, the corresponding amendment to the Articles of Association, and, lastly, to bring the Articles of Association into line with Article L. 225-56 of the French Commercial Code on the transfer of registered offices. The reappointment of three Directors is also submitted for the approval of the shareholders.

Lastly, the General Meeting will have to decide on the total budget relating to the remuneration of the Directors.

Outlook

Inflationary tensions and the reappearance of health uncertainties, with the emergence of a sixth wave of the pandemic (Omicron) and the recurring risk of mutation of the virus, threaten the economic outlook of developed countries all the more than the global economy seems to have passed a high point. In addition, the potential for catching up from previous lockdowns appears to be of lesser magnitude, not to mention fears of a resurgence of Sino-US protectionist tensions, or even potentially geopolitical crises. More specifically, the mechanical drift in prices, which is stronger and perhaps less temporary than initially expected, causes a levy on household purchasing power and corporate margins. This should lead to a slowdown in spending in 2022, which the mechanisms for restoring the situation of private and public balance sheets are likely to accentuate. In addition, the risk of price surges complicates the role of central banks, torn between the need to contain inflation and the desire not to break the economic momentum, already in a slowdown phase in China, the United States and the Eurozone. All this would lead activity to naturally return to its pre-Covid-19 trend, especially from the second half of the year, even if the annual averages forecast for 2022 largely bear the traces of the considerable gains from previous quarters and past expansive monetary policies.

The inflationary risk, which is more significant in the United States, the United Kingdom and certain emerging countries than in the Eurozone and Japan, guides the expected speed of normalisation of monetary policies. The Fed could make three successive but modest increases in its key rates as of March 2022, while accelerating the reduction of its programme of net purchases of government securities, to end it in March instead of June. In Europe, the sharp increase in producer prices is starting to spread to consumer prices excluding energy. It has not yet led to a process of acceleration of wages, while reflecting significant and reversible base effects, such as the rise in fuel prices, then the explosion in European gas and electricity market prices. The ECB, far from adopting the same approach as the Fed, would leave its key rates unchanged in 2022, even if it decided to complete its net purchases of bonds in March *via* its emergency programme (PEPP). However, it would offset the negative effect of the end of the PEPP by a temporary increase in the traditional net asset purchasing programme.

French growth should approach 4% in 2022, also thanks to the stimulation of the recovery plan. However, it should normalise from the second half of 2022 towards its pre-pandemic trend speed of 1% per year, which would reduce price tensions. Inflation would, however, reach at least 2.4% on an annual average. This economic deceleration would be all the more logical as the public deficit would support the economy much less than in 2021. In addition, the current price shock would exert a purchasing power levy on the entire economy. This drain would be more marked for companies, which are unable at this stage of the cycle to pass on all of the increase in costs in their own prices. In addition, companies' results could slow down, due to a relative acceleration in wages in the face of recruitment difficulties, which would dampen their willingness to invest.

On 8 July 2021, Groupe BPCE unveiled its new BPCE 2024 strategic plan.

The Covid crisis has revealed trends, starting with digitisation, hybrid work and the acceleration of the energy transition, but has also created deep expectations in terms of proximity, support and trust. Groupe BPCE's multi-brand cooperative model is fully in line with these expectations. However, this outlook could be impacted by the geopolitical context. At the end of February 2022, the Russian Federation launched a major military action in Ukraine.

While Ukraine is not a member of NATO, the Western reaction has been strong. In concert, the European Union, the United States and many other states have adopted a series of unprecedented sanctions, including the freezing of foreign assets of the Russian Central Bank, the exclusion of Russian banks from SWIFT, several Western groups also announcing their withdrawal from the Russian Federation.

Even if the essential subject of energy and natural gas remains outside the scope of the measures taken on both sides, the United States and the United Kingdom have announced their intention to ban the import of Russian oil and gas. In addition, new economic measures and sanctions could be adopted, in particular by the European Union and the United States, and retaliatory economic measures and sanctions could be adopted by the Russian Federation. This conflict could have major consequences on the Russian economy but also on Western economies and more generally on the world economy. The risk of default on Russian debt, the rise in inflation and the loss of purchasing power for the population in Russia are significant. A questioning of growth prospects and increased inflationary pressure cannot be ruled out in both the United States and Europe.

In addition, a risk related to expropriation measures that the Russian authorities could take vis-à-vis foreign companies, in retaliation for Western sanctions, is mentioned.

At 31 December 2021, the Banque Palatine Group had no direct exposure to Russian, Ukrainian or Belorussian counterparties.

Banque Palatine's strategy and outlook:

As part of the UP 2024 strategic plan, 2022 will be marked by the transformation of the commercial network.

Structural and organisational changes to the commercial network are at the heart of the UP 2024 strategic plan. The objective is to have sales forces focused on the corporate market by the end of 2022, with a network of mixed branches (corporate and private banking) supplemented by remote Palatine & Vous Prémium branches as well as "private banker assistants".

The ambition is clear: to support all high-potential customers and promote synergy around business leaders and the development of private customers.

2 Board of Directors' corporate governance report

2021 financial year

To the Shareholders,

In addition to the Board of Directors' management report and pursuant to the provisions of Articles L. 225-37 and L. 225-37-4 of the French Commercial Code, the Board of Directors reports on the following:

- the composition of the Board, the conditions for the preparation and organisation of the work of the Board of Directors, the rules and principles governing the determination of remuneration and benefits of any kind granted to corporate officers;
- draft resolutions regarding remuneration which will be submitted to you at the time of the General Meeting called to approve the financial statements for the financial year ended 31 December 2021.

The items of the report required under Article 266 of the Decision of 3 November 2014, and the list of the terms of office held by the corporate officers during the 2021 financial year, are appended.

It was the subject of prior presentations at the Appointments Committee meeting of 1 April 2022 and the Remuneration Committee meeting of 7 April 2022, before being approved by the Board of Directors on 15 April 2022.

In their report prepared pursuant to Article L. 22-10-71 of the French Commercial Code, the Statutory Auditors attest the other information required by Article L. 225-37 of the French Commercial Code (presented in the report on corporate governance), and if applicable, present their observations.

Board of Directors

1. Corporate governance

The AFEP-MEDEF Corporate Governance Code for listed companies, updated in January 2020 and incorporating the recommendations on executive remuneration, is the Code used by Banque Palatine for preparing this report.

Some provisions are not relevant to the context of Banque Palatine, since its share capital is held in its entirety by BPCE. Consequently, the following provisions have not been taken into account to date:

- the proportion of independent members of the Board of Directors and its committees:

  Banque Palatine is a wholly owned subsidiary of BPCE. In this context and in view of Banque Palatine's position within Groupe BPCE, a direct shareholder representation (the Chairman and a representative) as well as of Groupe BPCE via the senior executives of the Banque Populaire and Caisse d'Epargne banks was privileged in order to maintain a balance of powers and a balanced representation of the Banque Populaire and Caisse d'Epargne networks. This diversity of profiles on the Board of Directors promotes the quality of work and discussions within the Board, an objective pursued by the recommendation of the AFEP-MEDEF Code;
- ownership of a significant number of Banque Palatine shares by the Directors.

The principle of a gender balance on the Board of Directors and committees has been upheld. At 31 December 2021, the percentage of female Directors on the Board of Directors was 50%. The composition of the Board of Directors respects the Copé Zimmermann law.

Two Directors were elected by employees – one representing managerial-level employees and the other representing technical and supervisory-grade staff.

Lastly, pursuant to Article 11 of the Articles of Association, each Director may own shares in the company.

Table summarising compliance with AFEP-MEDEF Code recommendations

Missions of the Board of Directors	Recommendations implemented
Board of Directors: collegiate body	Recommendations implemented
Diversity of methods of organisation of governance: separation of the duties of the Chairman and the Chief Executive Officer	Recommendations implemented
Board of Directors and communication with the market	Recommendations implemented
Board of Directors and general meeting of shareholders	Recommendations implemented
Composition of the Board of Directors: guidelines	Recommendations implemented
Gender diversity policy within the governing bodies	Recommendations implemented
Employee representation	Recommendation implemented
Independent Directors	Recommendation not implemented due to the necessary balanced representation of Groupe BPCE institutions and the bank's status as a wholly-owned subsidiary
Board appraisal	Recommendations implemented
Board and Committee meetings	Recommendations implemented
Access to Director information	Recommendations implemented
Director training	Recommendations implemented
Directors' terms in office	Recommendations implemented
Board committees: general principles	Recommendations implemented
Audit Committee	Recommendations partially implemented (not followed for the proportion of Independent Directors due to the necessary balanced representation of Groupe BPCE institutions and the bank's status as a wholly-owned subsidiary)
Committee responsible for appointments	Recommendations partially implemented (not followed for the proportion of Independent Directors due to the necessary balanced representation of Groupe BPCE institutions and the bank's status as a wholly-owned subsidiary)
Committee responsible for remuneration	Recommendations partially implemented (not followed for the proportion of Independent Directors due to the necessary balanced representation of Groupe BPCE institutions and the bank's status as a wholly-owned subsidiary)
Number of terms for Executive Directors and Directors	Recommendations implemented
Directors' Code of Conduct	Recommendations implemented
Remuneration of Directors	Recommendations implemented

Termination of employment contract for corporate office	Recommendations implemented
Remuneration of corporate officers	Recommendations implemented
Transparency regarding Executive Director remuneration	Recommendations implemented
Implementation of recommendations	Recommendations implemented

2. Board of Directors

2.1. Composition and appointment method

The Board's composition is governed by Article 10 of the Articles of Association, which stipulates that it shall be composed of Directors elected at the general meeting of shareholders and employee-elected Directors.

Directors elected by the general meeting of shareholders

There are least six and no more than 18 of these Directors. They are appointed, reappointed and dismissed in line with the provisions of law and the regulations in force.

They are appointed for a term of four years. As an exception to this rule, and in order to establish a staggering of the terms of office, in 2020 the Directors were appointed at the end of the current mandates, half of them for two years, the other half for four years.

As the direct majority shareholder of Banque Palatine, BPCE (the central body of Groupe BPCE) chose to have Group Directors coming from the two networks which are its shareholders included in the Board of Directors of Banque Palatine.

Each Director has a wealth of experience in leadership and strategy development. Their diversity in terms of skills, experience, geographical representation and gender is an essential asset for the Board.

Employee-elected Board members

There are two: one is elected by the managerial staff, the other by the employees.

They are elected in line with the provisions of law and the regulations in force. Any seat vacated through death, resignation, dismissal or termination of an employment agreement is filled in line with the provisions of law and the regulations in force.

They are appointed for a term of four years. However, in the event of death, resignation, dismissal or termination of employment contract, the term in office of an employee-elected Director comes to an end when the normal term in office of the other employee-elected Directors ends.

In any event, the period for which a Director is appointed may not exceed the remaining term in office through to the date on which his or her employment agreement ends as a result of retirement or for any other reason.

Provisions common to both categories of Director

Directors may be reappointed unless they have reached the age limit of 70 years.

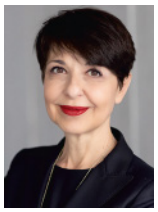
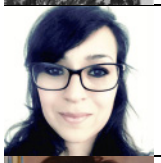
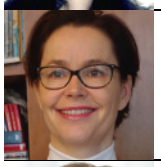
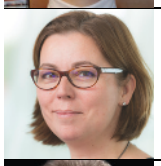
A Director's duties end at the close of the ordinary general meeting of shareholders convened to consider the financial statements for the previous financial year that is held during the year in which such Director's term expires, unless he or she resigns, is dismissed or dies.

2.2. Directors

At 31 December 2021, the Board of Directors comprised:

- six Directors appointed by the shareholders, whose terms of office will expire at the General Meetings held to approve the financial statements for the financial years ending on 31 December 2021 and 2023;
- two Directors elected by the employees whose term of office began on 2 December 2020 and will end when the Board of Directors takes note of the results of the employee elections to be held in 2024, all of whom are French nationals.

Attendance rate in %

	Directors	Age	Date of appointment renewal	Seniority	Expiry date of appointment	Board of Directors	Risk Committee	Audit Committee	Appointments Committee	Remuneration Committee
	**Christine FABRESSE,** Chairwoman of the Board of Directors, Member of the Management Board and Chief Executive Officer of BPCE in charge of retail banking and insurance	57 years	26 May 2020	3 years	2024	100	75	75	100	100
	**Lionel BAUD,** Chairman of the Board of Directors of Banque Populaire Auvergne Rhône Alpes	54 years	23 July 2021 with effect from 1 October 2021	-	2022	100	-	100	-	100
	**Bruno GORÉ,** Chairman of the Management Board of Caisse d'Epargne et de Prévoyance de Normandie	60 years	26 May 2020	3 years	2022	100	100	-	100	-
	**Hélène MADAR,** Deputy Chief Executive Officer of Banque Populaire du Nord	52 years	23 July 2021 with effect from 1 October 2021	-	2022	100	100	-	-	100
	**Nadia MAUZELAF,** elected by employees (technical staff)	44 years	2 December 2020	1 year	2024	80	-	-	-	-
	**Guillemette VALANTIN,** elected by employees (managerial grade staff)	55 years	2 December 2020	4.5 years	2024	100	-	100	-	-
	**BPCE,** represented by Stéphanie CLAVIÉ, responsible for financial reporting	51 years	26 May 2020	5 years	2024	100	-	100	100	-
	**CAISSE D'EPARGNE PROVENCE ALPES CORSE,** represented by Didier MOATÉ, Member of the Management Board in charge of the Metropolitan department	58 years	26 May 2020	2 years	2024	100	100	-	-	100

Changes to the Board during the 2021 financial year

Marie Pic-Pâris Allavena and Maurice Bourrigaud resigned with effect from 1 October 2021 from their directorships as a result of their appointment to the Supervisory Board of BPCE SA. At its meeting of 23 July 2021, the Board of Directors co-opted Hélène Madar and Lionel Baud as Directors to replace them with effect from 1 October 2021.

Terms in office

The list of all the offices held by the Directors during the 2021 financial year appears in Appendix 2 to this report.

Governance framework

The governance framework is based on the adoption of a set of documents by the Board of Directors on 26 May 2020:

- a corporate governance framework: an umbrella document that formalises the organisation, operating methods and responsibilities of the management bodies by reference to the various policies and texts applicable in the establishment;
- the Board of Directors' framework rules of procedure which specify the rules relating to the composition, operation and duties of the Board of Directors and its committees;
- an appointment and succession policy for effective managers and Directors;
- a policy for assessing the suitability of effective managers and Directors:
- a policy for the prevention and management of conflicts of interest of effective managers and Directors;
- a charter for the prevention and management of conflicts of interest for effective managers;
- a Director's Code of Ethics.

Directors' obligations

The actions of the Directors must be based solely on the interests of Banque Palatine.

Directors must consider themselves to be the representative of all shareholders and behave as such in the performance of their duties. They must not expose themselves to conflicts of interest in relation to their business relations with the company.

They must be mindful of their contribution to the exercise of their powers by the Board of Directors.

The Directors ensure compliance with the legal rules relating to the holding of several corporate offices and incompatibilities, as well as those applicable to credit institutions.

The Directors, including the Directors representing the employees, and all persons present, are bound by an obligation of confidentiality with regard to the proceedings of the Board and the specialised committees, without prejudice to the professional secrecy to which they are subject, under criminal law, in relation to certain information pertaining to this secrecy.

The Chairman of the meeting may declare the proceedings of a meeting to be confidential whenever regulations or Banque Palatine's interests so require. He or she may require all individuals taking part in a meeting to sign a confidentiality undertaking. He does the same within the Board's specialised committees. This statement is placed on record in the minutes of the meeting.

If a Director fails to comply with one of his or her obligations, in particular the obligation to keep matters confidential, the Chairman of the Board of Directors refers the matter to the Board with a view to issuing a formal warning to said member, independently of any measures taken under the applicable provisions of the law, regulations or Articles of Association.

The Board of Directors may, if so proposed by its Chairman, request the dismissal of the Director by the relevant body or authority. In the case of a committee member, the Board of Directors may, on the proposal of its Chairman, terminate his or her duties as a member of the committee.

The member concerned will be informed in advance of the proposed penalties and will be given the opportunity to present observations.

All Directors are required to inform the Board of any conflict of interest, even potential, and must refrain from voting on the corresponding deliberation.

A conflict of interest situation is defined as a situation in which a member of the Board of Directors has a personal interest that diverges, or is likely to diverge, from the interests of all the bank's shareholders.

Unless authorised by BPCE, taken in agreement with the Chairman of the Board, the office of Director of the bank is incompatible with a position of Chief Executive Officer, member of the Management Board, Director or member of the Board within a company another credit institution or another investment services company that is not part of Groupe BPCE.

Directors are expected to participate regularly in the meetings of the Board of Directors and its committees and to attend General Meetings.

Those who are unable to comply with this attendance rule undertake, in accordance with the responsibilities attached to the position of Director, to hand over their office to the Board at the request of the Chairman.

More generally, a Director who considers him- or herself unable to perform his or her duties on the Board, or on the committees of which he or she is a member, must resign.

All newly appointed Directors undertake to participate in at least one training session that is offered to them within one year of their appointment.

Insider trading

Regulation No. 596/2014 of the Parliament and Council of the European Union (the "MAR Regulation") and its delegated regulations (the "MAR Regulations"), as well as Directive No. 2014/57/EU ("MAD"), define, at European Union level, a common regulatory framework on insider trading, unlawful disclosure of inside information and market manipulation ("Market abuse") as well as the related sanctions.

The MAR Regulation covers three types of infringement:

- insider trading (misuse of inside information);
- unlawful disclosure of inside information; and
- market manipulation (false or misleading indications, actions distorting the price-setting mechanism or calculation of a benchmark).

Insider trading occurs in four situations:

- when a person holds inside information and uses it by acquiring or selling, on its own behalf or on behalf of a third party, directly or indirectly, the financial instruments to which this information relates;
- when inside information is used to cancel or modify an order concerning a financial instrument to which this information relates, when the order was placed before the person concerned had the inside information;
- for auctions of emission allowances or other products auctioned based on them, where the use of inside information also includes the submission, modification or withdrawal of a bid by a person for his own account or on behalf of a third party;
- also applies to any person who possesses and uses inside information when that person knows or should know that it is inside information.

Inside information is:

- specific information that has not been made public;
- which concerns, directly or indirectly, one or more issuers, or one or more financial instruments; and
- which, if made public, would be likely to significantly influence the price of the financial instruments concerned or the price of derivative financial instruments related to them.

The qualification of insider trading is presumed in particular for any person who possesses inside information due to the fact that this person:

- is a member of the administrative, management or supervisory bodies of the issuer or of the emission allowance market participant;
- holds a stake in the capital of the issuer or the emission allowance market participant;
- has access to information by virtue of the performance of duties resulting from a job, profession or duties; or
- participates in criminal activities.

The violation of the prohibitions of insider trading, unlawful disclosure of inside information or market manipulation is punishable by a maximum penalty of five years' imprisonment and a fine of up to €100 million.

Prevention of insider trading

Inside information on any company issuing securities on a regulated market, whether or not a client of the bank, and in particular Natixis, a listed subsidiary of Groupe BPCE, may be exchanged during Board meetings.

In particular, Directors are individually informed of their inclusion on the list of permanent insiders of Natixis or any other entity or company of Groupe BPCE that issues listed securities, including Banque Palatine.

They receive an information notice setting out the main legal and regulatory provisions applicable to the holding, communication and use of inside information, as well as the penalties incurred in the event of violation of these rules.

Access to inside information is presumed 15 days before the publication of the quarterly results and 30 days before the publication of the Natixis half-year and annual financial statements. Directors may not trade in Natixis shares during these so-called "blackout windows".

The abstention requirement applies as soon as the Directors hold inside information and, in particular, when they are aware of accounting elements enabling them to sufficiently identify the results, upstream of the negative windows defined above.

Each year, the Directors must keep themselves informed of the calendar for the publication of the results of Natixis and of the other issuers for which they have received notification of inclusion on an insider list.

2.3. Non-voting Board members

Pursuant to Article 19 of the Articles of Association, the ordinary general meeting may appoint up to six non-voting Directors.

At the preparation date of this report, no non-voting Directors had been appointed to the Board of Directors.

2.4. Role

Duties and powers

The Board of Directors determines the company's business strategies and ensures their implementation, taking into consideration social and environmental issues.

The Board of Directors must ensure that:

- its composition and functioning enable it to act in the best interests of Banque Palatine while taking into consideration the social and environmental challenges of its business;
- appointments or renewals of Directors:
  - operate with the aim of seeking a harmonious distribution of knowledge, skills and experience,
  - ensure a balanced representation of women and men on the Board, in accordance with current legislation.

Except for the powers expressly reserved for the general meeting of shareholders and within the restrictions set by the corporate objects, the Board of Directors handles any issue concerning the smooth running of the company and settles any matters arising.

The Chairman and/or the Chief Executive Officer are required to provide each Director with all the documents or information they require to fulfil their duties.

Pursuant to the provisions of law and the regulations in force, the Board of Directors may entrust one or more Directors with any special responsibilities or decide to set up Board Committees. The Board determines the composition and powers of committees, which operate under its authority.

At any time of the year, it conducts any checks and controls it deems appropriate and may request any documents it regards as expedient in fulfilling its duties.

Its main duties are to:

- define Banque Palatine's strategic guidelines, in line with Groupe BPCE's strategy, on the recommendation of the Chairman and Chief Executive Officer;
- oversee the implementation of the strategy;
- control the management of the company;
- control the risk management policy;
- ensure the accuracy of its financial statements;
- review the financial position on a quarterly basis;
- approve the accounts;
- ensure the quality of the financial information provided to shareholders and third parties;
- appoint the effective managers;
- set the rules for the remuneration of the effective managers and all corporate officers;
- control the remuneration of risk takers.

Since the option for the form of a *société anonyme* (French limited liability corporation with a Board of Directors), the Board of Directors on 14 February 2014 opted for the separation of duties of the President and Chief Executive Officer in accordance with Article L. 225-51-1 of the French Commercial Code. This option was renewed upon the appointment of the Chief Executive Officer on 21 October 2019, with effect from 6 November 2019, and upon the renewal of the term of office of the Chairwoman of the Board of Directors on 26 May 2020 as well as at the Board of Directors meeting of 10 December 2021, which appointed Didier Moaté as Chief Executive Officer with effect from 1 March 2022.

The Board of Directors appoints the Chief Executive Officer and, in consultation with the latter, may appoint Deputy CEOs. In addition, it sets the method and amount of the remuneration paid to each senior executive.

It adopts the framework rules of procedure of the Board of Directors which include the rules of composition and functioning as well as the missions of the Board Committees.

It convenes the General Meeting of Shareholders based on an agenda that it has approved and which may include, in particular: the appointment or ratification of Directors, the appointment of the Statutory Auditors, the renewal of directorships or auditors mandates, the consultation of shareholders on the individual remuneration of corporate officers and on the overall package paid to the members of the regulated population.

2.5. Framework rules of procedure of the Board of Directors

As indicated in the "Governance framework" section, the framework rules of procedure specify the rules relating to the composition, operation and duties of the Board of Directors and the Board Committees.

2.6. Activities

The Board of Directors meets as often as the company's interests, laws and regulations require and at least once every quarter to review the quarterly parent-company and consolidated financial statements. Board meetings are convened by its Chairman or by half of its members, and take place at the registered office or at any other location stated in the notice of meeting.

In accordance with Article L. 823-17 of the French Commercial Code, the Statutory Auditors are invited to the meetings of the Board of Directors dedicated to the approval of the annual and half-yearly financial statements as well as to those examining the interim financial statements.

The Social and Economic Committee is represented at Board meetings by two representatives appointed as provided for by the legislation in force.

With regard to communication and access to information, the Directors benefit from a secure electronic transmission system enabling them to quickly access the information they need to fulfil their responsibilities.

Banque Palatine's Board of Directors met five times in 2021 and the average attendance rate was 95%.

The main topics covered at the meetings were:

- the commercial activity;
- the review of the separate and consolidated quarterly financial statements;
- approval of the budget;
- approval of the annual and interim financial statements; the Statutory Auditors' reports;
- the reports of the specialised committees;
- the adoption of the reports of the Board of Directors;
- the convening and adoption of the draft resolutions of the General Meeting;
- the authorisation to issue EMTNs and delegation of the Board of Directors, the update on the use of the authorisation and delegation of the Board of Directors;
- information on the professional and equal pay policy;
- the strategic plan, the strategic roadmap, the progress of the strategic plan;
- approval of the risk policy;
- approval of the collection policy;
- approval of the multi-year audit plan;
- approval of the mapping of non-financial risks;
- approval of the internal control report;
- approval of the AML RACI;
- the resignation and co-option of Directors;
- the review of the cost of risk;
- information on the ALM policy;
- the impact of CRR2 on ratios;

- the transfer of the registered office;
- CSR: sustainable development week;
- the resignation of the Chief Executive Officer and the appointment of the Chief Executive Officer;
- the review of the annual remuneration of the Deputy Chief Executive Officer;
- the review of the annual remuneration of the Chief Executive Officer;
- the deferred variable remuneration of the Chief Executive Officer who resigned;
- the annual assessment of the Board of Directors;
- the press releases;
- the breakdown of Directors' fees;
- the regulated agreements.

2.7. Assessment of the Board of Directors

The Board of Directors conducts a self-evaluation every year.

The responses of the Directors to the Board of Directors' assessment questionnaire in respect of the 2021 financial year showed overall satisfaction with the standard of the Board of Directors as well as its committees, both in terms of their organisation (composition, information shared with Directors, access to information) and their operations (how well meetings and discussions are organised, relationship with Executive Management and the Chairman of the Board).

Directors are assigned clear duties. The Directors' expectations regarding the monitoring of the UP 2024 strategic plan and climate risks were stressed.

Moreover, in order to gain a better understanding of trends in the banking sector in all areas of activity, both in France and overseas, additional information is required, particularly with regards to competition.

2.8. Training of the Board of Directors

In accordance with Article L. 511-53 of the French Monetary and Financial Code, Banque Palatine endeavours to train the Directors.

The Board of Directors of Banque Palatine is composed of senior executives or employees of BPCE and of executive and non-executive officers of the Caisse d'Epargne and Banque Populaire networks.

In this respect, the Directors benefit from the training programme offered to the members of the BPCE Supervisory Board and the OCBF training programme.

During the 2021 financial year, the Directors were offered training on the following topics:

- AML-CFT: anti-money laundering – combating the financing of terrorism;
- Risk appetite framework;
- compliance issues;
- roles and responsibilities of Directors and effective managers;
- DAC6 automatic exchange of information, tax matters;
- ALM/market risk analysis;
- asset management activity;
- BCBS 239 – Module 4: the self-assessment – Module 5: the BCBS 239 toolpack
- managers webinar – annual appraisal and development programme (*parcours annuel d'appréciation et de développement* – PAAD);
- question for a BPCE SA data champion;
- digital profile quiz;
- AML essentials;
- GDPR awareness course;
- Essentials of professional ethics and the fight against corruption.

3. Functioning of the committees set up by the Board of Directors

The Board of Directors has set up four specialised committees, responsible for preparing its decisions and making recommendations, whose duties, resources and composition are specified in the framework rules of procedure of the Board of Directors.

The committee members are selected by the Board of Directors from among its members based on a proposal made by the Chairman of the Board. The term in office of Committee Members coincides with their term in office as Board members.

The Board of Directors adopted its own framework rules of procedure on 26 May 2020 which include, in addition to the rules of operation and composition, the missions of each committee.

Each committee has at least three members with voting rights selected from among the Directors on proposal of the Board's Chairman.

The members of these committees shall have the appropriate knowledge and skills to carry out the duties of the committees on which they serve. Specifically, each member of the Audit Committee and of the Risk Committee has the necessary skills to carry out their duties. Accordingly, each member of the Audit Committee and the Risk Committee undertakes to stay informed of changes in regulations relevant to the work of the Audit Committee and the Risk Committee. More generally, members of the Audit Committee and the Risk Committee have the knowledge, skills and expertise to understand and monitor the strategy and risk appetite of Banque Palatine, and at least one member of the Audit Committee has specialised financial or accounting skills.

The Heads of Risk and Compliance and Internal Audit in charge of periodic control are invited to attend meetings of the Audit Committee and the Risk Committee without voting rights.

The Chairman of the Board of Directors is invited to the Audit Committee and the Risk Committee and chairs the Appointments Committee and the Remuneration Committee.

The Chairman of the Audit Committee cannot be Chairman of the Risk Committee and vice versa.

The members of the committees are neither corporate officers nor bound to Banque Palatine by an employment contract (other than the Directors representing employees) or any other relationship of subordination. They have no business relationship with Banque Palatine other than current transactions.

The Chairman designated by the Board of Directors for each committee is responsible for organising its work.

Wherever possible, each committee meets several days ahead of a meeting of the Board of Directors to review, in advance of the Board meeting, the points falling within their remit such that the Chairman of each committee can give an exhaustive oral presentation of the committee's positions and any recommendations it may have to the Board.

3.1. Audit Committee

Composition

At 31 December 2021, Banque Palatine's Audit Committee had the following members:

- Stéphanie Clavié, representing BPCE – Member of the committee, Chairwoman;
- Lionel Baud – Member of the committee;
- Guillemette Valantin – Member of the committee;
- Christine Fabresse – Guest.

Role

The Audit Committee exercises the responsibilities provided for by the laws and regulations of the European Union.

The Audit Committee is responsible for issuing opinions to the Board of Directors on the clarity of the information provided and the relevance of the accounting methods adopted for the preparation of the individual and, where applicable, consolidated financial statements.

Banque Palatine's Executive Management is responsible for the preparation, presentation and integrity of Banque Palatine's financial statements, for compliance with the appropriate accounting and financial reporting standards and conventions, and for the internal controls and procedures ensuring compliance with the accounting standards, applicable laws and regulations.

The Statutory Auditors are responsible for planning and executing, in accordance with professional standards, the audit of Banque Palatine's annual financial statements and, where applicable, the revision of the interim financial information.

With regard to the process of preparing financial information, the Audit Committee is tasked with:

- monitoring the implementation of accounting policies by Banque Palatine;
- monitoring the process of preparing financial information and communicating recommendations to ensure its integrity.

With regard to the statutory audit of the financial statements, the Audit Committee is in particular tasked with:

- monitoring the implementation of the internal audit plan, in conjunction with the Risk Committee;
- reviewing the scope of the audit and the frequency of the statutory audit of the annual or consolidated financial statements;
- communicating to the Board of Directors information on the results of the statutory audit of the financial statements and explanations on how the statutory audit has contributed to the integrity of the financial information and on the role played by the Audit Committee in this process;
- verifying the statutory audit of the annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions of the French Prudential and Resolution Supervisory Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) and the European Central Bank. For this purpose, it examines the inspection reports of BPCE as well as those of the ACPR and the ECB for the part having a direct impact on Banque Palatine's financial statements.

Specifically, its regular areas of concern are as follows:

Budget process

The Audit Committee reviews the draft budget prepared by Executive Management as well as multi-year projections. After review, it issues a detailed opinion to the Board of Directors.

Reporting dates

The Audit Committee examines, in a timely manner, before it is presented to the Board of Directors or approved by the general meeting, Banque Palatine's annual report, including the annual parent-company financial statements (and, where applicable, the consolidated statements) and the management report.

The Audit Committee also reviews the half-year report, which includes the half-year consolidated financial statements of Banque Palatine for the Board of Directors.

Finally, the Audit Committee also reviews the IFRS financial statements (annual, interim and quarterly) which are sent to BPCE at the appropriate times.

Statutory Auditors

The Audit Committee, at the time of renewal or selection of the Statutory Auditors, conducts a call for tenders and issues an opinion on the choice or renewal of Banque Palatine's Statutory Auditors, in accordance with BPCE's instructions.

The Audit Committee reviews the Statutory Auditors' work programme, the results of their verifications and their recommendations, as well as the follow-up given to them.

It guarantees the independence of the Statutory Auditors, notably by reviewing audit fees paid and by monitoring the provision of services not related to the legal audit.

It also reviews proposals for consultancy projects to be carried out by the Statutory Auditors that exceed one-third of the annual fees paid to the Statutory Auditors.

The Audit Committee can require information from the Statutory Auditors on any issue relating to their duties.

Activities

The Audit Committee met four times in 2021 with an average attendance rate of 100%.

The main topics covered at the meetings were:

- the review of the quarterly, half-year and annual financial statements and the bank's financial position;
- the draft Board of Directors' management report on the annual and half-year financial statements;
- the review of the draft annual report;
- the setting and review of the budget, the updated budget and the multi-year plan;
- the additional report of the Statutory Auditors on the annual financial statements;
- the Statutory Auditors' fees;
- the presentation of the Statutory Auditors' annual audit plan;
- the presentation of the conclusions of the Statutory Auditors regarding the annual and interim financial statements;
- an update on the mandates of the Statutory Auditors;
- an update on the half-year cost of risk;
- the review of the findings by the Audit Committee of Banque Palatine's fully controlled subsidiary Palatine Asset Management, as regards the accounting-related matters.

3.2. Risk Committee

Composition

At 31 December 2021, Banque Palatine's Risk Committee had the following members:

- Bruno Goré – Chairman
- Hélène Madar – Member of the committee
- CEPAC, represented by Didier Moaté – Member of the committee
- Christine Fabresse – Guest

The committee reports regularly to the Board of Directors on the progress of its work and reports any difficulties promptly.

Role

The Risk Committee issues opinions to the Board of Directors on the quality of the internal control and in particular the consistency of the risk measurement, monitoring and control systems, and proposes additional measures, where required.

Pursuant to Articles L. 511-92 *et seq*. of the French Monetary and Financial Code and the Order of 3 November 2014 on internal control of banking firms (the Order), the Risk Committee is also responsible for assessing the effectiveness of the internal control systems.

Its main duties are as follows:

Permanent controls:

- regularly review, and at least twice annually, the strategies, policies, procedures, systems, tools and limits mentioned in Article 148 of the Order and the underlying assumptions and report its conclusions to the Board of Directors;
- review the global risk exposures of Banque Palatine based on the relevant reporting statements;
- review the bank's compliance with the regulations of the French law on separation and regulation of banking activities and the Volcker Rule;
- examine various possible scenarios, including stress scenarios, in order to assess how the institution's risk profile would react to external and internal events;
- advise the Board of Directors on Banque Palatine's overall strategy and risk appetite, both current and future, and to assist the Board when it monitors the implementation of this strategy by the Chief Executive Officer and the Deputy CEO and by the head of the risk management function;
- assist the Board of Directors when it monitors the implementation of the institution's capital and liquidity management strategies as well as other relevant risks, such as market risk, credit risk and operational risk (including legal and IT risks) and reputational risk, in order to assess their adequacy against the risk appetite and risk strategy that have been approved;
- support the Board of Directors in its regular review of the policies enacted to comply with the Order, and assess the effectiveness of measures and procedures put in place for the same end and of the corrective measures implemented in response to shortcomings;
- review the annual reports on risk measurement and monitoring and on the internal control system;
- propose to the Board the criteria and thresholds described in Article 98 of the Order for identifying incidents that must be reported to the Board;
- oversee the follow-up to the conclusions of inspections by the ACPR and/or the ECB and of internal audits, a summary of which will be sent to it;
- review the follow-up letters sent by the ACPR and/or ECB and issue an opinion on the projects initiated in response to such letters;
- review, as part of its mission, whether the price of its products and services (mentioned in Books II and III of the French Monetary and Financial Code: financial instruments, savings products, banking transactions, investment services, etc.) offered to customers are compatible with Banque Palatine's risk strategy and, if not, to present to the Board of Directors a remediation action plan;
- review whether the incentives envisaged by Banque Palatine's remuneration policy and practice are compatible with the risk position to which Banque Palatine is exposed, with its capital, with its liquidity and with the probability and timing of expected benefits.

Periodic controls:

- oversee the independence of internal audits, being authorised to demand or access all documents, systems and other information necessary for the proper conduct of its work;
- review the multi-year internal audit plan and its implementation.

In addition, the Chief Executive Officer informs the Risk Committee of:

- the appointment of the heads of risk management, compliance and internal audit who report to him or her on the performance of their duties;
- the results of their analyses of the adequacy of the liquidity risk measurement and management procedures, systems, tools and limits with changes in the liquidity situation;
- the essential elements and the main lessons that can be drawn from the analysis and monitoring of the risks associated with the business and the results to which Banque Palatine and, where applicable, the Group are exposed;

- the measures taken to ensure business continuity and the assessment of the effectiveness of the systems in place;
- the measures taken to ensure the control of outsourced activities and any resulting risks for Banque Palatine.

More generally, the Risk Committee is kept informed by the Chief Executive Officer, the Statutory Auditors, the managers responsible for permanent risk control and compliance, as well as by the Director in charge of periodic control of:

- the results of market risk and overall interest rate risk measurements in order to assess Banque Palatine's risks;
- the measurement of settlement-delivery risk and the decisions taken by the effective managers to hedge liquidity risks;
- the conclusions of the reviews and analyses of the liquidity risk referred to in Articles 148 *et seq*. of the Decision;
- the results of the alternative crisis scenarios conducted pursuant to Article 168 of the Decision and the actions taken, where applicable;
- significant incidents with regard to the criteria and thresholds provided for by the risk analysis and measurement systems;
- significant anomalies detected by the anti-money laundering and terrorist financing monitoring and analysis system, as well as the shortcomings of this system.

Activities

The Risk Committee met four times in 2021 with an average attendance rate of 100%.

The main topics covered at the meetings were:

- the quarterly report on risk, compliance and internal audit;
- the review of the report on Risk management;
- the review of the internal control report;
- the review of the AML RACI;
- the review of the audit department's audit plan and annual budget;
- the update of the risk appetite system, reporting and changes in RAF indicators;
- the review of the findings relating to the internal control of the Audit Committee of Banque Palatine's fully controlled subsidiary Palatine Asset Management;
- the quarterly cost of risk and review of significant files;
- the appointment of the Chief Risk and Compliance Officer;
- the ACPR flash mission;
- an update on fraud to the Chairman;
- the mapping of non-financial risks in the statement on non-financial performance;
- the recalibration of LGDs;
- the collection policy;
- the risk policy;
- a review of the multi-year audit plan for 2022-2025;
- the macro-risk mapping.

3.3. Appointments Committee

Composition

The committee has a chairwoman and two members, all of whom were selected from among the Directors. The Appointments Committee is chaired by the Chairwoman of the Board of Directors.

At 31 December 2021, this committee had the following members:

- Christine Fabresse – Chairwoman
- Bruno Goré – Member of the committee
- BPCE, represented by Stéphanie Clavié – Member of the committee

Role

The Appointments Committee formulates proposals and recommendations concerning the candidates for the position of effective manager and the candidates qualified to exercise the functions of Director with a view to proposing their candidacy to the General Meeting.

This rule does not apply to candidates for the office of Director representing employees.

The Appointments Committee is also responsible for the ongoing assessment of the individual and collective qualities of the effective managers and members of the Board of Directors.

With regard to the appointment and selection mission:

The Appointments Committee assists and makes recommendations to the Board of Directors for the development of a policy for the assessment of the suitability of Directors and effective managers, as well as an appointment and succession policy which it reviews periodically.

The Appointments Committee must verify the suitability of the candidates for the position of effective manager and of the candidates for the office of Director in accordance with the appointment policy and the suitability policy drawn up by the Board of Directors.

To this end, the Appointments Committee specifies in particular:

- the duties and qualifications required for the duties of an effective manager and the duties performed on the Board of Directors;
- the evaluation of the time to be devoted to these functions;
- the objective to be achieved with regard to the balanced representation of women and men on the Board of Directors.

Concerning the assessment mission:

In accordance with the suitability assessment policy developed by the Board of Directors, the Appointments Committee:

- assesses the balance and diversity of knowledge, skills and experience held individually and collectively by the candidates for the position of effective manager and candidates for the office of Director;
- assesses periodically, and at least once a year:
  - the structure, size, composition and effectiveness of the effective management and the Board of Directors with regard to the missions assigned to them and submits to the Board all useful recommendations of internal controls and procedures to ensure compliance with accounting standards, applicable laws and regulations,
  - the knowledge, skills and experience of the effective managers and Directors, both individually and collectively, and reports to it,
- recommends, when necessary, training aimed at guaranteeing the individual and collective aptitude of the effective managers and Directors.

Lastly, the Appointments Committee ensures that the Board of Directors is not dominated by one person or a small group of people in conditions that are detrimental to the interests of the bank.

The Appointments Committee has the necessary resources to perform its duties and may call on external advisors (Article L. 511-101 of the French Monetary and Financial Code).

Activities

The Appointments Committee met three times in 2021 with an attendance rate of 100%.

The main topics covered at the meetings were:

- the review of the remuneration section of the corporate governance report;
- the resignation of two Directors and the proposed co-option of two Directors;
- the opinion on the good repute and any incompatibilities of the candidates for the office of Director on the basis of their fit and proper file;
- the proposal for the appointment of the two new Directors to the specialised committees of the Board of Directors;
- the chairmanship of the Audit Committee and the Risk Committee;
- the review of the draft questionnaire for self-assessment by the members of the Board of Directors;
- the individual assessment of Board members and skills mapping;
- the schedule of training for Directors in 2021;
- the opinion on the good repute and any incompatibilities of the candidate for the position of Chief Executive Officer on the basis of his or her fit and proper file.

3.4. Remuneration Committee

Composition

The committee has a chairwoman and three members, all of whom were selected from among the Directors. The Appointments Committee is chaired by the Chairwoman of the Board of Directors.

At 31 December 2021, this committee had the following members:

- Christine Fabresse – Chairwoman
- Lionel Baud – Member of the committee
- Hélène Madar – Member of the committee
- CEPAC, represented by Didier Moaté – Member of the committee

Role

The Remuneration Committee provides guidance for decisions by the Board of Directors on remuneration systems.

In this role, it is responsible for putting proposals to the Board concerning:

- the level and methods of remuneration of the effective managers of Banque Palatine, namely: the level of the fixed portion; the level of the variable portion; the benefits in kind; as well as all provisions relating to their retirement and welfare plan. Accordingly, the Remuneration Committee takes into account the targets for the current year and any potential events affecting risk and risk management within Banque Palatine. The committee also assesses the degree to which targets have been achieved and criteria satisfied for the payment of the variable remuneration and makes proposals accordingly to the Board of Directors;
- the committee deliberates without the presence of the effective managers on matters concerning them;
- the systems for allocating Directors' fees among the Directors and, where applicable, members of the Board Committees, and the total amount of such remuneration which is put to the vote at the Banque Palatine General Meeting of Shareholders.

Moreover, the Remuneration Committee also:

- carries out an annual review of:
  - the principles underlying Banque Palatine's remuneration policy,
  - the remuneration, termination benefits and benefits of any kind granted to Banque Palatine's corporate officers,
  - the remuneration policy for employees of all categories, including Executive Management, risk-takers, persons exercising control functions and any employee whose total income puts them in the same class of remuneration and whose professional activities have a significant effect on Banque Palatine's risk profile;
- directly controls the remuneration of the Head of Risk Management as mentioned in Article L. 511-64 of the French Monetary and Financial Code and of the Head of Compliance;
- regularly reports on its work to the Board of Directors;
- issues an opinion on any report dealing with remuneration;
- reviews and issues an opinion on the civil liability insurance policies taken out by Banque Palatine on behalf of its senior executives.

Generally, it reviews any issue put to it by the Chairman of the Board of Directors relating to any of the matters listed above.

Each year, the committee receives details of the remuneration received by the effective managers, namely: fixed remuneration, variable remuneration, benefits in kind, remuneration received for the offices held.

Activities

The committee met three times in 2021 with an attendance rate of 100% to deliberate concerning:

- the review of the achievement of the targets set for the variable remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer;
- the definition of the criteria calculating the variable remuneration of the Chief Executive Officer and the Deputy CEO;
- the principles applicable to variable remuneration;
- the final allocation of deferred variable remuneration;
- the review of the composition of the regulated population, their remuneration and the MRT report;
- the review of total remuneration of corporate officers;
- the review of the remuneration section of the corporate governance report;
- the review of the remuneration policy;
- the background on the elements of remuneration of the Chief Executive Officer and the Deputy CEOs;
- information on the Article 266 report of the Decision of 3 November 2014;
- the review of the remuneration of the Chief Risk and Compliance Officer and the Head of Internal Audit;
- the modification of the Chief Executive Officer's GSC contract;
- the payment of an additional incentive scheme in respect of 2020;
- the civil liability insurance policies taken out on behalf of senior executives.

4. Executive Management

At its meeting on 14 February 2014, the Board of Directors opted to separate the positions of Chairman and Chief Executive Officer.

The Board of Directors meeting of 26 May 2020 again opted for this separation when the Chairwoman of the Board of Directors was renewed.

Pursuant to Article L. 512-107 of the French Monetary and Financial Code, the appointment and reappointment of the Chief Executive Officer is subject to the approval of BPCE SA, the central body and shareholder.

The Chief Executive Officer is not a Director of the company. He or she is appointed for a period of five years. The Chief Executive Officer may be removed from office by the Board of Directors at any time.

In accordance with Article 17 of the Articles of Association, the Chief Executive Officer holds the broadest powers to act on behalf of the company in all circumstances. He or she exercises this authority within the restrictions set by the corporate objects and subject to the authority expressly granted by law to General Meetings of the shareholders and the Board of Directors. He or she represents the bank in relations with third parties. The Board of Directors did not set any restrictions on his or her powers in the Board of Directors' framework rules of procedure. Even so, any significant transaction departing from the strategy communicated requires the Board of Directors' prior approval.

The Chief Executive Officer may partially delegate his or her powers to any proxy, with or without the option of substitution.

Internally, the Deputy Chief Executive Officer hold the aforementioned powers to perform the duties with which he or she is entrusted. He or she may subdelegate these powers to third parties, each in their area of expertise and for one or more specific transactions or categories of transactions.

The remuneration of the Deputy Chief Executive Officer is set by the Board of Directors.

When the Chief Executive Officer reaches the end of his or her term of office or is prevented from performing his or her duties, the Deputy CEO, unless the Board of Directors decides otherwise, retains his or her duties and responsibilities until a new CEO is appointed.

At 31 December 2021, the Executive Management was made up of:

Members of executive management	Age	Date of appointment	Expiry date of appointment
Christine JACGLIN			
Chief Executive Officer	57 years	21/10/2019	06/11/2024
Patrick IBRY			
Deputy Chief Executive Officer	58 years	14/02/2019	14/02/2024

4.1. Effective managers

At 31 December 2021, Christine Jacglin and Patrick Ibry were the effective managers of Banque Palatine.

In this capacity, they safeguard and assume full and complete responsibility for the following activities vis-à-vis the supervisory authorities and the ACPR in particular:

- determining the strategic direction of Banque Palatine;
- accounting and financial information;
- internal control;
- determining equity.

Patrick Ibry and Christine Jacglin *– Photograph: © Arnaud Février*

4.2. Executive Management Committee

At 31 December 2021, the Executive Management Committee was composed of the members of the Executive Management, plus the Head of Resources and Services, the Head of Finance and Banking, and the head of Development. As of this date, it includes three women out of a total of five members, *i.e.* a proportion of 60%.

From left to right: Khaled Souchi, Matthieu Godefroy, Marie Rouen, Louis Vrac, Christine Jacglin, Cécile Saliceti, Patrick Ibry, Philippe Pettini, Sylvie Ferrier, Henri Gallon, Emmanuelle Lucas, Jennifer Mercadal

Members of the Extended General Management Committee in charge of developing and monitoring the UP 2024 strategic plan

5. Agreements

Banque Palatine participates as a member of various economic interest groups of Groupe BPCE, shareholder of the bank.

Regulated agreements

This report must disclose related-party agreements entered into with any of the bank's corporate officers or shareholders holding over 10% of the voting rights and with any business under its control according to the definition under Article L. 233-3 of the French Commercial Code.

The following agreements fall within the aforementioned category:

- Agreements with senior executives:

It is recalled that the agreements attached to the remuneration of the Chief Executive Officer and the Deputy Chief Executive Officer were not reviewed in 2021 except for the formula for affiliation to the unemployment insurance scheme of the *Garantie sociale des chefs d'entreprise* for the Chief Executive Officer.

Chief Executive Officer:

- covered by the unemployment scheme for business leaders (*Garantie sociale des chefs d'entreprise* – GSC),
- remuneration maintained for 24 months in the event of temporary inability to work,
- benefit paid in the event of enforced departure from office or retirement,
- enrolment in the defined-benefit supplementary pension scheme, the Groupe BPCE Executive Officers' pension plan,
- covered by supplementary social security scheme (BPCE Mutuelle mutual health insurance and Klésia supplementary pension plan),
- measures to support mobility.

Deputy Chief Executive Officer:

- retirement benefits,
- unemployment insurance,
- remuneration maintained for 12 months in the event of temporary inability to work,
- covered by supplementary social security schemes (BPCE Mutuelle mutual health insurance and Klésia supplementary pension scheme).

The Chief Executive Officers and Deputy CEO of Banque Palatine were also eligible, subject to the same conditions as Banque Palatine's employees, for the defined-contribution pension plan applicable to senior executives (Klésia). This scheme, which was modified following the merger of AGIRC and ARRCO on 1 January 2019, is funded by a contribution of:

- tranche A remuneration: 10.16% (7.62% payable by Banque Palatine and 2.54% payable by the Chief Executive Officer and the Deputy CEO),
- tranche B remuneration: 9.45% (7.09% payable by Banque Palatine and 2.36% payable by the Chief Executive Officer and the Deputy CEO).

For the 2021 financial year, the amount of Klésia contributions (employee and employer) paid by Banque Palatine for the benefit of the Chief Executive Officer and the Deputy CEO was as follows:

- Patrick Ibry from 1 January to 31 December 2021: €15,840.24;
- Christine Jacglin from 1 January to 31 December 2021: €15,840.24.

- Agreements with shareholders and their subsidiaries
  - the existing billing agreement between BPCE SA and Banque Palatine, signed on 5 March 2012,

    The purpose of this agreement is to set the amount of the fees to be paid for the services provided by BPCE SA within the context of the affiliation of Banque Palatine with Groupe BPCE. The financial effect of this agreement in 2021 was €3,095 million,
  - the compensation agreement entered into with Natixis SA, signed 16 February 2016, and its amendment signed 22 February 2017, as part of the transfer of the custodian activity to Natixis Titres and Caceis. The financial effect of this agreement in 2021 was €345 thousand.

6. Structure of share capital and participation of shareholders at General Meetings

6.1. Share capital structure

BPCE SA, the central body of the Caisse d'Epargne and Banque Populaire banking group, holds all the share capital of Banque Palatine. Both networks own an equal share in BPCE, the Group's central body.

BPCE implemented consumer loans each having 10 shares of Banque Palatine for the Directors appointed by the shareholders.

To the best of the company's knowledge, there are no direct or indirect agreements between the shareholders.

6.2. General Meeting

No particular arrangements are applicable to shareholders' participation at general meetings.

A General Meeting of Shareholders is called and meets in accordance with the regulations in force. It deliberates on issues listed on the agenda as provided for in law.

The General Meeting is chaired by the Chairman of the Board of Directors or, in his or her absence, by a Director specially appointed for this purpose by the Board of Directors. Failing that, the meeting elects its own Chairman.

Shareholders participating at a general meeting by means of videoconferencing or any other telecommunications-based system permitting their identification in accordance with Article L. 225-107 of the French Commercial Code are deemed present for the purpose of calculating the quorum and majority requirements.

Decisions made at a general meeting are recorded in the minutes kept in a special register.

Decisions made by the general meeting can be evidenced vis-à-vis third parties using copies or excerpts certified as true and accurate copies by the Chairman of the Board of Directors or any other person referred to in Article R. 225-108 of the French Commercial Code.

Ordinary general meetings are those convened to make any decisions that do not involve amendment of the Articles of Association.

Extraordinary general meetings are those convened to make decisions or authorise direct or indirect amendments to the Articles of Association.

There are no provisions in the Articles of Association restricting the right to vote and the transfer of shares.

There is no valid delegation granted by the General Meeting of Shareholders in the area of capital increases.

7. Rules and principles governing the calculation of remuneration and benefits

7.1. Remuneration of the Directors and Committee Members

With the exception of the Chairmen of the Board and of the specialised committees who receive a fixed annual remuneration *pro rata temporis,* the Directors receive a sum in remuneration for their activity based on their actual presence. The total amount of this remuneration is voted on by the General Meeting and the allocation of this amount is decided upon by the Board of Directors based on the recommendations of the Remuneration Committee.

The annual remuneration due is paid in December of each year.

The General Meeting of 20 May 2021 set the total annual amount for this remuneration at €134,500 for the current financial year. The Board of Directors meeting of 10 December 2021 maintained the distribution of this budget, according to the methods listed below, subject to presence conditions:

For the Board of Directors:

- Chairman of the Board of Directors: €31,000;
- Director: €1,500 per meeting subject to a cap of €7,500 p.a.

For the Audit Committee:

- Chairman of the Audit Committee: €1,000 p.a.;

- Member of the Audit Committee: €500 per meeting subject to a cap of €2,000 p.a.[1].

For the Risk Committee:

- Chairman of the Risk Committee: €1,000 p.a.;
- Member of the Risk Committee: €500 per meeting subject to a cap of €2,000 p.a.[1].

For the Remuneration Committee:

- Chairwoman of the Remuneration Committee: €1,000 p.a.;
- Member of the Remuneration Committee: €500 per meeting subject to a cap of €1,500 p.a.[1].

For the Appointments Committee:

- Chairwoman of the Appointments Committee: €1,000 p.a.;
- Member of the Appointments Committee: €500 per meeting subject to a cap of €1,500 p.a.[1].

For the Chairman of the Board of Directors and the permanent representative of BPCE, the related remuneration is paid in full to BPCE SA, in accordance with Groupe BPCE's guidelines.

For the Directors representing the employees, the related remuneration is paid in full to the union to which these Directors belong.

There are no agreements concerning indemnity in the event of resignation of a Director, even if it occurs due to public offering or share exchange.

Directors' remuneration

The following table summarises the remuneration paid by Banque Palatine and its subsidiaries.

Amounts due in 2020: all remuneration due, on a *pro rata temporis* basis, in respect of duties performed during the 2020 financial year, regardless of the date of payment.

Amounts paid in 2020: all amounts actually paid and received in 2020 (those due in 2019 and paid in 2020 and those due in 2020 and paid in 2020) in respect of duties performed during the period.

Amounts due in 2021: all remuneration due, on a *pro rata temporis* basis, in respect of the duties performed during the 2021 financial year, regardless of the date of payment.

Amounts paid in 2021: all amounts actually paid and received in 2021 (those due in 2020 and paid in 2021 and those due in 2021 and paid in 2021) in respect of duties performed during the period.

NA: not applicable.

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Christine Fabresse	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration (corporate office)	NA	NA	NA	NA
Variable remuneration	NA	NA	NA	NA
Exceptional remuneration	NA	NA	NA	NA
Remuneration of Board members*	€0	€0	€0	€0
Benefits in kind	NA	NA	NA	NA
	NA			
Other remuneration		NA	NA	NA

* *Paid to BPCE.*

	Amounts in respect of the 2021 financial year *		Amounts in respect of the 2020 financial year	
Lionel Baud	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	NA	NA	N/A	N/A
Variable remuneration	NA	NA	N/A	N/A
Exceptional remuneration	NA	NA	N/A	N/A
Remuneration of Board members*	€2,500	€2,500	N/A	N/A
Benefits in kind	NA	NA	N/A	N/A
Other remuneration	NA	NA	N/A	N/A

* *From 1 October 2021.*

(1) *Excluding the Chairman's remuneration.*

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Maurice Bourrigaud	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members	€9,250	€9,250	€9,000	€11,500
Benefits in kind	N/A	N/A	N/A	N/A

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Stéphanie Clavié	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	NA	NA	NA	NA
Variable remuneration	NA	NA	NA	NA
Exceptional remuneration	NA	NA	NA	NA
Remuneration of Board members*	€0	€0	€0	€0
Benefits in kind	NA	NA	NA	NA
Other remuneration	NA	NA	NA	NA

* *Paid to BPCE.*

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Bruno Goré	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members	€11,250	€11,250	€7,500	€7,500
Benefits in kind	N/A	N/A	N/A	N/A

	Amounts in respect of the 2021 financial year *		Amounts in respect of the 2020 financial year	
Hélène Madar	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members*	€2,500	€2,500	N/A	N/A
Benefits in kind	N/A	N/A	N/A	N/A
Other remuneration	N/A	N/A	N/A	N/A

* *From 1 October 2021.*

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year *Pro rata temporis*	
Nadia Mauzelaf	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members*	€0	€0	€0	€0
Benefits in kind	N/A	N/A	N/A	N/A

* *Paid to the union to which she belongs.*

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year *Pro rata temporis*	
Didier Moaté	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members	€11,000	€11,000	€5,500	N/A
Benefits in kind	N/A	N/A	N/A	N/A

	Amounts in respect of the 2021 financial year *Pro rata temporis*		Amounts in respect of the 2020 financial year	
Marie Pic-Pâris Allavena	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members	€7,750	€7,750	€13,000	€14,000
Benefits in kind	N/A	N/A	N/A	N/A

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Guillemette Valantin	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	N/A	N/A	N/A	N/A
Variable remuneration	N/A	N/A	N/A	N/A
Exceptional remuneration	N/A	N/A	N/A	N/A
Remuneration of Board members*	€0	€0	€0	€0
Benefits in kind	N/A	N/A	N/A	N/A

* *Paid to the union to which she belongs.*

7.2. Remuneration of the members of Executive Management

The remuneration of the members of Executive Management is determined by the Board of Directors on the recommendation of the Remuneration Committee.

Fixed remuneration

The Chief Executive Officer is paid exclusively for her corporate office.

The Deputy Chief Executive Officer holds a corporate office and an employment contract. Their remuneration breaks down as 90% under their employment contract, and 10% in respect of the corporate office, car and/or housing benefits.

Arrangements for determining variable remuneration

The criteria and amount of the variable remuneration of the Chief Executive Officer and the Deputy CEO are set by the Board of Directors on the recommendation of the Remuneration Committee.

In 2021, the variable remuneration of the Chief Executive Officer and the Deputy CEO was based on:

- quantitative criteria: cost/income ratio, capacity to generate profits, net revenue before tax/economic FTE; in the event of a loss in the financial year, all the quantitative criteria are deemed not met for the Chief Executive Officer and the Deputy CEO;
- qualitative criteria: strategic thinking, new risk policy, equality index;
- a regulatory criterion: the risk appetite system and the specific DRC;
- the profit or loss of BPCE.

And are weighted as follows:

		Theoretical maximum
A	**Criteria linked to the results of Groupe BPCE**	**30%**
B	**Criteria related to the bank's results**	**70%**
	B1 Quantitative criteria	30%
	Cost/income ratio	10%
	Capacity to generate profits	10%
	economic NBI/FTE	10%
	B2 Qualitative and CSR criteria	30%
	Strategic thinking	15%
	New risk policy	10%
	Equality index	5%
	B3 Regulatory criteria	10%
	RAF	5%
	DRC Individuals	5%
	GRAND TOTAL	**100%**

The rules regulating variable remuneration apply when the amount of the variable remuneration awarded in respect of a financial year is greater than or equal to a threshold set, since 2021, at €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

Where the variable remuneration granted in respect of year 2021 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made in March or April 2022;
- 10% of the amount vests and is paid the following year after application of the indexation coefficient in March or April 2023;
- 40% of the amount is deferred and is paid in fifths, no earlier than 1 October of the years 2023 to 2027. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition.

Chief Executive Officer

The amount of variable remuneration is equal to 80% of fixed remuneration when a 100% performance rate is attained. In any event, the variable portion allocated for the financial year may not exceed 100% of fixed remuneration.

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

Deputy Chief Executive Officer

The amount of the variable remuneration is equal to 50% of the fixed remuneration when a 100% performance rate is attained. In any event, the variable portion allocated for the financial year may not exceed 62.50% of the fixed remuneration.

Where appropriate, this variable remuneration is reduced by the amount of any employee incentive and/or profit-sharing payments received.

Remuneration of the Chief Executive Officer and the Deputy CEO

The tables below show the remuneration paid by Banque Palatine and its subsidiary, Palatine Asset Management, in respect of the offices held on its Board and Audit and Risk Committee.

Amounts due in 2020: all remuneration due, on a *pro rata temporis* basis, in respect of duties performed during the 2020 financial year, regardless of the date of payment.

Amounts paid in 2020: all amounts actually paid and received in 2020 (those due in 2019 and paid in 2020 and those due in 2020 and paid in 2020) in respect of duties performed during the period.

Amounts due in 2021: all remuneration due, on a *pro rata temporis* basis, in respect of the duties performed during the 2021 financial year, regardless of the date of payment.

Amounts paid in 2021: all amounts actually paid and received in 2021 (those due in 2020 and paid in 2021 and those due in 2021 and paid in 2021) in respect of duties performed during the period.

NC: not concerned.

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Christine Jacglin	**Due**	**Due**	**Due**	**Paid**
Fixed remuneration	€325,000	€325,000	€325,000	€50,298
Variable remuneration	€260,000	€292,500	€260,000	€38,880
Remuneration of Board members	NC	NC	NC	NC
Housing allowance	NC	NC	NC	NC
Benefits in kind	-	€22,380	-	€24,283

	Amounts in respect of the 2021 financial year		Amounts in respect of the 2020 financial year	
Patrick Ibry	**Due**	**Paid**	**Due**	**Paid**
Fixed remuneration	€205,000	€205,000	€205,000	€205,000
Variable remuneration	102,500 €	€107,896	€102,500	€82,554
Profit-sharing and incentive plans	-	€7,417	-	€22,304
Remuneration of Board members	€32,250	€32,250	€20,500	€6,825
Benefits in kind		€8,667	-	€13,598

In addition, in 2021, it is specified that:

- concerning the Executive Directors:
  - no share subscription or purchase options have been granted (AMF Table No. 4),
  - no stock subscription or purchase options were exercised (AMF Table No. 5),
  - no performance shares were allocated (AMF Table No. 6),
  - no performance shares became available (no allocation of this type of share) (AMF Table No. 7),
  - no share subscription options, share purchase options or free shares were granted during the financial year (AMF Table No. 8);
- concerning the bank's top ten employees who are not corporate officers:
- no subscription or purchase options were granted or exercised by the bank's top ten employees (AMF Table No. 9).

AMF Table No. 10 – Post-employment benefits awarded to Executive Directors

Names of Executive Directors	Start of term in office	End of term in office	Employment contract	Supplementary pension plans	Payments or benefits due or potentially due owing to sale or change in duties	Compensation relating to a noncompete clause
Christine JACGLIN Chief Executive Officer	06/11/2019	31/12/2021	No	KLESIA: pay-as-you-go system ALLIANZ: defined-benefit pension	GSC: unemployment insurance for business leaders Enforced loss of office benefit	No
Patrick IBRY Deputy Chief Executive Officer	14/02/2019	14/02/2024	Yes	KLESIA: pay-as-you-go system	No	No

Pursuant to the provisions of the Pacte Act the appended table sets out the average remuneration of the Chairwoman of the Board of Directors, the Chief Executive Officer and each Deputy CEO as a ratio of the mean remuneration of the company's non-executive employees, on a full-time equivalent basis, in at least the five most recent years, presented together for the purposes of comparison.

	2017	2018	2019	2020	2021
Chairwoman of the Board of Directors (CBD)*	0	0	0	0	0
Chief Executive Officer (CEO)	€290,000	€290,000	€295,833	€325,000	€325,000
Deputy Chief Executive Officer (DCEO)	€205,000	€205,000	€205,000	€205,000	€205,000
Permanent employees: mean salary	€48,101	€48,765	€50,146	€50,747	€52,673
CBD/employee ratio	0	0	0	0	0
CEO/employee ratio	6.03	5.95	5.87	6.44	6.14
DCEO/employee ratio	4.26	4.20	4.07	4.06	3.89

* *No remuneration in respect of the office: only an allowance in respect of the office paid separately to BPCE.*

The table below sets out the remuneration of the Chairwoman of the Board of Directors, the Chief Executive Officer and each Deputy CEO as a ratio of the median remuneration of the company's employees, on a full-time equivalent basis, and corporate officers in at least the five most recent years, presented together for the purposes of comparison.

	2017	2018	2019	2020	2021
Chairwoman of the Board of Directors (CBD)	0	0	0	0	0
Chief Executive Officer (CEO)	€290,000	€290,000	€295,833	€325,000	€325,000
Deputy Chief Executive Officer (DCEO)	€205,000	€205,000	€205,000	€205,000	€205,000
Median salary of employees on permanent contracts	€43,407	€44,357	€45,561	€46,081	€47,000
CBD/employee ratio	0	0	0	0	0
CEO/employee ratio	6.68	6.54	6.49	7.05	6.91
DCEO/employee ratio	4.72	4.62	4.50	4.45	4.36

Employment contract of the Deputy Chief Executive Officer

The Deputy Chief Executive Officer, Patrick Ibry, has an employment contract.

The substance of these contracts is reflected particularly in the reporting relationship with respect to the Chief Executive Officer, and furthermore, true technical functions exist that are separate from the corporate office of the Deputy Chief Executive Officer and the employment contract of the Head of Finance.

Its missions are, although the list is not exhaustive:

- draw up the bank's commercial policy;
- develop the commercial objectives of the entire network and those of the teams within his scope;
- manage and manage the commercial activity;
- support the management of the commercial relationship;
- manage the teams within his scope on a daily basis;
- overseeing the organisation's internal projects for change within the defined scopes;
- report on his activities to his Chief Executive Officer and report on the results achieved.

The employment contract provides benefits of: restaurant vouchers, days off for working time reduction, unemployment and conventional severance/retirement pay, thirteenth month bonus, working time accounts, incentives and variable remuneration.

In the context of the concurrent holding of an employment contract and corporate office, the Deputy Chief Executive Officer does not receive restaurant vouchers and days off for working time reduction, and partially receives a working time account (only for the paid leave portion); special treatment of the variable remuneration is also carried out due to a deduction for the Deputy CEO's participation in profit-sharing and incentive plans.

Remuneration received in respect of offices held

In accordance with the standards set by Groupe BPCE, remuneration paid in respect of offices held within the Group's companies may be paid directly to the members of the Boards of Directors or Supervisory Boards of those companies.

Benefits in kind

Company car: amounting to the lesser of 40% of the total annual car rental cost and 12% of the car purchase price.

Housing allowance: flat-rate calculation based on the number of rooms and remuneration.

Chief Executive Officer

As a corporate officer, the Chief Executive Officer is entitled to the benefits associated with this status, in particular:

- the unemployment scheme for business leaders (*Garantie sociale des chefs d'entreprise* – GSC). 100% of this contribution is payable by Banque Palatine;
- the supplementary social security scheme cover (BPCE Mutuelle mutual health insurance, Klésia personal protection and supplementary pension scheme introduced for K and HC employees of Banque Palatine);
- the defined-benefit supplementary pension plan for senior executives of Groupe BPCE;
- the remuneration maintained for 24 months in the event of temporary inability to work;
- the benefit paid in the event of enforced departure or retirement based on the provisions applicable to senior executives of Groupe BPCE;
- the measures to support mobility.

Benefit in the event of enforced departure

For the Chief Executive Officer: Criteria for the payment of enforced departure benefit

The enforced departure benefit is payable to executives and former executives of the Banque Populaire banks and Caisse d'Epargne. Christine Jacglin is eligible for it due to her transfer within the Group.

The enforced departure benefit is only payable to senior executives without an employment contract whether it is "active" or suspended.

The benefit is only payable in the event of enforced departure (dismissal by the governing body or withdrawal of approval by the governing body or enforced resignation or if not reappointed by the governing body) other than for serious misconduct or transfer within Groupe BPCE.

Payment of the enforced departure benefit causes the former Director to lose any entitlement to the specific supplementary pension schemes or to the retirement benefit that he or she may otherwise have claimed.

The enforced departure benefit is not payable if the executive leaves the Group on their own initiative.

In the event of a transfer within Groupe BPCE under an employment contract, notification of the termination of this employment contract more than 12 months after the enforced departure, carries a right, except in the event of gross or wilful misconduct, to payment of merely the redundancy benefit laid down in the applicable collective agreement. Conversely, should notification that this employment contract has been terminated come less than 12 months after his or her enforced departure, termination gives a right, except in the event of gross negligence or wilful misconduct, to payment of the enforced departure benefit, less any benefit paid in respect of termination of the employment contract.

Amount of enforced departure benefit

In this paragraph, the enforced departure is assumed to take effect in year N.

The enforced departure benefit is payable only if the company generated a positive net income for accounting purposes over the most recent financial year preceding the enforced loss of the relevant corporate office (year N-1).

The reference monthly remuneration used for the calculation is equal to 1/12th of the aggregate fixed remuneration (not including any specific uprating or benefits in kind) paid in respect of the most recent calendar year of service (N-1) and the mean variable remuneration (whether paid immediately or deferred) in respect of the three most recent calendar years of service (N-1, N-2, N-3).

The remuneration used to calculate the reference remuneration consists of the amounts paid in respect of the relevant corporate office within Banque Palatine and any previous office within a Banque Populaire bank or Caisse d'Epargne.

In cases where the mean variable remuneration in respect of the three most recent calendar years of service cannot be calculated, the weighted average is calculated over the reduced period.

In cases where fixed remuneration cannot be calculated for the last calendar year, fixed remuneration is annualised.

In cases where the senior executive took up his or her position at a Group entity (Banque Palatine, Banque Populaire or Caisse d'Epargne) in year N, the reference remuneration is set following discussions between the governing body and the central body.

The amount of enforced departure benefit is equal to:

Monthly reference remuneration × (12 months + 1 month per year of service within the Group).

The length of service within the Group is calculated in years and fractions thereof.

The amount of the benefit is capped at 24 times the reference monthly remuneration, which is earned through 12 years of service with the Group.

Should at least 50% of the maximum variable remuneration be paid during the three most recent years of the then current term of office (or during the term of service, supplemented by the term of any prior office in the event of reappointment), the benefit will be paid in full.

If the amounts paid do not amount to at least 33.33% of the maximum variable remuneration over the reference period, no benefit will be paid. If the amounts paid range between 33.33% and 50%, the amount of the benefit is calculated on a straight-line basis, at the discretion of the company's governing body.

In cases where the senior executive took up his or her position at the Group entity (Banque Palatine, Banque Populaire or Caisse d'Epargne) in year N, the benefit is reduced or paid following discussions by the governing body and the central body.

In any event, this benefit is paid less any benefit payable for termination of an employment contract, where applicable.

Retirement benefit

If so decided by the Board of Directors, the Chief Executive Officer may be granted a retirement benefit equal to no less than 6 months' and no more than 12 months' remuneration for 10 years of service.

Criteria for the payment of the retirement benefit

The retirement benefit may be paid only when the social security pension rights are claimed and provided that the beneficiary is within the relevant scope when the claim is made: Chief Executive Officers of the Banque Populaire banks, Chairmen of the Management Boards of the Caisse d'Epargne banks, Chief Executive Officer of Banque Palatine and members of the Management Board of BPCE SA.

The payment of the retirement benefit is at the discretion of the governing body of the company to which the senior executive belongs, on the opinion of the Remuneration Committee. The payment of the benefit should be subject to conditions related to the performance of the beneficiary, assessed in relation to the company's performance, in order to comply with the AFEP-MEDEF Code and, where relevant, Articles L. 225-42-1 and L. 225-90-1 of the French Commercial Code, as is the case of enforced departure benefit.

In the event that the enforced departure benefit is paid, the senior executive not covered by Article 82 loses any entitlement to the defined-benefit pension scheme which he or she may have been able to claim and is not entitled to retirement benefit.

Amount of retirement benefit

In this paragraph, the retirement is assumed to take effect in year N.

The reference monthly remuneration used for the calculation is equal to 1/12th of the aggregate fixed remuneration (not including any specific uprating or benefits in kind) paid in respect of the most recent calendar year of service (N-1) and the mean variable remuneration (whether paid immediately or deferred) in respect of the three most recent calendar years of service (N-1, N-2, N-3).

The remuneration used to calculate reference remuneration consists of the amounts paid in respect of the relevant corporate office within Banque Palatine and any previous office within a Banque Populaire bank or Caisse d'Epargne.

In cases where the mean variable remuneration in respect of the three most recent calendar years of service cannot be calculated, the weighted average is calculated over the reduced period.

In cases where fixed remuneration cannot be calculated for the last calendar year, fixed remuneration is annualised.

In cases where the senior executive took up his or her position at a Group entity (Banque Palatine, Banque Populaire or Caisse d'Epargne) in year N, the reference remuneration is set following discussions between the governing body and the central body.

The amount of the compensation is equal to:

Monthly reference remuneration × (6 + 0.6 A).

Where A represents the number, or fraction of a number, of years in office in the relevant scope (see 7.1). It is capped at 12 times the reference monthly remuneration, which is earned through 10 years of service with the Group.

It is excluded from the base used to calculate the annuities due under the defined-benefit pension plans of which the Director is a beneficiary.

In any event, this benefit is paid less any termination benefit paid under an employment contract.

Deputy Chief Executive Officer

The Deputy Chief Executive Officers holding both an employment contract and a corporate office qualify for a retirement benefit under the same terms and conditions as employees.

Criteria for payment of the benefit

The retirement benefit may be paid only when the social security pension rights are claimed and provided that the beneficiary is a Banque Palatine employee when the claim is made.

Calculation of the benefit

The reference salary used to calculate the benefit is 1/12th of the beneficiary's most recent annual full-time salary, including any 13th month payment.

The amount of the retirement benefit may be up to 8.4 months of the reference salary depending on his or her length of service with the Group.

Supplementary pension plans

The Chief Executive Officer and Deputy CEO are entitled to:

- under the same terms and conditions as employees on the defined contribution plan applicable to unranked managers (Klésia). This scheme, which was modified following the merger of AGIRC and ARRCO on 1 January 2019, is funded by a contribution of:
  - tranche A remuneration: 10.16% (7.62% payable by Banque Palatine and 2.54% payable by the Chief Executive Officer and the Deputy CEO),

- tranche B remuneration: 9.45% (7.09% payable by Banque Palatine and 2.36% payable by the Chief Executive Officer and the Deputy CEO).

The Chief Executive Officer also benefits from:

- the supplementary "Pension scheme for senior executives of Groupe BPCE" under Article L. 317-11 of the French Social Security Code and its regulations from 1 July 2014, the main characteristics of which are as follows:

  To be eligible for this pension plan, now closed to new members, the beneficiary must meet all of the criteria listed below on the day of their departure:
  - they must end their professional career with Groupe BPCE. This condition is met when beneficiaries are Group employees on the day before the claim of their pension rights under the social security pension plan following voluntary retirement,
  - they must prove they have served as an Executive Director for a period of at least the required minimum (seven years) upon the claim of their pension rights under the social security pension plan.

  Beneficiaries meeting the above conditions are entitled to an annuity payment equal to 15% of their reference remuneration equal to the average of their annual remuneration in the three highest-paid years in the five calendar years preceding the date of claim of their pension rights under the social security pension plan.

  Annual remuneration means the total of the following types of remuneration awarded in respect of the year in question:
  - fixed remuneration, excluding benefits in kind or bonuses related to duties,
  - variable remuneration – not exceeding 100% of the fixed remuneration – and defined as the total variable amount paid, including any portion deferred over several years and subject to attendance and performance requirements in respect of the regulations on variable remuneration in credit institutions.

The annuity is capped at four times the annual Social security ceiling.

Once claimed, 60% of this supplementary pension may be paid to the beneficiary's spouse or former spouse from whom they are divorced unless the former spouse has remarried.

This plan, funded entirely at Groupe BPCE expense, is covered by two insurance policies arranged with Quatrem and Allianz insurance companies.

The supplementary pension plans covered by Article L. 137-11 of the French Social Security Code in force at the Group are managed pursuant to Section 24.6.2 of the AFEP-MEDEF Code in its revised version of January 2020. They are compliant with the principles set out governing beneficiaries' status, the overall determination of basic remuneration, length of service conditions, the progressive increase in potential rights depending on length of service, the reference period used to calculate benefits and the ban on artificially inflating remuneration.

No employment contract or suspended employment contract – Unemployment insurance

The Board of Directors decided that the Chief Executive Officer may benefit from private unemployment insurance cover (GSC), with the Group contributing to the cost of this cover.

Since the Deputy CEO holds a corporate office and an employment contract, he or she is covered by Unedic unemployment insurance.

Arrangements under which remuneration is maintained in the event of temporary inability to work

The Board of Directors has decided that the Chief Executive Officer and the Deputy CEO will benefit from the plan to maintain their remuneration for a period of 24 and 12 months, respectively, in the event of temporary incapacity for work.

Social security protection arrangements applicable to all employees

Banque Palatine's Chief Executive Officer and Deputy CEO are eligible, subject to the same terms and conditions as Banque Palatine's employees, for the social security protection put in place for all employees:

- AG2R (tranches A and B) and Quatrem (tranches C and D) complementary personal protection plans, entirely funded by Banque Palatine;
- the BPCE Mutuelle plan reimbursing healthcare costs.

8. Remuneration of the regulated population

An annual review is conducted to determine which employees are classified as belonging to the regulated population based on the qualitative and quantitative criteria set out in European Commission (EU) Delegated Regulation No. 604/2014 of 4 March 2014, amended by the Decision of 22 December 2020, to which two criteria have been added to include employees covered by the law regarding the separation and regulation of banking activities (SRAB) and the Volcker rule, in accordance with Groupe BPCE standards.

A Banque Palatine employee is deemed to be a regulated person if he/she meets at least one of the criteria.

The identification of regulated persons is subject to approval by the human resources department, supported by the risk management, compliance, permanent controls and financial security departments, during the meeting of the committee identifying material risk takers (MRT) and the associated variable remunerations.

The list of regulated persons is subsequently submitted for information to the Executive Management Committee.

Then it is reviewed by the Remuneration Committee and finally approved by the Board of Directors.

9. Draft resolutions relating to remuneration

At the Annual General Meeting, the total amount of the remuneration of any kind paid in respect of the 2021 financial year to all employees belonging to the regulated population will be submitted to the shareholders for their opinion.

In addition, the General Meeting will have to vote on the overall amount of remuneration allocated to the Directors.

Appendix 1

Company: Banque Palatine
Remuneration policy and practices for the persons defined
in Article L. 511-71 of the French Monetary and Financial Code
FY 2021

1 Description of the company's remuneration policy

A. Remuneration of corporate officers at Banque Palatine

Banque Palatine's corporate officers include the members of the executive body (Chief Executive Officer and Deputy CEO) and the governing body (Directors).

A.1 Executive body

A.1.1 Chief Executive Officer

The remuneration of the members of Executive Management is determined by the Board of Directors on the recommendation of the Remuneration Committee. This remuneration is paid exclusively in respect of the corporate office and is composed as follows:

- fixed remuneration;
- variable remuneration;
- benefits in kind: social security cover for business leaders, defined-benefit pension plan.

The criteria and amount of the Chief Executive Officer's variable remuneration are set by the Board of Directors on the recommendation of the Remuneration Committee. The variable remuneration is determined based on a combination of attainment of objectives set for Groupe BPCE's and Banque Palatine's earnings and qualitative objectives.

They may be adjusted annually to reflect economic conditions and/or exceptional events occurring during the year.

The size of the variable remuneration of the Chief Executive Officer is capped at 80% of fixed remuneration when 100% performance is achieved.

In any event, in a situation of outperformance, the variable portion allocated for the financial year to the Chief Executive Officer may not exceed 100% of the fixed remuneration.

The rules regulating variable remuneration apply where the amount of the variable remuneration awarded in respect of a financial year is above a threshold, currently greater than or equal to €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

Where variable remuneration granted in respect of year N is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made (in March N);
- 10% of the amount vests and is paid the following year after application of the indexation coefficient (in March N+1);
- 40% of the amount is deferred and is paid in fifths, no earlier than 1 October of the years N+1 to N+5. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition.

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

A.1.2 Deputy Chief Executive Officer

The remuneration of the Deputy Chief Executive Officer is decided by the Board of Directors on recommendation from the Remuneration Committee and is composed of the following elements:

- a fixed remuneration, 90% of which is paid under the employment contract and 10% in respect of the corporate office;
- the amount of the variable remuneration is equal to 50% of the fixed remuneration when a 100% performance rate is attained. In any event, in a situation of outperformance, the variable portion allocated for the financial year to the Deputy Chief Executive Officer may not exceed 62.50% of the fixed remuneration. Where appropriate, this variable remuneration is reduced by the amount of any employee incentive and/or profit-sharing payments received;
- benefits in kind: company car and/or housing.

The rules regulating variable remuneration apply where the amount of the variable remuneration awarded in respect of a financial year is above a threshold, currently greater than or equal to €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

Where variable remuneration granted in respect of year 2021 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made (in March N);
- 10% of the amount vests and is paid the following year after application of the indexation coefficient (in March N+1);
- 40% of the amount is deferred and is paid in fifths, no earlier than 1 October of the years N+1 to N+5. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition.

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

A.2 Board of Directors

Directors receive remuneration on a *pro rata temporis* basis for attending meetings of the Board of Directors, Audit Committee, Risk Committee, Appointments Committee and Remuneration Committee.

The overall allocation of this remuneration is submitted to a vote at the Annual General Meeting of Shareholders and the apportionment of this allocation is decided upon by the Board of Directors.

In accordance with Groupe BPCE's rules, Directors representing BPCE SA or being remunerated by BPCE SA do not receive the remuneration for their office, as it is transferred directly and in full to BPCE SA.

B. Remuneration of the regulated population

B.1 Definition of the regulated population

Pursuant to Delegated Regulation (EU) No. 2021-923 of the Commission of 25 March 2021, a member of Banque Palatine's staff is considered to be a member of the regulated population if he or she meets one of the criteria defined by the Groupe BPCE standard approved by the BPCE Supervisory Board on 16 June 2021. This standard is based on the CRD 5 Regulation and includes two additional criteria in order to take into account employees covered by the law on the Separation and Regulation of Banking Activities (SRAB) and the Volcker rule.

Pursuant to the law, the remuneration of regulated persons was set and paid after consultation with the risk management, compliance, and permanent controls departments during the meeting of the committee identifying the material risk takers and the associated variable remuneration.

Based on the principles defined in this way, the executive management of the company sets the rules governing variable remuneration of regulated persons which are submitted to the Remuneration Committee for endorsement and to the Board of Directors for approval. In no circumstances can these rules be set by people who stand directly or indirectly to benefit from them.

B.2 Remuneration of the members of Executive Management

Executive remuneration is described in A.1.

B.3 Remuneration of the Directors

Directors' remuneration is described in A.2.

B.4 Remuneration of the other members of Executive Management

The remuneration of the Head of Human Resources and Services consists of a basic salary plus variable remuneration based on targets set and evaluated by the management. It is capped at 40% of the gross fixed annual salary.

The remuneration of the Head of Development consists of a basic salary plus variable remuneration based on targets set and assessed by the management. The variable remuneration is capped at 40% of the gross annual fixed salary.

The remuneration of the Chief Financial Officer consists of a basic salary plus variable remuneration based on targets set and assessed by the management. The variable remuneration is capped at 40% of the gross annual fixed salary.

B.5 Remuneration of control employees

The remuneration of the Heads of Risk Control, Compliance and Audit is based on targets specific to each role and in no case directly on the performance of the employees or profits from the business whose control they are responsible for. It is set independently of remuneration for the business lines whose operations they check or verify and at a sufficient level to attract qualified and experienced staff. It takes account of the achievement of targets set for the function and must be at an equivalent level – given the qualifications, skills and responsibilities exercised – to the remuneration of the professionals whose activity they control.

Fixed remuneration is linked to the level of skills, responsibilities and expertise and set at a level to attract qualified and experienced persons to oversee the control functions.

Variable remuneration is based on targets specific to each role. The variable remuneration of the heads of risk control, compliance and audit/inspection is set at:

- for the Chief Risk and Compliance Officer: 30% gross annual fixed salary;
- for the Deputy Director of Risk and Compliance: 21.7% of the gross annual fixed salary if the targets are met and capped at 27.5% in the event that (i) the individual targets are exceeded and (ii) the bank coefficient is factored in;
- for the Director of Internal Audit: 21.7% of the gross annual fixed salary if the targets are met and capped at 27.5% in the event that (i) the individual targets are exceeded and (ii) the bank coefficient is factored in.

B.6 Remuneration of other persons belonging to the regulated population

a) Fixed remuneration

Fixed remuneration is based on the level of qualifications, experience and skills in the professional area concerned.

b) Variable remuneration

Variable remuneration of other regulated persons is based on a framework of variable remuneration for different contribution profiles which are linked to pre-defined levels of variable remuneration.

Performance is calculated based on targets specific to each contribution profile which are determined in N-1 for the N financial year.

The performance of an employee is assessed by their line manager, based on the level of achievement of each target and a performance curve.

This point is explained in detail starting at C.3.

B.7 Proportionality principle and deferred settlement

The rules regulating variable remuneration apply when the amount of the variable remuneration awarded in respect of a financial year is greater than or equal to a threshold set, since 2021, at €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

For risk takers who are not effective managers (for effective managers, see A.1), if the variable remuneration awarded in respect of the 2021 financial year is greater than or equal to the threshold:

- 50% of the amount vests and is paid as soon as the award is made in March or April 2022;
- 10% of the amount vests and is paid the following year after application of the indexation coefficient in March or April 2023;
- 40% of the amount is deferred and is paid in fourths, no earlier than 1 October of the years 2023 to 2026. Or 10% for each of the five years, after application of the indexation coefficient and the performance condition.

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

C. Remuneration of Banque Palatine employees(1)

Banque Palatine offers its employees a global remuneration system that seeks to:

- reward qualifications, professional development and performance;
- recognise the contribution to the company's results.

The bank's remuneration policy is defined by the Executive Management Committee on proposal from the Head of Human Resources and Services. It is controlled by the Board of Directors, after review by the Remuneration Committee, which verifies its proper application. It reviews, among other matters, the principles and structures of remuneration at the bank and ensures their implementation.

In all these areas, the bank is determined to adapt its remuneration policy to ensure:

- the compliance with the legal framework defined by lawmakers and professional bodies;
- the competitiveness of remuneration in light of market practice in each business line;
- the best-possible fit of variable remuneration to targets, in view of the economic environment and the bank's development strategy.

C.1 Budget and procedure

The budgets for the various systems for increases are redefined each year and take account, among other matters, of the bank's results and economic outlook.

The decision-making process is strictly regulated: proposals for salary changes are first arbitrated by the Directors and then approved by the Head of Resources and Services, who informs the Executive Management Committee.

Proposals for salary increases of members of the Executive Committee are determined by the Executive Management Committee.

C.2 Basic salary evolution rules

Each employee's remuneration is reviewed under the annual salary review process.

This annual review process covers all bank employees and determines changes in basic salary, as well as any promotions. It is designed to reward and recognise:

- greater responsibilities taken on, reflecting significant professional development;
- potential for development, reflected by the achievement of continuous performance.

C.3 Variable remuneration

Banque Palatine adopted the following variable remuneration system in 2015 and updates it annually:

C.3.1 Definition

Performance management is the process by which a company breaks down its key annual strategic targets for the different levels of its organisation, monitors progress and finally assess how far they were achieved. It is the operational and objective basis for variable remuneration.

C.3.2 Population concerned

To be eligible for the management performance and variable remuneration described in Part I of this document, the following conditions must be met:

- be an employee of Banque Palatine under a permanent employment contract or a fixed-term contract under ordinary law for a period of more than six months;
- have completed at least six consecutive months of effective work at Banque Palatine during the year for which the performance is calculated;
- hold a job corresponding to one of the profiles detailed in C.3.7.

Pursuant to the first paragraph, employees under specific contracts (apprenticeship, work-study, professionalisation, etc.), as well as employees on internships or temporary assignments, cannot therefore be eligible for variable remuneration.

(1) Remuneration (basic salary or variable remuneration) here always means gross remuneration.

C.3.3 Number and nature of the performance targets

The performance targets are limited in number to focus action on the bank's key issues. Depending on the contribution profiles, their distribution is as follows.

Breakdown of targets by profile

Profile	Entity portion			Individual portion			Team portion
Group profile	1 Target, no outperformance						1 Target Outperformance: 130%
Group profile (branch network)	1 Target, outperformance: 140%						1 Target Outperformance: 130%
Individual profile	1 Target, no outperformance			Target No. 1 Outperformance: 140%	Target No. 2 Outperformance: 140%	Target No. 3 No outperformance	
Individual profile (branch network)	1 Target, outperformance: 140%			Target No. 1 Outperformance: 140%	Target No. 2 Outperformance: 140%	Target No. 3 No outperformance	
Corporate profile (Director)	Target No. 1 Outperformance: 122%	Target No. 2 Outperformance: 122%	Target No. 3 Outperformance: 122%	1 Target No outperformance			
Corporate profile	Target No. 1 Outperformance: 120%	Target No. 2 Outperformance: 120%	Target No. 3 Outperformance: 120%	1 Target Outperformance 120 %			
Profils Desk	Target No. 1 no outperformance	Target No. 2 no outperformance	Target No. 3 no outperformance	1 Target No outperformance			
Banker profile Consulting	1 Target No outperformance			Target No. 1 Outperformance: 130%	Target No. 2 Outperformance: 130%	Target No. 3 Outperformance: 130%	

Concept of entity

In the network, the entity is represented by the branch to which the employees are attached, for those whose function is carried out at the level of the region, it is this that constitutes the entity.

In the business lines, the concept of entity is defined by management. Depending on the challenges and the workforce, it may be the management itself or a department.

For the members of the Executive Committee, the Executive Committee may represent the concept of an entity.

Concept of team

The team need not necessarily be representative of an organisational unit (such as a service or other): it is a group of several employees whose combined skills allow them to contribute to the progress of a work process or to a project linked to one of the four principles of the strategic plan.

The team's aims[1] are proposed by a Head of department or a Manager.

C.3.4 Weight of the individual performance targets

Performance is assessed separately at entity, team and individual level.

Each of the individual or multiple entity targets needs to be weighted respectively for the purposes of assessing individual performance.

This weighting, which is identical for all individual contributors, excluding the corporate finance and trading room business lines, is as follows:

- 40% for individual target No. 1;
- 35% for individual target No. 2;
- 25% for the qualitative target.

Or 100% of the individual portion.

With regard to the specialist business lines, the weighting is the following:

Corporate finance business lines:

- 30% for entity target No. 1;
- 30% for entity target No. 2;
- 10% for entity target No. 3.

Or 100% of the entity portion.

Trading room business lines:

- 78% for entity target No. 1;
- 11% for entity target No. 2;
- 11% for entity target No. 3.

Or 100% of the entity portion.

(1) *Starting from the setting of 2017 targets, the team target may be individualised if management deems it appropriate and possible.*

C.3.5 Assessment of the performance

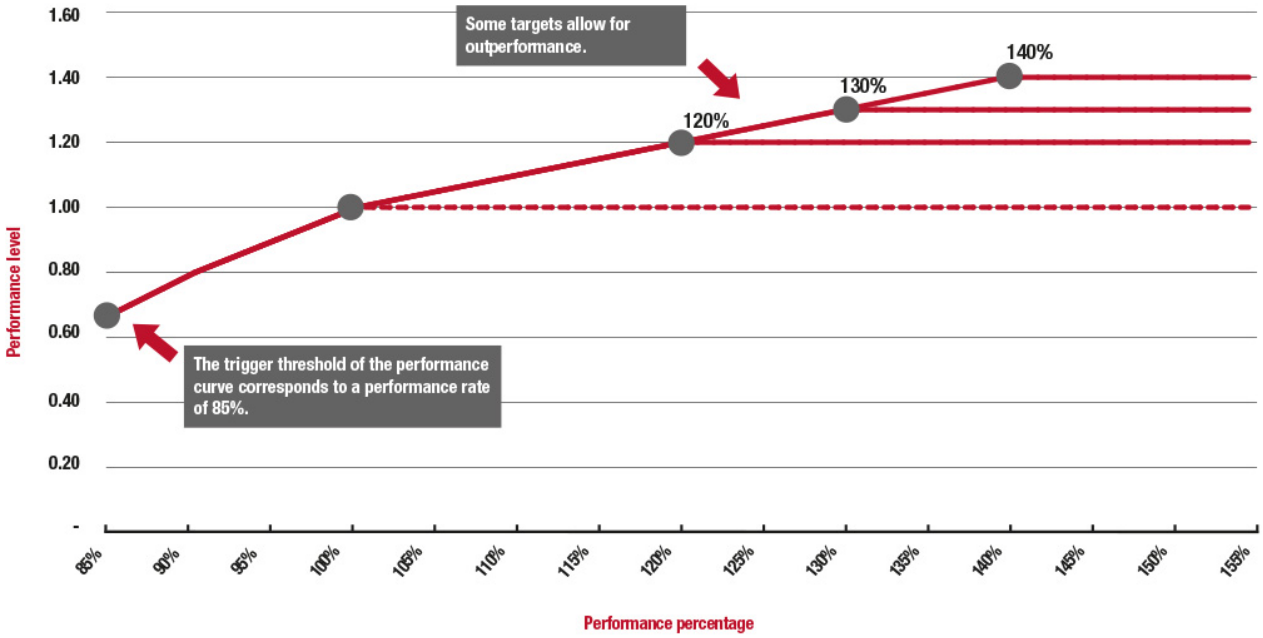
When each target is set, including the qualitative target, a scale of measurement must be defined to be able to objectively determine how far the original aim has been achieved at the year-end review.

Recognition of outperformance

As discussed in point C.3.3 (see table), certain targets acknowledge outperformance beyond 100% attainment of the target.

Likewise, short of 100% attainment of the target, there is acknowledgement of partial attainment of the targets.

This partial attainment and outperformance are measured based on a performance curve.



The performance curve is based on the following three segments:

- between 85% and 89.99%: a decrease of 2.5% in the target performance rate (100%) by percentage of failure to hit the 100% attainment;
- between 90% and 99.99%: a decrease of 2% in the target performance rate (100%) by percentage of failure to hit the 100% attainment;
- above 100%: the attainment rate is equal to the rate of attainment of the target and is capped at the various possible rates of outperformance.

C.3.6 Schedule of the performance management

Performance management in a given year N, is understood as starting in December of the previous year (N-1) and ending in April of the subsequent year (N+1) when the associated variable remuneration is paid.

C.3.7 Contribution profiles and amounts involved

In order to satisfy the terms of Article L. 511-77 paragraph 1 of the French Monetary and Financial Code, variable remuneration is composed of two parts, an "entity" portion and an "individual or team" portion, and the two parts are adjusted by the level of the bank's performance.

The proportion of the two parts of the bonus may not be the same for all the functions: for the lines focusing on commercial activity, the individual portion is preponderant; for entity heads, the portion linked to the entity's income has greater weight.

Functions were grouped into standardised contribution profiles, making it possible to define the amount and the breakdown of the on-target bonus for each of them (see table below).

			Composition of the bonus			Level of bonus		
Contribution profiles	**Persons concerned**	**Bonus base**	**Indiv. portion**	**Entity portion**	**Team portion**	**On-Target bonus**	**Bonus +**	**Maxi bonus**
Executive Officer	The members of the bank's Executive Committee (if assigned to the branch network, specific amounts)	Annual basic salary	50%	50%		21.7%	25.0% (29.3%)	27.5% (32.2%)
Head of Support Activities	Heads of middle office department	Annual basic salary	67%	33%		10.0%	12.0%	13.2%
Head of Section	Coordination managers (If allocated to the branch network, specific amounts)	Annual basic salary	67%	33%		5.0%	6.0% (6.7%)	6.6% (7.3%)
Area manager	The network area managers	Amount	60%	40%		€12,200	€16,470	€18,117
Branch manager	The network branch and regulated real estate professions managers (If allocated to the branch network, specific amounts)	Amount	50% (60%)	50% (40%)		€8,700	€10,005 (€11,745)	€11,006 (€12,920)
Head of business	The private bankers, large-corporate customer relationship managers, department heads or service managers of front office units in the market departments, business managers salary in market departments (except for regulated real estate professions and cash managers), regional real estate managers	Annual basic salary	80%	20%		16.1%	20.0%	22.0%
"Investment Bankers" individual profile	The investment banker department employees of the corporate market department	Annual basic salary	70%	30%		30.0%	36.0%	40.0%
Customer portfolio manager	The CAE/DCE, CGP/CCP/RCP/DCP of the network, the market departments of private and corporate customers and the activity of the regulated real estate professions (If allocated to the branch network, specific amounts)	Amount	80% (70%)	20% (30%)		€5,800	€7,192 (€7,656)	€7,911 (€8,422)
Head of corporate	The head of the corporate finance department	Annual basic salary	50%	50%		82%	91%	100%
Corporate Mission Director[1]	The heads of department and project heads in the corporate finance department	Annual basic salary	30%	70%		77%	91%	100%
Corporate mission manager[1]	The project managers in the corporate finance department	Annual basic salary	30%	70%		55%	65%	72%
Corporate affairs business managers	The business managers and agents in the corporate finance department	Annual basic salary	30%	70%		40%	47%	52%
Corporate project manager	The project managers in the corporate finance department	Annual basic salary	30%	70%		20%	24%	26%
Head of finance	Head of department	Annual basic salary	50%	50%		55%	55%	55%
Engineering and trading	The engineering and trading department employees of the trading room	Annual basic salary	10%	90%		40%	40%	40%
Customers and intermediation	The employees of the customer and intermediation department of the trading room	Annual basic salary	10%	90%		40%	40%	40%
ALM & Treasury	ALM and Treasury employees	Annual basic salary	25%	75%		40%	40%	40%
Financial operator	Real estate monitoring managers	Amount		33%	66%	€1,500	€1,800	€1,980
Support functions	All Banque Palatine employees, eligible for the scheme, whose position is not referenced in the other contribution profiles (If allocated to the branch network, specific amounts)	Amount		33%	66%	€1,000	€1,200 (€1,333)	€1,320 (€1,467)

(1) For the DECM department, the target/+/max bonus will be capped at 46%/54%/60% if total department commissions are below €1.5 million.

C.3.8 Bonus amount per contribution profile

"On-target bonus": The "on-target bonus" is paid when all the performance scores (individual/team, entity, bank) are 100% met. The on-target bonus may be exceeded, either by outperformance on certain targets or by outperformance by the bank.

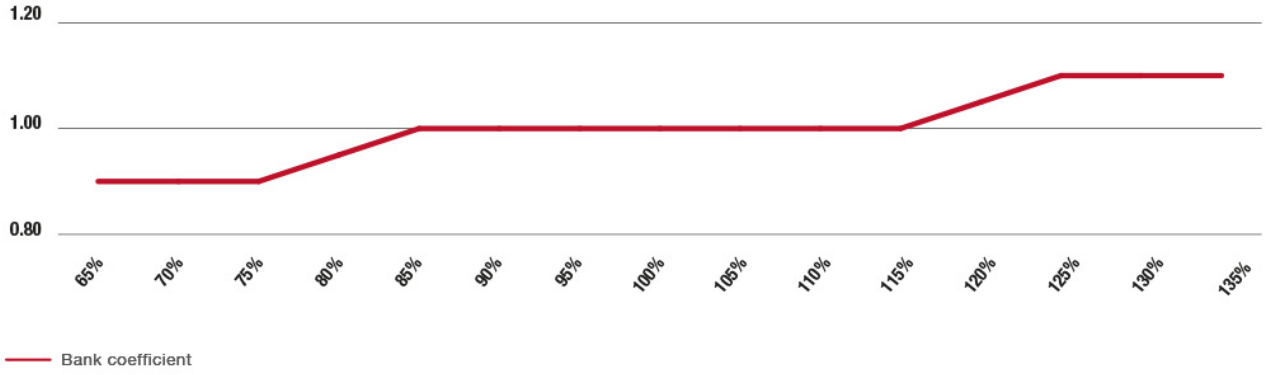
"Bonus +": the amount of bonus in the event of maximum outperformance on certain targets and a 100% bank performance.

"Maxi bonus": the amount of bonus in the event of maximum outperformance on certain targets, 100% "entity" performance and outperformance by the bank.

C.3.9 Modulating coefficient linked to the bank's performance

As previously noted, for legal compliance reasons, variable remuneration must take account of the "overall results of the bank".

This is calculated as the net income achieved for the year compared to the net income target included in the budget. This ratio is then associated with a bank performance rate, according to the following curve:



If the bank's income is between 85% and 115%, the performance co-efficient is neutral.

For income that is between 75% and 85%, the performance coefficient is reduced by 0.1 points per percentage of the rate missed, but cannot surpass 0.90.

For income that is between 115% and 125%, the performance coefficient is increased by 0.1 points per percentage of the rate exceeded, but cannot surpass 1.10.

Specific situation of market activities:

In order to comply with Article 2 of the Order of 9 September 2014 implementing the Act of 26 July 2013: "the remuneration of persons in charge of these transactions is fixed in a manner consistent with the organisation's rules (…) and does not encourage taking risk without a link to their objectives", the dealing room does not come under the bank co-efficient system, but has a penalty system that operates as follows:

- -5% for e-learning missed (ethics, AML, fraud, Volcker, etc.);
- -10% for failure to comply with compliance rules, notified by mail from the Head of compliance (AML, KYC, whistle-blowing, PEIPCI, market relations, conflicts of interest);
- -10% per week of non-technical VaR breaches;
- -10% in the event of non-signature of a road map following reminder by the Head of Finance;
- -5% in the event of non-remediation of breach of the market risk limit following request by the Head of Finance;
- -100% in the event of voluntary, serious, repeated or abnormal breaches of the risk limits detailed in the operator road map.

These penalty percentages are cumulative but limited to 100%, and apply to the individual total of the bonus calculated according to the various rates of performance targets.

C.3.10 Calculation of the bonus

The Bonus = [entity portion + individual/team portion] × bank performance rate.

Or the entity represents the amount foreseen for an entity performance of 100% × entity performance rate.

And the individual/team portion = amount foreseen for 100% performance × individual or team performance rate.

C.3.11 Payment of the bonus

For employees who are not risk takers and for employees who are risk takers whose variable remuneration is less than or equal to €50,000 or does not exceed one third of the total remuneration, the performance bonus for year N is paid with the payment for the month of April of year N+1.

For risk takers whose variable remuneration exceeds the threshold of €50,000 or one third of the total remuneration, the bonus is paid in accordance with the terms and conditions specified in B.7.

C.4 Corporate prescription premium

The bonus is aimed at business-generating network employees at the corporate department within the differentiating offers department, the businesses and institutions department, the investment banking department and the senior executive financing department.

The amount paid is 1% of net fees, capped at €2,500 per transaction.

C.5 Circle of excellence

The recognition and loyalty bonus, in the amount of €3,500, paid as part of the circle of excellence, is intended for the 20 employees of the agency network recognised each year under this scheme.

C.6 Special case

Guaranteed variable remuneration is forbidden.

As an exception to this, variable remuneration may be guaranteed in the case of a new hiring, not including transfers within the Group. In this case, the guarantee can only apply to the first year.

D. Employee savings

D.1 Profit sharing

The French Labour Code on employee savings requires that Banque Palatine, having more than 50 employees, must give its employees a share in its profits.

The agreement is based on the Banque Palatine Economic and Social Union and also applies to the majority-owned subsidiary Palatine Asset Management.

Profit-sharing payments are tied to the firm's results. They are awarded when profits are sufficient to write down a special profit-sharing reserve, which is the amount attributed to all employees who are members of the scheme. There is no employer's contribution from Banque Palatine.

D.2 Incentives

In accordance with book III of the third section of the French Labour Code, an incentive agreement was signed on 22 June 2021. The parties agreed to enter into an incentive agreement for a period of one year for the 2021 financial year alone. This choice is in line with the bank's transformation and is also justified by the delay in the presentation of the bank's three-year strategic plan. The year 2022 will therefore see the opening of new negotiations.

The agreement negotiated for the year 2021 is based on three additional envelopes:

- an initial budget based on the criterion most representative of the bank's results and its redistributive capacity: net income. This budget is supplemented by two boosters related to commercial development (net revenue before tax/FTE and the cost/income ratio);
- a second budget based on compliance with regulatory provisions relating to KYC;
- a third budget associating employees with the bank's CSR ambitions.

D.3 Contributions

On 28 November 2014, a first agreement on an employer contribution was agreed on with all the unions representing employees. The agreement was renegotiated with the three unions on 27 November 2015, 20 December 2016, 15 December 2017 and 21 May 2019. During the negotiations on 31 July 2020, an open-ended agreement was signed, again by the three trade unions. It provides for the possibility, for all employees of the bank benefiting from the incentive scheme, to also benefit from a contribution paid by the bank into the Group savings plan (PEG) or employee savings scheme (PERCO).

As a result, for any investment of the incentive bonus into the Group PEG and/or PERCO, the bank contributed up to €780, calculated as follows:

- For the first €260 of incentive bonuses invested, the employer contribution is 300%.

This agreement maintains the provision relating to the payment of the matching contribution in the event of voluntary payment into the PEG and/or PERCO.

E. Benefits in kind

Benefits in kind Benefits in kind (such as company cars or housing) comply with URSSAF regulations in force.

F. Principles for reducing/cancelling the variable remuneration of risk takers

F.1 Minimum capital threshold

Pursuant to the last paragraph of Article L. 511-77 of the French Monetary and Financial Code, for the allocation of the variable portion to risk takers in the Group during a financial year, a minimal level of capital for Groupe BPCE must be respected as of 31 December of the financial year, set at the beginning of the financial year by BPCE's Supervisory Board, upon the recommendation of the BPCE Remuneration Committee.

This threshold is established with reference to the minimal amount required with respect to Pillar 2, defined by the control authority for the CET1 ratio.

For the year 2021, this reference corresponds to a CET1 ratio that must be higher than the threshold required by the ECB. This condition being met, the allocation of variable remunerations for the 2021 financial year is therefore possible.

In the event that the minimum threshold is not reached as at 31 December of the financial year, the Supervisory Board of BPCE is informed of the situation and proposes to the Group 1 companies a reduction on the variable portions awarded in respect of the financial year, and deferred fractions of the variable portions not yet due to risk takers by applying a rate which should be at least 50%. The rate of reduction proposed may not reach 100% if its application allows, potentially in combination with other measures, reaching the minimum threshold set at the beginning of the financial year concerned.

The final decision on whether to apply the reduction rate proposed by BPCE's Supervisory Board is under the responsibility of the management body as part of its duty to supervise each Group 1 company, for risk takers within its scope of sub-consolidation. Any deviation from the proposal made by BPCE's Supervisory Board shall first be approved by the management body as part of its duty to supervise the company and be accompanied by an explanation of the choice made.

F.2 Principle applicable to deferred variable remuneration

Pursuant to Article L. 511-83 of the French Monetary and Financial Code, it was decided by the governing body, on the proposal of the Remuneration Committee, that each deferred payment of variable remuneration to the effective managers already awarded should be paid in full only if the net income, IFRS, excluding exceptional items from BPCE SA or excluding exceptional items approved by the Board of Directors, calculated as a rolling average over the last three calendar years preceding the year of allocation, is positive.

If this criterion is not met, the deferred variable remuneration will be reduced by 50%. Depending on the value of the average net income indicated above, the Board of Directors may decide to adjust the value of the reduction made.

F.3 Principle for cancelling or reducing variable remuneration

The variable remuneration of risk takers may be reduced or cancelled under the following conditions:

- in the event of negative IFRS profit or loss (excluding exceptional elements arising from BPCE SA), the variable remuneration for employees identified as market risk takers may be cancelled;
- in the event of an obstacle to the proper functioning of the markets and price setting through unlawful behaviour (market abuse): insider trading; price manipulation; dissemination of false or misleading information, the variable remuneration of employees identified as market risk takers may be cancelled;
- in the event of failure to respect decisions coming from the committee(s) structuring their activity or in the event of an anomaly in the transmission and execution of trades, according to the charters of these committees, the variable remuneration of employees identified as risk takers may be reduced by 50%;
- in terms of risk or compliance: in the event of a significant breach[(1)], evidenced by a call to order (formal and explicit letter) from a company or Group executive in charge of risk or compliance, the variable remuneration (awarded for the period or deferred portions not yet due) of employees identified as risk takers may be subject to a reduction up to and including the cancellation thereof;
- with regard to risk or compliance: in the event of an important infraction[(2)], documented by a warning (formal and explicit notice by mail or email) by a Director of the company in charge of risks or compliance and confirmed by the direct manager, the variable remuneration of employees identified as risk takers may be reduced by up to 10%;
- in the event of non-participation in mandatory regulatory training, and without justification approved by the MRT Committee, the variable remuneration of employees identified as risk takers (excluding effective managers) may be reduced by 5% per training not taken.

The review of the situations giving rise to the application of these reduction or cancellation criteria was carried out during the committee meeting identifying risk takers and the associated remunerations held on 25 January 2022. This review did not reveal any situation that could give rise to the application of a reduction or cancellation.

(1) Major infraction: infraction having an impact (even potential) of at least 0.50% of the capital of the institution.
(2) Important infraction: infraction having an impact (even potential) of at least €300,000.

2 Decision-making process

At 31 December 2021, the Remuneration Committee was composed of four members: the Chairwoman of the Board of Directors, as the committee's Chairwoman, and three Directors. Remuneration Committee members are also members of the governing body but not of the executive body of the company and have no management role within the company.

At 31 December 2021, this committee had the following members:

- Christine Fabresse – Chairwoman
- Lionel Baud – Member of the committee
- Hélène Madar – Member of the committee
- CEPAC, represented by Didier Moaté – Member of the committee
- The committee met three times during the year 2021.

The Remuneration Committee provides guidance for decisions by the Board of Directors on remuneration systems.

In this role, it is responsible for putting proposals to the Board concerning:

- the level and methods of remuneration of the effective managers of Banque Palatine, namely: the level of the fixed portion; the level of the variable portion; the benefits in kind; as well as all provisions relating to their retirement and welfare plan. Accordingly, the Remuneration Committee takes into account the targets for the current year and any potential events affecting risk and risk management within Banque Palatine. The committee also assesses the degree to which targets have been achieved and criteria satisfied for the payment of the variable remuneration and makes proposals accordingly to the Board of Directors;
- the committee deliberates without the presence of the effective managers on matters concerning them;
- the systems for allocating Directors' fees among the Directors and, where applicable, members of the Board Committees, and the total amount of such remuneration which is put to the vote at the Banque Palatine General Meeting of Shareholders.

Moreover, the Remuneration Committee also:

- carries out an annual review of:
  - the principles underlying Banque Palatine's remuneration policy,
  - the remuneration, termination benefits and benefits of any kind granted to Banque Palatine's corporate officers,
  - the remuneration policy for employees of all categories, including Executive Management, risk-takers, persons exercising control functions and any employee whose total income puts them in the same class of remuneration and whose professional activities have a significant effect on Banque Palatine's risk profile;
- directly controls the remuneration of the Head of Risk Management as mentioned in Article L. 511-64 of the French Monetary and Financial Code and of the Head of Compliance;
- regularly reports on its work to the Board of Directors;
- issues an opinion on any report dealing with remuneration;
- reviews and issues an opinion on the civil liability insurance policies taken out by Banque Palatine on behalf of its senior executives.

Generally, it reviews any issue put to it by the Chairman of the Board of Directors relating to any of the matters listed above.

Each year, the Committee receives details of the remuneration received by the effective managers, namely: fixed remuneration, variable remuneration, benefits in kind, Directors' fees or indemnities received in respect of terms of office held in connection with their duties as effective managers.

3 Description of the remuneration policy of regulated persons

3.1 Composition of the regulated population and general principles of the remuneration policy

In accordance with CRD 5, the criteria of the Group standard, approved by BPCE's Supervisory Board on 15 June 2021, were applied to all bank employees.

Since 2016, and in compliance with the Groupe BPCE standard, two supplemental criteria have been applied in order to take account of employees subject to the French law on the separation and regulation of banking activities (SRAB) and the Volcker rule. A Banque Palatine employee is deemed to be a regulated person if he/she meets at least one of the criteria.

The identification of the regulated population was approved by the human resources, risk management, compliance, permanent controls and financial security departments during the meeting of the committee identifying MRTs and the associated remunerations held on 25 January 2022. In 2021, Banque Palatine had 74 employees considered regulated persons and they had the following positions:

- Chief Executive Officer
- Deputy Chief Executive Officer, Head of the sales department
- Directors[(1)]
- Head of Resources and Services
- Head of the Network
- Head of finance
- Head of Development
- Head of Compliance and Risk
- Head of Control and Audit
- Deputy Head of Compliance and Risk
- Head of the Trading Room
- Head of the financial risks department
- Head of the ethics compliance department
- Head of the accounting audit department
- Head of the operational risk department
- Head of the credit risk department
- Head of the credit risk and prudential management department
- Head of the permanent controls management department
- Head of the AML/CFT & Anti-fraud coordination department
- Auditor[(1)]
- Head of Transformation
- Head of Information Systems and Innovation
- Head of the leverage and management buy-out department
- Head of the structured financing and distribution department
- Head of the debt and equity capital markets department
- Head of the investment fund hedging department
- Head of Corporate Finance
- Head of Management Control and Steering
- Head of Legal and Recovery Accounting
- Head of Regulated Real Estate Professions
- Head of Corporate Markets
- Head of Commitments
- Head of Customer Finance Desk
- Head of the large corporates and institutional investors department
- Director of the credit department
- Heads of Region[(1)]
- Delegated Analyst[(1)]
- Head of the euro/currency department
- Head of foreign exchange department
- Market Operator[(1)]
- Treasury Manager

(1) Functions that were filled by more than one person during the 2021 financial year.

- ALM Manager
- Head of the ALM and MLT investor department
- Trading Floor Trader*
- Head of Banking Services
- Head of Legal and Tax Affairs

The ratio of variable to fixed remuneration is capped at 100% in the company.

3.2 Policy on the variable remuneration of the regulated population

In accordance with Articles L. 511-71 to L. 511-85 of the French Monetary and Financial Code, the policy on payment of variable remuneration (staggering, percentage paid in stock, penalties) is as follows.

Proportionality principle

The rules regulating variable remuneration apply where the amount of the variable remuneration awarded in respect of a financial year is above a threshold, currently greater than or equal to €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

The threshold is measured by adding up all variable remuneration paid during the year for different regulated functions within the Group, including those in other companies (for instance in the event of an internal transfer). If the threshold is breached, the following rules apply to each of the portions of variable remuneration, including those below the threshold.

If the amount of variable remuneration awarded in respect of a year is strictly below the threshold, the whole of the variable remuneration is paid as soon as it is granted.

If the amount of variable remuneration awarded in respect of a year is equal to or higher than the threshold, the rules of variable regulation, set out below, apply to the whole of the variable remuneration.

When an employee changes position, to assess whether the €50 thousand threshold has been breached, all portions of variable remuneration granted in respect of year N for the employee's different regulated functions exercised in year N are added.

Deferred and conditional payment of a portion of variable remuneration

Where variable remuneration granted in respect of year 2021 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made in March or April 2022;
- 10% of the amount vests and is paid the following year after application of the indexation coefficient in March or April 2023;
- 40% of the amount is deferred and is paid:
  - by fifths for the effective managers, no earlier than 1 October of the years 2023 to 2027. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition,
  - by fourths for the other risk takers, no earlier than 1 October of the years 2023 to 2026. Or 10% for each of the four years, after application of the indexation coefficient and the performance condition.

For each deferred portion, the definitive vesting is conditional on a performance condition. If the performance condition is not met the portion is lost (application of penalty).

The performance conditions applying to deferred portions of variable remuneration are set, on proposal of the Remuneration Committee, by the governing body of the company granting the variable remuneration at the time of its grant.

For each deferred portion of the variable portion awarded in respect of financial years prior to 2021 and maturing in 2022, the supervisory function determines whether or not the applicable performance condition is met:

- if it is not met, the deferred portion is permanently lost;
- if it is met, the deferred portion becomes definitively acquired and is paid no earlier than 1 October 2022.

Payment in shares or equivalent instruments

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE.

The indicator adopted is net income attributable to equity holders of the parent calculated as a rolling average of the last three years preceding the grant year and the payment years.

For the financial years prior to 2016, the indexation was carried out on the net income attributable to equity holders of the parent after neutralisation of the revaluation of the own debt.

Any deferred portion of variable remuneration granted in respect of a given year N is revalued in each year M+1, at the publication date of the income attributable to equity holders of the parent for year M (where M is greater than N), using a ratio determined by the following formula:

(IAEHP (M) + IAEHP (M-1) + IAEHP (M-2)) / (IAEHP (N-1) + IAEHP (N-2) + IAEHP (N-3))

The ratio is reported each year by BPCE.

Effect of departures and transfers on deferred variable remuneration of employees and corporate officers

In the event of a risk-taker leaving the company (mobility to another company in the Group, voluntary departure from the Group, forced departure from the Group, retirement, death), the variable remuneration for the current financial year, calculated *pro rata temporis,* if it is planned to award one, and the deferred fractions due and not due, will be processed without impact of the departure.

The variable remuneration for the current financial year, if it is planned to grant one, and the deferred portions are therefore systematically kept and paid at the normal dates, according to the conditions (performance, penalty, etc.) and the form provided for initially (cash, securities, equivalent instruments).

These "post-departure" remuneration items also remain subject to the reduction rules introduced by the company under Articles L. 511-83, L. 511-84 and L. 511-84-1.

In the event of forced departure due to serious misconduct or gross misconduct, these "post-departure" remuneration elements may be reduced or eliminated, in particular by applying the provisions provided for by the company under Articles L. 511-84 and L. 511-84-1.

As an exception, in the event of the death of the risk-taker, the deferred portions are settled immediately.

4 Aggregate quantitative information on the remuneration of the regulated population

Aggregate quantitative information on remuneration, broken down by sector of activity

Awarded in respect of the 2021 financial year – excluding employer contributions (in euros)	Management body executive	Management body supervisory function*	Management body as a whole	Investment banking	Retail banking	Asset management	Cross-functional functions	Independent control function	Other	TOTAL
Number of staff members identified										74
of which members of the management body	*2*	*6*	*8*							
of which other members of Executive Management				*0*	*0*	*0*	*4*	*0*	*0*	
of which other identified staff members				*0*	*5*	*0*	*22*	*20*	*15*	
TOTAL REMUNERATION	**€937,812**	**€16,250**	**€954,062**	**€0**	**€590,607**	**€0**	**€3,633,130**	**€1,479,683**	**€1,908,303**	
of which variable remuneration	*€407,813*	*€0*	*€407,813*	*€0*	*€112,665*	*€0*	*€1,043,497*	*€73,262*	*€563,449*	
of which fixed remuneration	*€530,000*	*€16,250*	*€546,250*	*€0*	*€477,942*	*€0*	*€2,589,633*	*€1,406,421*	*€1,344,854*	

* *The remuneration granted in 2021 solely for the corporate office is deferred.*

Aggregate quantitative information on remuneration, broken down by executives and employees whose activities have a significant impact on the institution's risk profile

Awarded in respect of the 2021 financial year – excluding employer contributions (in euros)		Management body Supervisory function	Management body Management function	Other members of Executive Management	Other identified staff members	TOTAL
Fixed remuneration	**Number of staff members identified**	**3**	**2**	**4**	**62**	**71**
	TOTAL FIXED REMUNERATION	**€16,250**	**€530,000**	**€499,171**	**€5,319,679**	**€6,365,100**
	of which cash	€16,250	€530,000	€499,171	€5,319,679	**€6,365,100**
	of which shares and equivalent ownership rights	€0	€0	€0	€0	**€0**
	of which related instruments	€0	€0	€0	€0	**€0**
	of which other instruments	€0	€0	€0	€0	**€0**
	of which other forms	€0	€0	€0	€0	**€0**
Variable remuneration	**Number of staff members identified**	**0**	**2**	**4**	**38**	**44**
	TOTAL VARIABLE REMUNERATION	**€0**	**€407,813**	**€188,813**	**€1,604,060**	**€2,200,685**
	of which cash	€0	€203,906	€126,413	€1,284,759	**€1,615,078**
	of which deferred	€0	€0	€0	€0	**€0**
	of which shares and equivalent ownership rights	€0	€0	€0	€0	**€0**
	of which deferred	€0	€0	€0	€0	**€0**
	of which related instruments	€0	€203,906	€62,400	€314,971	**€581,277**
	of which deferred	€0	€163,125	€49,920	€251,977	**€465,022**
	of which other instruments	€0	€0	€0	€0	**€0**
	of which deferred	€0	€0	€0	€0	**€0**
	of which other forms	€0	€0	€0	€4,330	**€4,330**
	of which deferred	€0	€0	€0	€0	**€0**
	TOTAL REMUNERATION	**€16,250**	**€937,812**	**€687,984**	**€6,923,739**	**€8,565,785**

Other items of remuneration for risk-takers

Amounts in euros – excluding employer contributions		Management body Supervisory function	Management body Management function	Other members of Executive Management	Other identified staff members	TOTAL
Deferred remuneration- Previous financial years	**Amount of deferred variable remuneration awarded in respect of financial years prior to 2021 (before any reductions)**	€0	€267,598	€0	€156,044	**€423,642**
	of which amount of deferred variable remuneration awarded in respect of financial years prior to 2021 **not vested** (vesting in subsequent years)	€0	€167,091	€0	€79,144	**€246,235**
	of which amount of deferred variable remuneration awarded for financial years prior to 2021 **vested in 2021** (in amount **awarded**)	€0	€100,507	€0	€76,900	**€177,407**
	Amount of explicit reductions made in 2021 on the deferred variable remuneration that was to vest in 2021	€0	€0	€0	€0	**€0**
	Amount of explicit reductions made in 2021 on the deferred variable remuneration that was to vest in subsequent years	€0	€0	€0	€0	**€0**
	Total amount of implicit ex post adjustments: difference between the payment and award values of the amounts of deferred variable remuneration granted in respect of financial years prior to 2021 vested and paid in 2021	€0	(€9,742)	€0	(€7,486)	**(€17,228)**
	Amount of deferred variable remuneration awarded in respect of financial years prior to 2021 **vested and paid in 2021 (after any reductions)** in **acquisition value**	€0	€90,765	€0	€69,414	**€160,179**
Special payments	**Number of employees who received termination benefits in 2021 granted in financial years prior to 2021**	0	0	0	0	**0**
	Amount of termination benefits granted before 2021 and paid in 2021	€0	€0	€0	€0	**€0**
	Number of employees having received termination benefits in 2021	0	0	0	1	**1**
	Amount of termination benefits granted in 2021	€0	€0	€0	€4,330	**€4,330**
	of which amount paid in 2021	€0	€0	€0	€4,330	**€4,330**
	of which deferred amount	€0	€0	€0	€0	**€0**
	of which termination benefits paid in 2021 that are not taken into account in the bonus cap	€0	€0	€0	€4,330	**€4,330**
	of which highest amount granted to a single person	€0	€0	€0	€4,330	**€4,330**
	Number of risk-takers who received guaranteed variable remuneration granted in 2021 upon recruitment	0	0	0	0	**0**
	Amount of guaranteed variable remuneration granted in 2021 on the occasion of the recruitment of a risk taker	€0	€0	€0	€0	**€0**
	of which guaranteed variable remuneration paid in 2021 and not taken into account in the bonus cap	€0	€0	€0	€0	**€0**

No Banque Palatine employee received total remuneration of more than €1 million in respect of 2021.

The number of Banque Palatine risk takers whose variable remuneration is not deferred amounts to 64. The total remuneration of this population amounts to €5,778,292 divided into €4,744,491 in fixed remuneration and €1,033,801 in variable remuneration.

5 Individual information

Amounts due in respect of 2021: all remuneration due, on a *pro rata temporis* basis, in respect of duties performed during the 2021 financial year, regardless of the date of payment.

Amounts paid in 2021: all sums actually paid and received in 2021 in respect of positions held that year.

	Amounts in respect of the 2021 financial year	
Chief Executive Officer	**Due**	**Paid**
Fixed remuneration	€325,000	€325,000
Variable remuneration	€260,000	€292,500
Remuneration of Board members	€0	€0
Benefits in kind		€22,380

	Amounts in respect of the 2021 financial year	
Deputy Chief Executive Officer	**Due**	**Paid**
Fixed remuneration	€205,000	€205,000
Variable remuneration	€102,500	€115,313
Remuneration of Board members	€32,250	€32,250
Benefits in kind		€8,667

Appendix 2

Offices and duties exercised by corporate officers
Article L. 225-102-1 paragraph 3 of the French Commercial Code

Christine JACGLIN

DoB: 08/04/1964

Term of office: 06/11/2019 to 31/12/2021

BANQUE PALATINE: Chief Executive Officer and Effective Manager

GIE i-BP: Permanent representative of Banque Palatine, Director

PALATINE ASSET MANAGEMENT: Vice-Chairwoman of the Supervisory Board until 24/03/2021 then Director, Chairwoman of the Audit Committee and of the Remuneration Committee

NAXICAP PARTNERS: Director

OCBF: Permanent representative of Banque Palatine, Director until 15/12/2021

Patrick IBRY

DoB: 11/04/1963

Term of office: 14/02/2019 to 14/02/2024

BANQUE PALATINE: Chief Executive Officer and Effective Manager

ARIÈS ASSURANCES: Chairman of the Supervisory Committee

CONSERVATEUR FINANCE: representing Banque Palatine, Director and member of the Audit Committee

PALATINE ASSET MANAGEMENT: Chairman of the Supervisory Board until 24/03/2021, then Chairman of the Board of Directors, Member of the Remuneration Committee

FCPE DE L'UES BANQUE PALATINE: Member of the Supervisory Board

GIE CAISSE D'EPARGNE SYNDICATION RISQUE ET DISTRIBUTION : Permanent representative of Banque Palatine, Member of Supervisory Board

GIE BPCE SERVICES FINANCIERS: Director until 22/04/2021

GPM ASSURANCES: representing Banque Palatine, member of the Supervisory Board

OCBF: Permanent representative of Banque Palatine, Director from 16/12/2021

Christine FABRESSE

DoB: 24/05/1964

Term of office: 26/05/2020 until the General Meeting called to approve the financial statements for the year ending on 31/12/2023

BPCE: Member of the Management Board and Chief Executive Officer in charge of retail banking and insurance

BANQUE PALATINE: Chairwoman of the Board of Directors, Chairwoman of the Appointments Committee, Chairwoman of the Remuneration Committee, Guest of the Audit Committee, Guest of the Risk Committee

NATIXIS INVESTMENT MANAGERS: Permanent representative of BPCE, Director

BANQUE CENTRALE POPULAIRE (BCP): Permanent representative of BPCE, Director

Lionel BAUD

DoB: 18/09/1967

Term of office: 01/10/2021 until the General Meeting called to approve the financial statements for the year ended 31/12/2021

BANQUE PALATINE: Director, Member of the Audit Committee and the Remuneration Committee

BANQUE POPULAIRE AUVERGNE RHONE ALPES: Chairman

BAUD INDUSTRIES: Co-Manager

BAUD VOUGY: Representative of BAUD INDUSTRIES, Chairman of BAUD VOUGY

BAUD DIMEP: Representative of BAUD INDUSTRIES, Chairman of BAUD DIMEP

BAUD INDUSTRIES R & D: Representative of BAUD INDUSTRIES, Chairman of BAUD INDUSTRIES R & D

BAUD JTD: Representative of BAUD INDUSTRIES, Chairman of BAUD JTD

BAUD INDUSTRIES SUISSE: Chairman

BAUD POLSKA: Chairman

BAUD TUNISIA: Chairman

CETIM: Director

FEDERATION NATIONALE DES BANQUES POPULAIRES: Vice-Chairman

HBI: Chairman

H4B: Partner and Co-manager

JRL: Chief Executive Officer

PRECICOUP: Chairman

ROSSIGNOL TECHNOLOGY: Representative of BAUD INDUSTRIES, Chairwoman of ROSSIGNOL TECHNOLOGY

Maurice BOURRIGAUD

DoB: 21/01/1958

Term of office: 26/05/2020 to 30/09/2021

BANQUE POPULAIRE GRAND OUEST (BPGO): Chief Executive Officer

BANQUE PALATINE: Director, Chairman of the Audit Committee, Member of the Remuneration Committee, Member of the Appointments Committee

ATLANTIQUE MUR REGIONS (SCPI): Permanent representative of BPGO, Member of the Supervisory Board

BPCE: Non-voting Board member

BANQUE POPULAIRE DEVELOPPEMENT: Permanent representative of BPGO, Director

CAISSE AUTONOME DE RETRAITE DU GROUPE BANQUE POPULAIRE: Director

CAISSE DE CREDIT MUNICIPAL DE NANTES: Director

COMITE REGIONAL FBF DE BRETAGNE: Vice-Chairman of the committee

COMITE REGIONAL FBF DES PAYS DE LA LOIRE: Vice-Chairman of the committee

FONDATION D'ENTREPRISE BPO: Director

GRAND OUEST GESTION D'ACTIFS: Permanent representative of BPGO, Director

INFORMATIQUE BANQUES POPULAIRES – i-BP: Permanent representative of BPGO, Director

OUEST CROISSANCE GESTION: Permanent representative of BPGO, Chairman of the Supervisory Board

SCPI ATLANTIQUE MUR REGIONS: Permanent representative of BPGO, Member of the Supervisory Board

TURBO: Director

Stéphanie CLAVIÉ

DoB: 16/08/1970

BPCE's permanent representative starting on 17/01/2017

BANQUE PALATINE: Permanent representative of BPCE, Director, Chairwoman of the Audit Committee and Member of the Appointments Committee

BPCE SERVICES: Chairwoman of the Board of Directors

FIDOR BANK AG: Director

ONEY BANK: Permanent representative of BPCE, Director, Chairwoman of the Audit Committee

Bruno GORÉ

DoB: 25/09/1961

Term of office: 26/05/2020 until the General Meeting called to approve the financial statements for the year ending on 31/12/2021

CAISSE D'EPARGNE NORMANDIE (CEN): Chairman of the Management Board

BANQUE PALATINE: Director, Chairman of the Risk Committee, Member of the Remuneration Committee

ASSOCIATION PARCOURS CONFIANCE: Chairman of the Board

CAISSE D'EPARGNE CAPITAL: Member of the Board

COMMITTEE REGIONAL DES BANQUES DE NORMANDIE: Chairman

COZYNERGY: Director

FEDERATION NATIONALE DES CAISSES D'EPARGNE: Permanent representative of CEN, Director and Member of the Bureau

FONDS CAISSE D'EPARGNE NORMANDIE POUR L'INITIATIVE SOLIDAIRE: Permanent representative of the CEN, Chairman

HABITAT EN REGION: Permanent representative of CEN, Director

NORMANDIE REBOND: Permanent representative of SEC, Director

ROUEN NORMANDIE 2028 – European Capital of Culture: Director

SAEML ZENITH DE CAEN: Non-voting Board member

Hélène MADAR

DoB: 18/02/1969

Term of office: 01/10/2021 until the General Meeting called to approve the financial statements for the year ended 31/12/2021

BANQUE PALATINE: Director, Member of the Risk Committee, Member of the Remuneration Committee

BANQUE POPULAIRE DU NORD: Chief Executive Officer

Nadia MAUZELAF

DoB: 08/07/1977

Term of office: 02/12/2020 to the employee elections in 2024

BANQUE PALATINE: Director representing employees (technical staff)

Didier MOATÉ

DoB: 17/04/1963

Mandate as permanent representative of Caisse d'Epargne Provence Alpes Corse as of 26/05/2020

CAISSE D'EPARGNE CEPAC: Member of the Management Board in charge of the Metropolitan department

BANQUE PALATINE: Director, Member of the Risk Committee, Member of the Remuneration Committee

CEPAC IMMOBILIER: Chairman

CEPAC INVESTISSEMENT ET DEVELOPPEMENT (CEPAC ID): Chairman, Member of the Management Board

C INVEST holding: Representative of CEPAC ID, Chairman

ERILIA: Director

LOGIREM: Director

HABITAT EN REGION SERVICES (HRS): Director

SMALT CAPITAL: Chairman of the Board of Directors

SOGIMA: Representative of HRS, Member of the Supervisory Board

UPE 13: Vice-Chairman

Marie PIC-PÂRIS ALLAVENA

DoB: 04/07/1960

Term of office: 26/05/2020 to 30/09/2021

GROUPE EYROLLES: Chief Executive Officer, Director

BANQUE PALATINE: Director, Chairwoman of the Risk Committee, Member of the Remuneration Committee until September 2021

BANQUE POPULAIRE RIVES DE PARIS (BPRI): Chairwoman of the Board, Member of the Remuneration Committee, Member of the Appointments Committee

BPCE: Member of the Supervisory Board since May 2021

COFACE: Permanent Representative of BPRI, Director (end of term of office February 2021)

TF1: Director, Member of the CSR Committee

Guillemette VALANTIN

DoB: 25/07/1966

Term of office: 02/12/2020 to the employee elections in 2024

BANQUE PALATINE: Director representing executive staff employees, Member of the Audit Committee

PANDORA: Manager

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2021 FINANCIAL STATEMENTS

1 Annual separate financial statements

at 31 December 2021

1.1 Income statement

in millions of euros	Notes	FY 2021	FY 2020
Interest and similar income	3.1	290.3	261.4
Interest and similar expenses	3.1	(83.0)	(48.8)
Income from variable-income securities	3.3	6.1	5.7
Fee and commission income	3.4	84.3	76.3
Fee and commission expenses	3.4	(6.6)	(5.1)
Net gains or losses on trading book transactions	3.5	33.3	0.6
Net gains or losses on available-for-sale securities and similar items	3.6	(1.1)	(0.1)
Other banking income	3.7	2.7	1.1
Other banking expenses	3.7	(6.1)	(4.9)
NET BANKING INCOME		**319.7**	**286.4**
General operating expenses	3.8	(205.7)	(231.2)
Depreciation, amortisation and impairment of property, plant & equipment and intangible assets	3.8	(5.1)	(4.9)
GROSS OPERATING INCOME		**109.0**	**50.3**
Cost of risk	3.9	(57.9)	(83.8)
OPERATING INCOME		**51.1**	**(33.5)**
Profits and losses on non-current assets	3.10	(3.6)	2.6
INCOME BEFORE TAX		**47.5**	**(30.9)**
Non-recurring items	3.11	0.0	0.0
Income tax	3.12	(9.1)	2.4
FRBG charges/reversals and regulated provisions		0.0	0.0
NET INCOME		**38.4**	**(28.5)**

1.2 Balance sheet and off-balance sheet

Assets

in millions of euros	Notes	31/12/2021	31/12/2020
Cash, central banks		562.5	911.1
Treasury bills and similar securities	4.3	865.5	932.2
Loans and advances due from credit institutions	4.1	4,328.0	3,264.8
Customers transactions	4.2	10,647.5	11,249.1
Bonds and other fixed-income securities	4.3	238.3	366.0
Equities and other variable-income securities	4.3	0.0	0.2
Investments in subsidiaries and long-term equity investments	4.4	10.6	12.6
Investments in associates	4.4	6.4	6.4
Intangible assets	4.6	100.1	104.7
Property, plant and equipment	4.6	12.5	14.8
Other assets	4.8	158.2	252.8
Accruals accounts	4.9	121.7	219.7
TOTAL ASSETS		**17,051.3**	**17,334.2**

Off-balance sheet items

in millions of euros	Notes	31/12/2021	31/12/2020
Commitments given			
Financing commitments	5.1	2,119.5	2,136.2
Guarantee commitments	5.1	1,290.9	1,101.3
Commitments on securities		0.5	50.1

Liabilities

in millions of euros	Notes	31/12/2021	31/12/2020
Cash placed with central banks		0.0	0.0
Amounts due to credit institutions	4.1	2,238.3	2,867.5
Customers transactions	4.2	10,995.6	11,114.8
Debts represented by a security	4.7	2,113.9	1,613.0
Other liabilities	4.8	102.2	72.8
Accruals accounts	4.9	152.5	279.9
Provisions	4.10	126.8	102.6
Subordinated debt	4.11	303.5	303.5
Fund for general banking risks (FGBR)	**4.12**	**1.3**	**1.3**
Total equity (excl. FGBR)	4.13	1,017.2	978.8
Issued capital		688.8	688.8
Share premium		56.7	56.7
Retained earnings		50.9	50.9
Carried forward		182.4	210.8
Net income/(loss) for the year		38.4	(28.5)
TOTAL LIABILITIES		**17,051.3**	**17,334.2**

Off-balance sheet items

in millions of euros	Notes	31/12/2021	31/12/2020
Commitments received			
Financing commitments	5.1	285.9	265.7
Guarantee commitments	5.1	230.7	162.9
Commitments on securities		0.0	0.0

2 Notes to the annual separate financial statements

Note 1 General background

1.1 Groupe BPCE

Groupe BPCE[1], of which Banque Palatine is a part, also includes the Banque Populaire network, the Caisse d'Epargne network, the BPCE central body and its subsidiaries.

Two banking networks – the Banque Populaire banks and the Caisse d'Epargne banks

Groupe BPCE is a cooperative group whose members own two retail banking networks: the 14 Banque Populaire banks and the 15 Caisse d'Epargne banks. Each of the two networks owns an equal share in BPCE, the Group's central body.

The Banque Populaire network consists of the Banque Populaire banks and the mutual guarantee companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisse d'Epargne banks and the local savings companies (LSCs).

The Banque Populaire banks are wholly owned by their cooperative members.

The capital of the Caisse d'Epargne banks is wholly owned by the local savings companies. Local savings companies are cooperative entities with open-ended share capital owned by cooperative members. They are tasked with coordinating the cooperative membership, in line with the general objectives set out for the individual Caisse d'Epargne with which they are affiliated, and they cannot perform banking transactions.

BPCE

BPCE, a central body as defined by the French Banking Act, and a credit institution licensed to operate as a bank, was created pursuant to Act No. 2009-715 of 18 June 2009. BPCE was incorporated as a French *société anonyme* with a Management Board and a Supervisory Board. Its share capital is owned jointly and equally by the 14 Banque Populaire and 15 Caisse d'Epargne banks.

BPCE must comply with the cooperative principles of the Banque Populaire and Caisse d'Epargne banks at all times.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, takes steps to ensure depositor protection, approves appointments of senior executives and oversees the smooth operation of the Group's institutions.

As a holding company, BPCE acts as the ultimate controlling party of the Group and holds the joint ventures between the two networks in retail banking and insurance, corporate banking and financial services, and their production units. It also defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries, including Natixis, are organised around two major business lines:

- retail banking and insurance, including the Banque Populaire network, the Caisse d'Epargne network, the Financial Solutions and Expertise segment (including factoring, consumer loans, finance leases, securities & financial guarantees and the retail securities activity), the Natixis Payment and Insurance segments and Other Networks (primarily Banque Palatine and Oney Group);
- global financial services comprising Asset and Wealth Management (Natixis Investment Managers and Natixis Wealth Management) and global customers banking (Natixis Corporate & Investment Banking).

In parallel, BPCE is responsible for centralised management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group as part of its general oversight of financial activities. BPCE also provides banking services to the other Group entities.

Banque Palatine

Banque Palatine is a *société anonyme* (French limited liability corporation) with a Board of Directors, wholly owned by the BPCE central body. Its registered office has been located at 86, rue de Courcelles – 75008 Paris (France) since 1 January 2022.

Banque Palatine's main subsidiaries and investments are active in three segments:

- financial services and asset management;
- property services (*i.e.* transactions, sales, development and promotion, consulting & expertise/asset management);
- insurance.

1.2 Guarantee mechanism

In accordance with Articles L. 511-31, L. 512-107-5 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism aims to safeguard the liquidity and capital adequacy of the Group and BPCE's affiliates, and to organise financial support between them.

BPCE is tasked with taking all requisite measures to guarantee the capital adequacy of the Group and each of the networks. This includes implementing the appropriate internal financing mechanisms within the Group and establishing a mutual guarantee fund common to both networks, for which it determines the operating rules, the conditions for the provision of financial support to the existing funds of the two networks, as well as the contributions from affiliates to the fund's initial capital endowment and reconstitution.

BPCE manages the Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and sets up the Mutual Guarantee Fund.

(1) *Banque Palatine is included in Groupe BPCE's consolidated financial statements. Its financial statements are available at the registered office of the BPCE SA central body and on the BPCE corporate website.*

The Banque Populaire Network Fund was endowed with a €450 million deposit by the Banque Populaire banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The Caisse d'Epargne Network Fund consists of a €450 million deposit made by the Caisses that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The Mutual Guarantee Fund was formed through deposits made by the Banque Populaire and Caisse d'Epargne banks. These deposits were booked by BPCE in the form of ten-year term accounts renewable in perpetuity. The deposits by network amounted to €172 million at 31 December 2021.

The total amount of deposits made with BPCE in the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may be no lower than 0.15% and may not exceed 0.3% of the Group's total risk-weighted assets.

When deposits are recorded in the institutions' individual accounts under the guarantee and solidarity system, an item of an equivalent amount is recorded under a dedicated capital heading.

Mutual guarantee companies granting statutory exclusivity of their guarantees to a Banque Populaire benefit from the liquidity and solvency guarantee in their capacity as affiliates of the central body.

The liquidity and capital adequacy of the local savings companies are secured at the level of each individual local savings company by the Caisse d'Epargne in which the relevant local savings company is a shareholder.

BPCE's Management Board holds all the requisite powers to use the financial resources of the various contributors immediately and in the agreed order pursuant to prior authorisations given to BPCE by the contributors.

1.3 Significant events

The year 2021 was still marked by the Covid-19 health crisis and its consequences on the organisation of work, with the massive use of remote working. This operating method is now fully mastered but had to be adapted in terms of procedures and controls due to the IT migration initiated in October 2020, and the changes made in terms of process.

Given the importance of remote working in the event of a crisis and its crucial role for business continuity, an IT infrastructure continuity plan was initiated in 2021 with the aim of ensuring the rapid replacement of IT equipment for employees, particularly in the event of a crisis.

With regard to the governance of the Banque Palatine institution, the Board of Directors, at its meeting of 10 December 2021, took note of the resignation of Christine Jacglin from her duties as Chief Executive Officer with effect from 31 December 2021 at midnight and appointed Didier Moaté as Chief Executive Officer with effect from 1 March 2022.

In September 2021, Banque Palatine presented its new Up 2024 strategic plan, which is based on two strategic orientations:

- acceleration of the targeted conquest of medium-sized companies and private customers;
- adaptation to the environment.

It also relies on three cross-functional markers: promote employee commitment; modernise and digitise uses; enhance Banque Palatine's involvement in corporate social responsibility.

The cost of risk decreased sharply by €25.9 million to €57.9 million at the end of 2021.

At 31 December 2021, the net income was €38.4 million, compared with a net expense of €28.5 million in 2020.

1.4 Post-balance sheet events

No events liable to have a material effect on the 2021 financial statements occurred after the reporting date.

Note 2 General accounting principles and methods

2.1 Measurement and presentation methods

Banque Palatine's annual separate financial statements are prepared and presented in accordance with the rules laid down by BPCE pursuant to Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC).

The annual separate financial statements for the financial year ended 31 December 2021 were approved by the Board of Directors on 9 February 2022. They will be submitted for approval to the General Meeting of 17 May 2022.

Unless stated otherwise, the amounts presented in the financial statements and in the notes to the financial statements are expressed in millions of euros. The impacts of rounding may result in differences between the amounts reported in the financial statements and those disclosed in the notes to the financial statements.

2.2 Changes in accounting policies

No change in accounting policies affected the financial statements for the 2021 financial year.

The texts adopted by the ANC for which application was mandatory in 2021 did not have any significant impact on the company's individual financial statements.

The institution does not anticipate that the regulations adopted by the ANC will be applied when it is optional, unless otherwise specifically mentioned.

2.3 General accounting principles

The financial statements for the year are presented in an identical format to those for the previous financial year. Generally accepted accounting principles have been applied in accordance with the precautionary principle and the basic assumptions:

- the going concern principle;
- the consistency of accounting methods from one period to the next;
- the accrual principle;

and in accordance with the general rules on preparation and presentation of the annual financial statements.

The basic method for valuing accounting entries is the historical cost method, and all balance sheet items are presented, as appropriate, net of depreciation and amortisation, provisions and allowances for impairment.

Banque Palatine applies the new definition of default under Article 178 of EU Regulation No. 575/2013 which is presented in Notes 4.1 and 4.2.1.

Specific accounting principles are presented in the various appended notes to which they relate.

2.4 Principles applicable to banking resolution mechanisms

The procedures for feeding the deposit guarantee and resolution fund were amended by an Order dated 27 October 2015.

Concerning guarantee funds for cash, surety and securities facilities, the contributions paid by the Group totalled €15.3 million. The accumulated premiums (non-repayable contributions in the event of voluntary withdrawal of approval) represent €3.2 million. The contributions paid in the form of associate or association certificates and cash guarantee deposits that are registered on the asset side of the balance sheet total €12.1 million.

The resolution fund was created in 2015 pursuant to EU Directive No. 2014/59/EU (the Bank Recovery and Resolution Directive – BRRD) establishing a framework for the recovery and resolution of credit institutions and investment firms and EU Regulation No. 806/2014 (MRU Regulation). In 2016, it became a Single Resolution Fund (SRF) between the member states participating in the Single Supervisory Mechanism (SSM). The SRF is a funding mechanism available to the Single Resolution Board (SRB). This system could call upon this fund as part of the implementation of resolution procedures.

In compliance with EU Delegated Regulation No. 2015/63 and Implementing Regulation No. 2015/81 supplementing the BRRD directive on ex ante contributions to the systems for financing the resolution, the Single Resolution Board determined the contributions to the single resolution fund for 2021. The amount of the contributions paid by the Group for the financial year was €7.1 million of which €6 million was recognised as an expense and €1.1 million in the form of cash deposit guarantees that are recognised on the balance sheet as assets (15% of calls for funds constituted in the form of cash deposit guarantees). The total contributions that are entered in the balance sheet assets amounted to €5 million at 31 December 2021.

Note 3 Information on the income statement

3.1 Interest and similar income and expenses

Accounting principles

Interest and similar commission income are recognised on a pro rata basis.

Negative interest is presented as follows:

- a negative interest on an asset is shown as an interest expense in the NBI;
- a negative interest on a liability is shown as interest income in the NBI.

Commissions and fees related to the grant or acquisition of a loan are treated as additional interest accruing over the effective life of the loan on a pro rata basis according to the outstanding amount due.

The portion of income received during the year from bonds or negotiable debt securities is also recognised. The same applies to perpetual deeply subordinated notes meeting the definition of a Tier 1 regulatory capital instrument. The Group considers that these revenues are similar in nature to interest.

	FY 2021			FY 2020		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Transactions with credit institutions	75.6	(47.7)	27.9	13.0	(22.0)	(9.0)
Customers transactions	175.0	(13.8)	161.3	182.9	(14.6)	168.3
Bonds and other fixed-income securities	24.6	(16.6)	8.0	48.9	(6.5)	42.4
Subordinated debt	0.0	(4.3)	(4.3)	0.0	(4.3)	(4.3)
Other	15.1	(0.7)	14.4	16.7	(1.3)	15.3
TOTAL	**290.3**	**(83.0)**	**207.3**	**261.4**	**(48.8)**	**212.7**

Interest income from transactions with credit institutions includes income from the Livret A, LDD and LEP passbook savings accounts, which are deposited centrally with *Caisse des Dépôts et Consignations*.

The provision for the regulated home savings accounts amounted to €2.9 million in respect of the 2021 financial year, compared with €2.5 million in 2020.

3.2 Income and expenses on finance and operating leases

Accounting principles

Income and expenses from non-current assets presented under "Finance leases and similar transactions" and "Operating leases" on the balance sheet are recognised under this item, in particular:

- rental amounts, and capital gains and losses on disposals of fixed assets held under finance leases, leases with a purchase option or operating leases;
- charges and reversals for impairment, losses on irrecoverable loans and recoveries of bad debts written off relating to the portion of doubtful rents for which impairment is mandatory, as well as those relating to contract termination payments;
- depreciation and amortisation on fixed assets.

Banque Palatine only conducts operating lease transactions as a lessee.

3.3 Income from variable-income securities

Accounting principles

Income from variable-income securities includes dividends and other income from shares and other variable-income securities, equity investments, other long-term securities and shares in subsidiaries and associates.

Dividends are recognised when the right to receive payment has been decided by the relevant body.

in millions of euros	FY 2021	FY 2020
Investments in subsidiaries and long-term equity investments	0.4	0.3
Investments in associates	5.7	5.5
TOTAL	**6.1**	**5.7**

Including €5.7 million in dividends received from the Palatine Asset Management subsidiary, compared to €5.4 million in 2020.

3.4 Fees and commissions

Accounting principles

Interest-like commissions are recorded under interest and similar income and expenses (Note 3.1).

Other commission income is recognised according to the type of service provided as follows:

- a commission received for an *ad hoc* service is recognised on completion of the service;
- a commission received for an ongoing or discontinued service paid for through several instalments is recognised over the period that the service is provided for.

	FY 2021			FY 2020		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	0.1	(0.1)	0.0	0.1	(0.1)	0.1
Customers transactions	55.7	(2.1)	53.7	50.1	(0.7)	49.4
Securities transactions	3.5	(2.0)	1.5	2.1	(1.7)	0.4
Payment services	9.0	(1.8)	7.2	6.7	(2.3)	4.4
Insurance products	11.7	0.0	11.7	11.9	0.0	11.9
Foreign exchange transactions	3.4	(0.3)	3.2	2.4	(0.1)	2.3
Financial services	0.8	(0.4)	0.4	1.9	(0.3)	1.6
Other fee and commission income[1]	0.1	0.0	0.1	1.1	0.0	1.1
TOTAL	**84.3**	**(6.6)**	**77.6**	**76.3**	**(5.1)**	**71.2**

(1) This consists of financial engineering fees.

3.5 Net gains or losses on trading book transactions

Accounting principles

Net gains or losses on trading book transactions include:

- gains or losses on balance sheet and off-balance sheet transactions in trading securities;
- gains or losses on outright forward currency transactions from purchases and sales of foreign currencies, and from the periodic valuation of foreign exchange and precious metals transactions;
- gains or losses on transactions in forward financial instruments, including interest rate, currency and stock market index futures, be they firm or conditional, including when used to hedge trading book transactions.

in millions of euros	FY 2021	FY 2020
Foreign exchange transactions	7.1	1.2
Forwards, futures and options	26.1	(0.6)
TOTAL	**33.3**	**0.6**

3.6 Net gains or losses on available-for-sale securities and similar items

Accounting principles

This item includes gains or losses on investment securities and on equity securities resulting from the difference between provision reversals and gains on disposals, and provisions and losses on disposals.

	FY 2021	FY 2020
in millions of euros	Available-for-sale securities	Available-for-sale securities
Impairment		
Allocations	(0.6)	0.2
Reversals	0.1	0.0
Net gain/(loss) on disposal	(0.6)	(0.3)
TOTAL	**(1.1)**	**(0.1)**

3.7 Other banking income and expenses

Accounting principles

Other income and expenses from banking operations include the share of joint transactions, rebilling of banking income and expenses, income and expenses from real estate transactions and IT services.

This line item also includes expenses and income on finance lease and/or operating lease activities not carried out as a primary activity, and the fixed assets of which are presented under property, plant and equipment.

Such interest income and expenses include:

- rental amounts, and capital gains and losses on disposals of fixed assets held under finance leases, leases with a purchase option or operating leases;
- charges and reversals for impairment, losses on irrecoverable loans and recoveries of bad debts written off relating to the portion of doubtful rents for which impairment is mandatory, as well as those relating to contract termination payments;
- depreciation and amortisation on the fixed assets in question.

	FY 2021			FY 2020		
in millions of euros	Income	Expense	TOTAL	Income	Expense	Total
Rebilling of banking income and expense	0.5	0.0	0.5	0.5	0.0	0.5
Miscellaneous other activities	2.2	(6.1)	(3.9)	0.6	(4.9)	(4.3)
TOTAL	**2.7**	**(6.1)**	**(3.4)**	**1.1**	**(4.9)**	**(3.7)**

3.8 General operating expenses and depreciation, amortisation and impairment on property, plant and equipment and intangible assets

General operating expenses

General operating expenses include payroll costs, including wages and salaries, employee profit-sharing and incentive schemes, social security contributions, taxes and levies on payroll costs. Other administrative expenses are also recorded, including taxes other than on income and fees for external services.

in millions of euros	FY 2021	FY 2020
Wages and salaries	(80.2)	(76.2)
Pension costs and similar obligations	(9.1)	(9.2)
Other social security charges	(27.0)	(29.8)
Employee incentive scheme	(5.9)	(2.6)
Employee profit-sharing scheme	(0.5)	(0.6)
Payroll taxes	(10.6)	(11.7)
TOTAL EMPLOYEE BENEFITS EXPENSE	**(133.3)**	**(130.0)**
Taxes other than on income	(3.3)	(4.2)
Other operating expenses[1]	(69.1)	(97.1)
TOTAL OTHER OPERATING EXPENSES	**(72.4)**	**(101.2)**
TOTAL	**(205.7)**	**(231.2)**

(1) The change in other operating expenses includes a decrease of €0.6 million due to the reclassification in 2021 of the recovery costs on doubtful loans (S3) within the item "Cost of credit risk".

Banque Palatine's transformation project includes a voluntary departure plan for a provision of €10.3 million.

The Group's average headcount during the year, broken down by professional category, was as follows: 807 managers and 375 non-managers, representing a total of 1,182 employees.

As a reminder, since 2020, rebilling of "central body" activities (listed in the French Monetary and Financial Code) paid to BPCE are now presented in net revenue before tax and rebilling of group assignments paid by BPCE are still presented as management fees.

Depreciation and amortisation of intangible assets and property, plant and equipment

in millions of euros	FY 2021	FY 2020
Amortisation and depreciation:		
of property, plant and equipment	(4.3)	(4.2)
of intangible assets	(0.7)	(0.7)
TOTAL	**(5.1)**	**(4.9)**

It should be noted that as part of the bank's transformation plan, the restructuring of the network led the institution to accelerate the depreciation of the branches concerned for an amount of €1.3 million.

3.9 Cost of risk

Accounting principles

The cost of risk line item includes only the cost related to credit risk (or counterparty risk). Credit risk represents a potential loss related to a possible counterparty default on commitments entered into. Counterparty means any legal entity that is the beneficiary of a credit or off-balance sheet commitment, a party to a forward financial instrument or an issuer of a debt security.

The cost of credit risk is assessed when the receivable is considered doubtful, *i.e.* when the risk is confirmed, as soon as it is likely that the institution will not receive all or part of the amounts due in respect of the commitments entered into by the counterparty, pursuant to the initial contractual provisions, notwithstanding the existence of a guarantee or surety.

Credit risk is also assessed when credit risk is identified on loans that are not impaired but show a significant increase in credit risk since their initial recognition (see Notes 4.1 and 4.2.1).

Cost of credit risk therefore comprises all impairment charges and reversals on loans and advances to customers, credit institutions and fixed-income investment securities (in the event of a proven risk of issuer default), provisions for off-balance sheet commitments (excluding off-balance sheet financial instruments), as well as losses on irrecoverable loans and recoveries of bad debts written off.

However, provisions and reversals, losses on irrecoverable loans or recoveries of bad debts written off relating to interest on doubtful loans for which provisioning is mandatory are classified under "Interest and similar income" and "Other banking income" on the income statement. For trading securities, investment (available-for-sale) securities, equity securities available for sale in the medium term and forward financial instruments, the cost of counterparty risk is recorded directly under gains and losses on these portfolios, except in the event of a proven risk of counterparty default, where this component may be isolated and changes in provisions for counterparty risk are then recorded under "Cost of risk".

	FY 2021					FY 2020				
in millions of euros	Allocations	Reversals and uses of funds	Losses[1]	Recoveries of bad debts written off	TOTAL	Allocations	Reversals and uses of funds	Losses[1]	Recoveries of bad debts written off	TOTAL
Impairment of assets										
Interbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customers	(64.2)	67.4	(54.3)	1.2	(49.9)	(121.3)	117.9	(75.9)	1.2	(78.2)
Securities portfolio and other receivables	0.0	7.9	(0.3)	0.0	7.6	(0.5)	2.9	(5.0)	0.0	(2.7)
Provisions										
Off-balance sheet commitments	(12.7)	7.9	0.0	0.0	(4.8)	(17.1)	11.4	0.0	0.0	(5.7)
Provisions for customer credit risks	(11.5)	0.6	0.0	0.0	(10.9)	0.0	0.2	0.0	0.0	0.2
Other	0.0	0.0	0.0	0.0	0.0	2.6	0.0	0.0	0.0	2.6
TOTAL	**(88.3)**	**83.8**	**(54.6)**	**1.2**	**(57.9)**	**(136.4)**	**132.4**	**(81.0)**	**1.2**	**(83.8)**
o/w:										
• reversals of obsolete impairment charges	0.0	83.2	0.0	0.0	83.2	0.0	132.2	0.0	0.0	132.2
• reversals of impairment losses used	0.0	54.3	0.0	0.0	54.3	0.0	75.9	0.0	0.0	75.9
• reversals of obsolete provisions	0.0	0.6	0.0	0.0	0.6	0.0	0.2	0.0	0.0	0.2
• reversals of provisions used	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• losses covered by provisions	0.0	(54.3)	0.0	0.0	(54.3)	0.0	(75.9)	0.0	0.0	(75.9)
TOTAL REVERSALS	**0.0**	**83.8**	**0.0**	**0.0**	**83.8**	**0.0**	**132.4**	**0.0**	**0.0**	**132.4**

(1) The change in bad debts includes an increase of €0.6 million due in particular to the reclassification in 2021 of the recovery costs on doubtful loans (S3) from the item General operating expenses to the item Cost of credit risk.

3.10 Profits and losses on non-current assets

Accounting principles

The gains or losses on non-current assets include:

- gains or losses on disposals of property, plant and equipment and intangible assets used as part of operations, resulting from the difference between capital gains and losses on disposals and reversals and charges to provisions;
- gains or losses on investments in associates, other long-term securities investments, shares in subsidiaries and associates and held-to-maturity securities, resulting from the difference between provision reversals and gains on disposals, and charges to provisions and losses on disposals.

in millions of euros	FY 2021			FY 2020		
	Investments in subsidiaries and other long-term equity investments	Property, plant and equipment and intangible assets	TOTAL	Investments in subsidiaries and other long-term equity investments	Property, plant and equipment and intangible assets	TOTAL
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Allocations	0.0	0.0	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	0.0	0.0	0.0	0.0
Net gain/(loss) on disposal	0.1	(3.7)	(3.6)	3.6	(1.0)	2.6
TOTAL	**0.1**	**(3.7)**	**(3.6)**	**3.6**	**(1.0)**	**2.6**

The derecognition of business goodwill impacted by the bank's network restructuring plan amounted to €0.6 million, plus scrapping of €3 million.

3.11 Non-recurring items

No non-recurring items were recorded in 2021.

3.12 Income tax

Accounting principles

Since the 2009 financial year, the Caisse d'Epargne and Banque Populaire networks have applied the provisions of Article 91 of the amended French Finance Act for 2008, which extends the tax consolidation regime to the networks of mutual banks. This option is modelled on the tax consolidation for mutual insurers and takes into account consolidation criteria other than ownership interest (the scheme is usually available if at least 95% of the share capital of a subsidiary is owned by a parent-company).

Banque Palatine signed a tax consolidation agreement with its parent company, under which it recognises in its financial statements any tax liabilities that it would have had to pay had it not been part of a mutual tax consolidation group.

The tax charge appearing in the income statement for the period is the corporate income tax due in respect of the period and the provision for the tax liabilities of the EIGs.

3.12.1 Breakdown of income tax in 2021

Banque Palatine is a member of the consolidated tax group set up by BPCE. It also heads the consolidated tax sub-group formed of its subsidiaries Palatine Asset Management (PAM), Ariès Assurances and Société immobilière d'investissement (SII).

Income tax paid to the head company of the Group, which can be broken into income before non-recurring items and non-recurring items, can be analysed as follows:

in millions of euros	FY 2021		FY 2020
Tax bases at the rate of	27.50%	31.0%	28.0%
Tax on income before non-recurring items	51.0	0.0	(23.8)
Allocation of deficits	(26.1)	0.0	0.0
Tax bases	25.0	0.0	(23.8)
Corresponding tax expense	6.9	0.0	0.0
+ 3.3% contributions	0.2	0.0	0.0
- Deductions in respect of tax credits*	(0.3)	0.0	0.0
Tax expense reported	6.8	0.0	0.0
Provisions for taxes	0.0	0.0	0.0
Miscellaneous[(1)]	2.3	(2.4)	0.0
TOTAL	**9.1**	**(2.4)**	**0.0**

(1) Corresponds mainly to tax income related to the tax consolidation of our main subsidiary.

3.12.2 Breakdown of 2021 taxable income – reconciliation from book to taxable income

in millions of euros	FY 2021	FY 2020
Accounting net income (A)	**38.4**	**(28.5)**
Social tax (B)	**9.1**	**(2.4)**
Reinstatements (C)	**51.6**	**53.5**
Impairment of long-term investments	0.0	0.0
Other impairment losses and provisions	41.9	41.8
Other	9.6	11.7
Deductions (D)	**48.0**	**46.4**
Reversals of impairment losses and provisions	40.8	35.7
Dividend payments	5.7	5.4
Other	1.5	5.3
Tax base at standard rate (A) + (B) + (C) - (D)	**51.0**	**(23.8)**

This table analyses Banque Palatine's individual taxable income.

Note 4 Information on the balance sheet

Unless stated otherwise, explanatory notes for balance sheet items are presented net of depreciation, amortisation, impairment and provisions.

Certain credit risk disclosures required under Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC) are provided in the risk management report. This information forms an integral part of the financial statements audited by the Statutory Auditors.

4.1 Interbank transactions

Accounting principles

Loans and advances due from credit institutions cover all loans and advances made in connection with banking transactions with the exception of those represented by a security. They also include securities received under repurchase agreements, regardless of the type of underlying, and loans and advances relating to securities repurchase agreements. They are broken down into demand loans and deposits, and term loans and deposits. Loans and advances due from credit institutions are stated on the balance sheet at their nominal value, with the exception of buybacks of customer receivables, which are carried at cost, plus accrued interest not yet due and net of any impairment charges recognised for credit risk.

Amounts due to credit institutions are recorded according to their initial term under demand deposits and current accounts or term deposits and borrowings. Amounts due to customers are classified into regulated savings accounts and other customer deposits. Depending on the counterparty involved, these items include securities and other assets sold under repurchase agreements. Accrued interest is recorded under the accrued interest line item.

Guarantees received are recorded as an off-balance sheet item. They are remeasured on a regular basis. The total carrying amount of all collateral received for a single loan may not exceed the outstanding amount of the loan.

Restructured loans

Within the meaning of Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC), restructured loans are doubtful loans the initial characteristics (term, interest rate) of which have been altered to enable counterparties to repay the amounts due.

A discount is taken on restructured loans to reflect the difference between the present value of the contractual cash flows expected at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate, and the discount rate used for variable-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is recorded under "Cost of risk" and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new repayment dates are observed. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

Doubtful loans and advances

Doubtful loans and advances consist of all outstanding amounts (whether or not they are due, guaranteed or otherwise), where at least one commitment made by the debtor is subject to a proven credit risk, individually classified as such. A risk is considered to have been "proven" when it is probable that the Group will not collect all or part of the sums owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Doubtful loans are identified in compliance with ANC Regulation No. 2014-07, particularly in the case of loans past due for over three months, over six months for real estate loans, and over nine months for loans to local authorities.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and advances with terms that have lapsed, terminated lease financing agreements, and perpetual loans that have been rescinded, are considered as irrecoverable. The existence of collateral covering nearly all risks, along with the conditions for classification as doubtful loans and advances, must be taken into consideration when qualifying a doubtful loan as irrecoverable and assessing the associated impairment. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not considered. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful loans and commitments as irrecoverable.

For doubtful loans and advances, accrued interest and/or interest due but not received is recognised in banking income and impaired accordingly. For irrecoverable loans and advances, accrued interest due but not received is not recognised.

More generally, doubtful loans and advances are reclassified as performing once the debtor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Collateralised repurchase agreements are recognised in accordance with ANC Regulation No. 2014-07, complemented by Instruction No. 94-06, as amended, issued by the French Banking Commission.

The collateralised assets remain on the balance sheet of the vendor, which records the amount collected under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid under assets, representing the amount owed to the vendor. At each balance sheet date, the collateralised assets, as well as the debt vis-à-vis the purchaser or the amount due to the vendor, are stated according to the rules applicable to each of these transactions.

Impairment

An impairment loss is recognised on loans and advances to cover the risk of loss where the prospects of recovery are uncertain. Impairment losses are calculated on a case-by-case basis, taking into account the present value of guarantees received. Impairment losses are calculated at least every quarter and are based on available guarantees and a risk analysis. Impairment losses cover at the very least the interest not received on doubtful loans.

Impairment for probable incurred losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash flows discounted at the initial effective interest rate. Projected cash flows are determined based on the type of loans on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on collection histories.

Impairment charges and reversals booked for the risk of non-recovery are recorded under "Cost of risk" except for impairments for interest on doubtful loans and advances, which are recorded as impaired interest under "Interest and similar income".

The reversal of the impairment related to the passage of time alone is recorded under "Cost of risk".

When the credit risk has been identified, on loans that are not doubtful but showing a significant increase in the credit risk since their initial recognition, it is assessed on the basis of the credit losses expected over their remaining lifetimes. This credit risk is recorded in the form of a liabilities provision. Since 1 January 2018, the measurement of these non-doubtful loans has been aligned with those in IFRS 9 of Stage 2 (S2) adopted for the consolidated financial statements.

Irrecoverable loans and advances are written off as losses and the corresponding impairment charges are reversed.

Assets

in millions of euros	31/12/2021	31/12/2020
Current accounts	*305.5*	*278.9*
Overnight loans	*36.8*	*151.4*
Demand accounts	**342.3**	**430.3**
Term accounts and loans	*3,954.1*	*2,814.3*
Subordinated and participating loans	*2.2*	*1.7*
Term accounts	**3,956.4**	**2,816.0**
Accrued interest	**29.4**	**18.5**
Doubtful loans and advances	**0.0**	**0.0**
Impairment of interbank loans	**0.0**	**0.0**
TOTAL	4,328.0	3,264.8

The funds collected for Livret A and LDD accounts and held centrally by Caisse des Dépôts et Consignations amounted to €280 million at 31 December 2021, compared to €240.6 million at the end of 2020.

Liabilities

in millions of euros	31/12/2021	31/12/2020
Current accounts in credit	*11.8*	*68.0*
Overnight deposits	*0.0*	*0.0*
Other amounts due	*3.9*	*5.5*
Due on demand	*0.0*	*0.0*
Demand accounts	**15.7**	**73.5**
Term accounts and loans	*2,222.6*	*2,793.9*
Term accounts	**2,222.6**	**2,793.9**
TOTAL	**2,238.3**	**2,867.5**

4.2 Customer transactions

4.2.1 Customer transactions

Accounting principles

Loans and advances to customers include loans to entities other than credit institutions, with the exception of debt securities issued by customers, securities received under repurchase agreements and loans and advances relating to securities repurchase agreements. They are broken down into commercial loans, customer accounts in debit and other loans. Loans and advances due from customers are recorded on the balance sheet at their nominal value, with the exception of customer receivable buybacks, which are carried at cost, plus accrued interest not yet due and net of any impairment charges recognised for credit risk. Deferred marginal transaction costs and fees are included in the relevant loan.

Guarantees received are recorded as an off-balance sheet item. They are remeasured on a regular basis. The total carrying amount of all collateral received for a single loan may not exceed the outstanding amount of the loan.

Loans guaranteed by the French State

The State-guaranteed loan (*Prêt garanti par l'Etat* – PGE) is a support mechanism set up in application of Article 6 of Act No. 2020-289 of 23 March 2020 (the amended French Finance Act for 2020), and of the Decision of the Minister of the Economy and Finance of 23 March 2020, granting a State guarantee to credit institutions and finance companies as of 16 March 2020 in order to meet the cash flow needs of companies impacted by the Covid-19 health crisis. The system was extended until 30 June 2022 by Act No. 2021-1900 of 30 December 2021 for 2022. The loans guaranteed by the French State must comply with eligibility criteria common to all establishments distributing these loans as defined by law.

State-guaranteed loans are liquidity loans with a one-year grace period. The beneficiary companies may decide, at the end of the first year, to amortise the SGL over a period of one to five additional years or to start the amortisation of the capital only from the second year of the period by paying only the interest and the cost of the State guarantee.

For eligible companies, the amount of the State-guaranteed loan is capped, in the general case (excluding innovative and recently created companies, and excluding the Season loans for our Tourism/Hotels/Catering customers for example), at 25% of the company's revenue. State-guaranteed loans are 70% to 90% guaranteed by the French State, depending on the borrowing company's size, with the lending banks carrying the remaining risk. The State guarantee covers a percentage of the outstanding amount of the debt (capital, interest and accessories) until its expiry. The State guarantee may be called before the expiry of the term in the event of a credit event.

The early repayment penalty is fixed in the contract and in a reasonable way (2% of the remaining capital due during the initial period of the loan, 3% to 6% of the remaining capital due during the amortisation period of the loan). The terms of extension are not set in advance but are established two to three months before the expiration of the extension option, depending on market conditions.

The State-guaranteed loans do not need to be covered by other collateral or guarantees than the guarantee offered by the French State except when they are granted within the framework of an order issued by the Minister of the Economy and Finance. It is accepted that the professional or manager may request or be offered death insurance, but not have it imposed on him or her.

With regard to the State guarantee, it is considered an integral part of the terms of the contract and is taken into account in the calculation of expected credit loss impairments. The guarantee fee paid at the granting of the loan by Groupe BPCE to the French State is recognised in profit or loss over the initial term of the State-guaranteed loan according to the Effective Interest Rate (EIR) method. The impact is presented within the net interest margin.

Restructured loans

Within the meaning of Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC), restructured loans are doubtful loans the initial characteristics (term, interest rate) of which have been altered to enable counterparties to repay the amounts due.

A discount is taken on restructured loans to reflect the difference between the present value of the contractual cash flows expected at inception and the present value of expected principal and interest repayments after restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate, and the discount rate used for variable-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is recorded under "Cost of risk" and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new repayment dates are observed. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

Doubtful loans and advances

Doubtful loans and advances consist of all outstanding amounts (whether or not they are due, guaranteed or otherwise), where at least one commitment made by the debtor is subject to a proven credit risk, individually classified as such. A risk is considered to have been "proven" when it is probable that the Group will not collect all or part of the sums owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Doubtful loans are identified in compliance with ANC Regulation No. 2014-07, particularly in the case of loans past due for over three months, over six months for real estate loans, and over nine months for loans to local authorities.

Doubtful loans are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and advances with terms that have lapsed, terminated lease financing agreements, and perpetual loans that have been rescinded, are considered as irrecoverable. The existence of collateral covering nearly all risks, along with the conditions for classification as doubtful loans and advances, must be taken into consideration when qualifying a doubtful loan as irrecoverable and assessing the associated impairment. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not considered. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful loans and commitments as irrecoverable.

For doubtful loans and advances, accrued interest and/or interest due but not received is recognised in banking income and impaired accordingly. For irrecoverable loans and advances, accrued interest due but not received is not recognised.

More generally, doubtful loans and advances are reclassified as performing once the debtor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Collateralised repurchase agreements are recognised in accordance with ANC Regulation No. 2014-07, complemented by Instruction No. 94-06, as amended, issued by the French Banking Commission.

The collateralised assets remain on the balance sheet of the vendor, which records the amount collected under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid under assets, representing the amount owed to the vendor. At each balance sheet date, the collateralised assets, as well as the debt vis-à-vis the purchaser or the amount due to the vendor, are stated according to the rules applicable to each of these transactions.

Impairment

An impairment loss is recognised on loans and advances to cover the risk of loss where the prospects of recovery are uncertain. Impairment losses are calculated on a case-by-case basis, taking into account the present value of the guarantees received and the costs of taking possession and selling the collateral. Impairment losses are calculated at least every quarter and are based on available guarantees and a risk analysis. Impairment losses cover at the very least the interest not received on doubtful loans.

Impairment for probable incurred losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash flows discounted at the initial effective interest rate. Projected cash flows are determined based on the type of loans on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on collection histories.

Impairment charges and reversals booked for the risk of non-recovery are recorded under "Cost of risk" except for impairments for interest on doubtful loans and advances, which are recorded as impaired interest under "Interest and similar income".

The reversal of the impairment related to the passage of time alone is recorded under "Cost of risk".

When the credit risk has been identified, on loans that are not doubtful but showing a significant increase in the credit risk since their initial recognition, it is assessed on the basis of the credit losses expected over their remaining lifetimes. This credit risk is recorded in the form of an asset impairment charge. Since 1 January 2018, the measurement and presentation of these non-doubtful loans has been aligned with those in IFRS 9 of Stage 2 (S2) adopted for the consolidated financial statements.

Irrecoverable loans and advances are written off as losses and the corresponding impairment charges are reversed.

Assets in millions of euros	31/12/2021	31/12/2020
Current accounts with overdrafts	**330.7**	**704.2**
Trade receivables	**135.3**	**121.5**
Export loans	*57.3*	*38.6*
Short-term and consumer credit facilities	*3,726.3*	*4,126.6*
Equipment loans	*3,141.3*	*3,105.7*
Home loans	*2,840.5*	*2,588.8*
Other customer loans	*132.5*	*185.0*
Other	*17.2*	*112.9*
Other facilities granted to customers	**9,915.2**	**10,157.6**
Accrued interest	**22.2**	**21.1**
Doubtful loans and advances	**497.4**	**501.8**
Impairment of loans and advances to customers	**(253.3)**	**(257.2)**
TOTAL	**10,647.5**	**11,249.1**

At 31 December 2021, no receivable had been provided to Banque de France under the TRICP system.

The State-guaranteed loans amounted to €1.2 billion at 31 December 2021, compared with €1.4 billion at 31 December 2020.

Liabilities in millions of euros	31/12/2021	31/12/2020
Regulated savings accounts	1,121.8	1,117.5
Livret A savings accounts	*48.8*	*29.3*
PEL/CEL	*196.2*	*204.8*
Other regulated savings accounts	*876.9*	*883.4*
Other accounts and loans from customers[(1)]	9,858.9	9,814.3
Other amounts due	14.1	181.8
Accrued interest	0.8	1.3
TOTAL	**10,995.6**	**11,114.8**

(1) Breakdown of accounts and loans from customers.

	31/12/2021			31/12/2020		
in millions of euros	Demand	Term	TOTAL	Demand	Term	TOTAL
Current accounts in credit	9,327.1		9,327.1	9,229.5		9,229.5
Other accounts and loans		531.8	531.8		584.8	584.8
TOTAL	**9,327.1**	**531.8**	**9,858.9**	**9,229.5**	**584.8**	**9,814.3**

4.2.2 Breakdown of outstanding loans by sector

	Performing loans and advances	Doubtful loans and advances		o/w Irrecoverable doubtful loans and advances	
in millions of euros	Gross	Gross	Specific impairment	Gross	Specific impairment
Non-financial companies	8,711.0	477.8	242.6	312.5	(113.3)
Self-employed customers	44.9	1.7	0.3	0.0	0.0
Individual customers	1,405.5	17.9	10.4	12.9	(3.2)
Non-profit institutions	1.5	0.0	0.0	0.0	0.0
Government and social security institutions	0.1	0.0	0.0	0.0	0.0
Other	240.5	0.0	0.0	0.0	0.0
TOTAL AT 31 DECEMBER 2021	**10,403.4**	**497.4**	**253.3**	**325.4**	**(116.5)**
Total at 31 December 2020	**11,004.5**	**501.8**	**257.2**	**251.0**	**(144.1)**

4.3 Treasury bills, bonds, equities and other fixed- and variable-income securities

4.3.1 Securities portfolio

Accounting principles

"Investment securities" covers interbank market securities, treasury bills and negotiable debt securities, bonds and other fixed-income instruments, and equities and other variable-income securities.

For accounting purposes, securities transactions are governed by Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC), which sets out the general recognition and measurement rules applicable to investment securities and the rules concerning specific transfers such as securities lending transactions.

Investment securities are classified in the following categories: investments in unconsolidated subsidiaries and shares in related companies, other long-term equity investments, held-to-maturity securities, equity securities available for sale in the medium term, available-for-sale securities and trading securities.

The trading securities, available-for-sale securities, held-to-maturity securities, equity investments available for sale in the medium term and counterparts with incurred default risks the impacts of which can be separately identified are recognised in the form of impairments. Changes in impairment are recorded under the cost of risk.

In the event of a securities lending transaction, the securities loaned cease to appear on the balance sheet and a receivable representing the book value of the securities loaned is recognised as an asset.

In the case of a securities borrowing transaction, the borrowed securities are recorded in the trading securities category with a corresponding liability to the securities debt to the lender for an amount equal to the market price of the securities in question on the date of borrowing. Borrowed securities are presented in the balance sheet as a deduction from the debt representing the value of the borrowed securities.

Trading securities

These are securities acquired or sold with the intention to resell or repurchase them after a short holding period. To be eligible for this category, the securities must be tradable on an active market at the date of their initial recognition and their market prices must be accessible, representing actual arm's length transactions regularly occurring in the market. They may be either fixed or variable income securities.

Trading securities are recorded in the accounts at cost on their acquisition date, less transaction costs and including accrued interest, where applicable. In the event of a short sale, the debt is recorded under liabilities in the amount of the selling price of the securities, less transaction costs.

At closing, they are valued at the market price of the most recent day: the overall balance of differences resulting from price changes is recorded in the income statement. For UCITS and investment funds, market value corresponds to net asset values reflecting available market information at the balance sheet date.

Securities classified as trading securities cannot be transferred to another accounting category (except in exceptional market situations requiring a change of strategy or in the absence of an active market for fixed-income securities), and the rules for their presentation and measurement continue to apply until they are sold, redeemed in full, or written off.

Available-for-sale securities

Securities that do not qualify for recognition in any other category are considered as available-for-sale securities.

Available-for-sale securities are recognised at cost on their acquisition date, less transaction costs.

Where applicable, for fixed-income securities, accrued interest is recognised under related accounts, with an offsetting entry on the income statement under "Interest and similar income".

Any difference between acquisition cost and redemption value (premium or discount) for fixed-income instruments is recognised on the income statement over the remaining term of the security using the actuarial method.

Available-for-sale securities are measured at the lower of cost or market value. For UCITS and investment funds, market value corresponds to net asset values reflecting available market information at the balance sheet date.

Unrealised capital losses are subject to an impairment provision that may be estimated using homogeneous groups of securities and may not be offset by capital gains recorded on other categories of securities.

Any gains generated by hedging instruments as defined in Article 2514-1 of ANC Regulation No. 2014-07, are taken into account in the calculation of impairment. Unrealised gains are not recognised.

Gains and losses on disposals of available-for-sale securities, as well as impairment charges and reversals are recognised in "Net gains or losses on available-for-sale securities and similar items".

Held-to-maturity securities

These include fixed-income securities with a fixed maturity that were acquired or have been reclassified from "Trading securities" or "Available-for-sale securities" and which the company intends and is able to hold to maturity. The securities should not be subject to an existing legal or constructive restriction, which may have an adverse effect on the company's intent to hold the securities to maturity. Classification as held-to-maturity securities is not incompatible with their designation as items hedged against interest rate risk.

Held-to-maturity securities are recorded in the accounts at cost at their acquisition date, less transaction costs. When previously classified as available for sale, they are carried at cost and the previously recognised impairment charges are reversed over the residual life of the relevant securities.

The difference between acquisition cost and redemption value of the securities, as well as the corresponding accrued interest, is recognised using the same rules as those applicable to fixed-income available-for-sale securities.

An impairment loss may be recognised if there is a strong probability that the bank will not hold the securities to maturity due to new circumstances or if there is a risk of default by the issuer. Unrealised gains are not recognised.

Held-to-maturity securities cannot be sold or transferred into another category of securities, with certain exceptions.

However, pursuant to the provisions of ANC Regulation No. 2014-07, fixed-income trading securities or available-for-sale securities reclassified into the category of held-to-maturity securities as a result of market illiquidity may be sold when the market on which they are traded becomes active again.

Equity securities available for sale in the medium term

Equity securities available for sale in the medium term comprise securities held with the sole objective of obtaining capital gains in the medium term, without the intent of long-term investment, to develop the investee's business activities or actively participate in its operational management. In theory, these are always variable-income securities. This investment activity has to be significant and continuous, carried out in a structured framework, and must generate regular returns derived primarily from capital gains on disposals.

Equity securities available for sale in the medium term are recognised at cost on their acquisition date, less transaction costs.

At the balance sheet date, they are carried at the lower of historical cost or value in use. An impairment charge is recognised for any unrealised capital losses. Unrealised gains are not recognised.

Securities recorded under equity securities available for sale in the medium term cannot be transferred to any other accounting category.

Other long-term equity investments are recognised at acquisition cost, less transaction costs.

They are recorded on the balance sheet at the lower of historical cost or value in use. Value in use is determined for listed and non-listed securities on the basis of the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is recognised for any unrealised capital losses. Unrealised gains are not recognised.

Securities classified as other long-term equity investments may not be transferred to any other accounting category.

	31/12/2021			31/12/2020		
in millions of euros	Available-for-sale securities	Held-to-maturity securities	TOTAL	Available-for-sale securities	Held-to-maturity securities	TOTAL
Gross	807.2	47.8	855.0	920.8	0.0	920.8
Accrued interest	10.3	0.2	10.6	12.9	0.0	12.9
Impairment	0.0	0.0	0.0	(1.7)	0.0	(1.7)
Treasury bills and similar securities	**817.5**	**48.0**	**865.5**	**932.2**	**0.0**	**932.2**
Gross	60.0	194.8	254.8	58.8	324.2	382.9
Accrued interest	0.0	1.8	1.8	0.3	3.0	3.3
Impairment	(1.8)	(16.5)	(18.3)	0.0	(20.1)	(20.1)
Bonds and other fixed-income securities	**58.2**	**180.1**	**238.3**	**59.0**	**307.0**	**366.0**
Gross amounts	0.0	0.0	0.0	0.2	0.0	0.2
Accrued interest	0.0	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0	0.0
Equities and other variable-income securities	**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**0.2**
TOTAL	**875.7**	**228.1**	**1,103.8**	**991.4**	**307.0**	**1,298.3**

The market value of held-to-maturity securities amounted to €199.9 million.

Treasury bills, bonds, equities and other fixed- and variable-income securities

Treasury bills and other similar securities

	31/12/2021			31/12/2020		
in millions of euros	Available-for-sale securities	Held-to-maturity securities	TOTAL	Available-for-sale securities	Held-to-maturity securities	TOTAL
Listed securities	807.2	47.8	855.0	919.2	0.0	919.2
Unlisted securities	0.0	0.0	0.0	0.0	0.0	0.0
Loaned securities	0.0	0.0	0.0	0.0	0.0	0.0
Doubtful loans and advances	0.0	0.0	0.0	0.0	0.0	0.0
Accrued interest	10.3	0.2	10.6	12.9	0.0	12.9
TOTAL	**817.5**	**48.0**	**865.5**	**932.2**	**0.0**	**932.2**
o/w subordinated notes	*0.0*		*0.0*	*0.0*		*0.0*

Bonds and other similar securities

in millions of euros	31/12/2021			31/12/2020		
	Available-for-sale securities	Held-to-maturity securities	TOTAL	Available-for-sale securities	Held-to-maturity securities	TOTAL
Listed securities	58.2	0.0	58.2	58.8	0.0	58.8
Unlisted securities	0.0	177.3	177.3	0.0	305.5	305.5
Loaned securities	0.0	0.0	0.0	0.0	0.0	0.0
Doubtful loans and advances	0.0	1.0	1.0	0.0	(1.5)	(1.5)
Accrued interest	0.0	1.8	1.8	0.3	3.0	3.3
TOTAL	**58.2**	**180.1**	**238.3**	**59.0**	**307.0**	**366.0**
o/w subordinated notes	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

The change in treasury bills and related securities is primarily due to the maturity of sovereign securities in the amount of €185 million, and to the acquisition of sovereign securities for €85 million.

No unrealised capital losses on investment securities were recognised at 31 December 2021 or 31 December 2020.

The unrealised capital gains on investment securities after deduction of hedging (mostly swapped assets) totalled €25.3 million at 31 December 2021, compared to €42.7 million at 31 December 2020.

The unrealised capital gains on held-to-maturity securities amounted to €8.5 million at 31 December 2021. At 31 December 2020, the unrealised capital gains on held-to-maturity securities amounted to €9.1 million.

The unrealised capital losses on held-to-maturity securities amounted to €15 million at 31 December 2021.

The portion of bonds and other fixed-income securities issued by public bodies amounted to €807.2 million at 31 December 2021.

Equities and other variable-income securities

in millions of euros	31/12/2021	31/12/2020
	Available-for-sale securities	Available-for-sale securities
Listed securities	0.0	0.2
TOTAL	**0.0**	**0.2**

Among equities and other variable-income securities, no money market funds were recorded at 31 December 2021.

4.3.2 Changes in held-to-maturity securities

in millions of euros	01/01/2021	Purchases	Sales	Redemptions	Category transfer	Conversion	Discount/premium	Other changes	31/12/2021
Treasury bills	0.0	48.0		0.0	0.0	0.0	0.0	0.0	48.0
Bonds and other fixed-income securities	307.0	23.9	(30.4)	(121.6)	0.0	0.0	0.0	1.2	180.1
TOTAL	**307.0**	**71.9**	**(30.4)**	**(121.6)**	**0.0**	**0.0**	**0.0**	**1.2**	**228.1**

4.3.3 Asset reclassifications

Accounting principles

To harmonise accounting practices and ensure consistency with IFRS, Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC) reiterates the provisions of Opinion No. 2008-19 of 8 December 2008 related to the reclassification of securities previously accounted for as “Trading securities” or “Investment securities”.

Reclassification of trading securities as available-for-sale securities or as held-to-maturity securities is now permitted in the following two cases:

- in exceptional market circumstances necessitating a change of strategy;
- where fixed-income securities are no longer, after their acquisition, quoted in an active market, and provided that the company has the intent and ability to hold them in the foreseeable future or until they reach maturity.

Reclassifications of available-for-sale securities as held-to-maturity securities are effective from the reclassification date in either of the following conditions:

- in exceptional market circumstances necessitating a change of strategy;
- where fixed-income securities are no longer quoted in an active market.

In a press release dated 23 March 2009, the French National Accounting Board (*Conseil national de la comptabilité* – CNC) stated that "the possibility of portfolio transfers, in particular from investment securities portfolios to held-to-maturity securities portfolios, as stipulated in Article 19 of CRB Regulation No. 90-01 before it was updated by CRC Regulation No. 2008-17, remains in force and has not been repealed by ANC Regulation No. 2014-07".

Since CRC Regulation No. 2008-17, replaced by ANC Regulation No. 2014-07, provided for additional possibilities of transfers between portfolios, these new transfer options extend those previously available from the date of the entry into force of the regulation on 1 July 2008.

As a consequence, reclassification of the available-for-sale securities portfolio as held-to-maturity securities remains possible upon a mere change of intent if, at the date of the transfer, all of the criteria for a held-to-maturity portfolio are met.

Banque Palatine did not reclassify any assets.

4.4 Investments, shares in related companies, other long-term equity investments

Accounting principles

Investments in subsidiaries and associates

Securities in this category are those deemed to be useful for the activity of the company if held over the long term, in particular by providing significant influence or control over the governance bodies of the issuing companies.

Investments in subsidiaries and associates are stated at cost, including transaction costs, where material.

They are measured individually at the balance sheet date at the lower of acquisition cost or value in use. The value in use is determined, in particular, on the basis of criteria such as the strategic nature of the investment, the intention to provide assistance or retain the investment, share price performance, net assets or remeasured net assets and forecasts. Impairment is recognised for any unrealised capital losses on securities on a line-by-line basis and is not offset against unrealised capital gains. Unrealised gains are not recognised.

Investment securities recorded under investments in subsidiaries and associates cannot be transferred to any other accounting category.

Other long-term equity investments

Other long-term equity investments include securities acquired with the intention of promoting the development of lasting business relationships, by creating special ties with the investee, without taking an active part in its management owing to the small percentage of voting rights that the investment represents.

Other long-term equity investments are recognised at acquisition cost, less transaction costs.

They are recorded on the balance sheet at the lower of historical cost or value in use. Value in use is determined for listed and non-listed securities on the basis of the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is recognised for any unrealised capital losses. Unrealised gains are not recognised.

Securities classified as other long-term equity investments may not be transferred to any other accounting category.

4.4.1 Changes in investments, shares in related companies and in other long-term equity investments

in millions of euros	31/12/2020	Increase	Decrease	Conversion	Other changes	31/12/2021
Investments in subsidiaries and long-term equity investments	12.6	1.2	(3.2)	0.0	0.0	10.6
Investments in associates	10.8	0.0	0.0	0.0	0.0	10.8
Gross	**23.4**	**1.2**	**(3.2)**	**0.0**	**0.0**	**21.4**
Investments in subsidiaries and other long-term equity investments	0.0	0.0	0.0	0.0	0.0	0.0
Investments in associates	(4.4)	0.0	0.0	0.0	0.0	(4.4)
Impairment	**(4.4)**	**0.0**	**0.0**	**0.0**	**0.0**	**(4.4)**
TOTAL	**19.0**	**1.2**	**(3.2)**	**0.0**	**0.0**	**17.0**

The other long-term equity investments include associate or association certificates with guarantee deposits (€7.4 million).

4.4.2 Table of subsidiaries and equity investments

The amounts shown are stated in millions of euros.

Subsidiaries and investments	Share capital at 31/12/2021	Shareholders' equity other than share capital including fund for general banking risks, as appropriate at 31/12/2021	% interest held at 31/12/2021	Carrying amount of shares held at 31/12/2021		Loans and advances granted by the company and not yet redeemed (incl. perpetual subordinated notes) in 2021	Guarantees and endorsements given by the company in 2021	Net revenue before tax for the year to 31/12/2021	Net income for the year to 31/12/2021	Dividends received by the company in 2021	Observations
				Gross	Net						
A. DETAILED INFORMATION ON EACH SHARE WHOSE GROSS VALUE EXCEEDS 1% OF THE SHARE CAPITAL OF THE COMPANY SUBJECT TO PUBLICATION											
Subsidiaries (over 50%-owned)											
B. GENERAL INFORMATION ON OTHER SECURITIES WHOSE GROSS VALUE DOES NOT EXCEED 1% OF THE SHARE CAPITAL OF THE COMPANY SUBJECT TO PUBLICATION											
SA Palatine Asset Management 86, rue de Courcelles – 75008 PARIS	1.9	12.4	100.0%	5.8	5.8	0.0	0.0	25.3	5.7	5.7	0.0
French subsidiaries (together)				5.0	0.6	0.0	0.0			0.0	0.0
Investments in French companies				2.7	2.7	0.0	0.0			0.4	0.0

4.4.3 Subsidiary ventures with unlimited liability

Corporate name	Head office	Legal form
GIE Caisse d'Epargne Syndication Risque et Distribution	50, avenue Pierre-Mendès France – 75013 PARIS	Economic Interest Grouping
BPCE SERVICES FINANCIERS	50, avenue Pierre-Mendès France – 75013 PARIS	Economic Interest Grouping
BPCE Achats	12/20, rue Fernand-Braudel – 75013 PARIS	Economic Interest Grouping
GIE GDS Gestion Déléguée Sociale	42, rue d'Anjou – 75008 PARIS	Economic Interest Grouping
I-BP Investissements	23, place de Wicklow – 78180 MONTIGNY-LE-BRETONNEUX	Economic Interest Grouping
BPCE Solutions crédit	50, avenue Pierre-Mendès France – 75013 PARIS	Economic Interest Grouping
SNC MENES	50, avenue Pierre-Mendès France – 75013 PARIS	Partnership
GIE I DATECH	8, rue René Laennec – 67300 SCHILTIGHEIM	Economic Interest Grouping
I-BP	23, place de Wicklow – 78180 MONTIGNY-LE-BRETONNEUX	Economic Interest Grouping

4.4.4 Transactions with related companies

in millions of euros	31/12/2021			31/12/2020
	Credit institutions	Other businesses	TOTAL	TOTAL
Receivables	1.0	0.1	1.0	1.0
Liabilities	5.8	0.7	6.5	3.1
Commitments given	0.0	0.0	0.0	0.0
Commitments received	0.0	0.0	0.0	0.0

No material transactions took place with a related party on terms other than arm's length.

4.5 Finance and operating leases

Accounting principles

Emergency Committee Opinion No. 2006-C of the French National Accounting Board (*Conseil national de la comptabilité* – CNC) states that non-current assets held for use in equipment, real estate, lease-purchase and operating leases are to be recorded as assets on the lessor's balance sheet. For this asset class, as an exception to the PCG *(Plan comptable général)* rules on asset recognition, the concept of legal ownership applies, rather than that of control. Fixed assets are recorded at acquisition cost, and the asset breakdown by component does not apply on the lessor's side when maintenance/replacement costs are contractually incumbent on the lessee. In the event of breach of contract, a prospective component approach applies.

In accordance with said opinion, the lessor is entitled to depreciate the assets presented in its individual accounts either over the contract term (financial depreciation *i.e.* equal to the portion of the rent earned) or over the normal period of use of the asset (straight-line depreciation/declining balance). The option selected applies to all assets allocated under the same transaction category.

Pursuant to Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC), commissions and marginal transaction costs spread over the term of the lease are included in the amount outstanding.

Unpaid rents are identified, accounted for and provisioned for in accordance with ANC Regulation No. 2014-07.

Banque Palatine only conducts operating lease transactions as a lessee.

4.6 Intangible assets and property, plant and equipment

The recognition rules for non-current assets are set out in ANC Regulation No. 2014-03.

4.6.1 Intangible assets

Accounting principles

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are carried at cost (purchase price including costs). These assets are amortised over their estimated useful life.

Software is amortised over a maximum period of five years. The additional share of amortisation that software may benefit from, in application of the tax provisions, is recorded under special amortisation.

Goodwill is not amortised but is tested for impairment, where appropriate.

Leasehold rights are amortised on a straight-line basis over the residual term of the lease and, if necessary, are tested for impairment relative to market value.

in millions of euros	31/12/2020	Increase	Decrease	Other movements	31/12/2021
Leasehold rights and commercial goodwill	105.3	0.0	(4.8)	0.0	100.4
Software	41.2	0.0	(38.1)	0.0	3.1
Other	0.1	0.0	0.0	(0.1)	0.0
Gross	**146.6**	**0.0**	**(43.0)**	**(0.1)**	**103.5**
Leasehold rights and commercial goodwill	1.1	0.4	(1.1)	0.0	0.4
Software	40.8	0.4	(38.1)	0.0	3.0
Amortisation and impairment	**41.9**	**0.7**	**(39.2)**	**0.0**	**3.4**
TOTAL NET VALUES	**104.7**	**(0.7)**	**(3.7)**	**(0.1)**	**100.1**

4.6.2 Property, plant and equipment

Accounting principles

Property, plant and equipment is a physical asset that is: held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and expected to be used over more than one financial year.

Insofar as buildings are assets consisting of a number of components that have different uses at the outset, each component is recognised separately at cost and a depreciation schedule specific to each component is used.

The depreciable amount is the gross value less the residual value where the latter is material, prolonged and can be measured reliably. The main components of buildings are depreciated to reflect the pattern of use of the asset's expected economic benefits, which generally matches the asset's useful life:

- construction, major works: 15 to 50 years;
- plant and equipment: 20 years;
- fixtures and fittings: 10 years;
- furniture and special equipment: 4 to 10 years;
- computer equipment: 3 to 5 years.

Other property, plant and equipment is carried at cost, production cost or remeasured cost. The cost of assets denominated in foreign currencies is translated into euros at the exchange rate ruling at the transaction date. These assets are depreciated to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life.

Where applicable, impairment may be recognised on property, plant and equipment.

Investment property consists of non-operating property, plant and equipment and is accounted for using the component method.

in millions of euros	31/12/2020	Increase	Decrease	Other movements	31/12/2021
Land	12.7	0.1	(1.1)	0.0	11.6
Other	31.1	1.6	(7.6)	1.1	26.2
Property, plant and equipment used in operations	**43.8**	**1.7**	**(8.7)**	**1.1**	**37.8**
Property, plant and equipment not used in operations	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**
Gross	**43.9**	**1.7**	**(8.7)**	**1.1**	**37.9**
Land	8.8	0.8	(0.5)	0.0	9.1
Other	20.1	3.6	(7.5)	0.0	16.3
Property, plant and equipment used in operations	**28.9**	**4.3**	**(8.0)**	**0.0**	**25.4**
Property, plant and equipment not used in operations	**0.1**	**0.0**	**0.0**	**0.0**	**0.1**
Amortisation and impairment	**29.1**	**4.3**	**(8.0)**	**0.0**	**25.5**
TOTAL NET VALUES	**14.8**	**(2.7)**	**(0.7)**	**1.1**	**12.5**

4.7 Debt securities

Accounting principles

Debt securities are presented by type: cash vouchers, interbank market securities and negotiable debt securities, bonds and similar securities, excluding subordinated notes which are classified in a specific line under liabilities.

Accrued interest not yet due on these securities is recognised under accrued interest as a balancing entry to the income statement.

Issue premiums are recognised in full during the period or on a straight-line basis over the life of the corresponding borrowings. Issue and redemption premiums are recognised on a straight-line basis over the life of the borrowing *via* a deferred expenses account.

In line with the conservatism principle, only the certain portion of structured debt interest and/or principal payments is recognised. Unrealised capital gains are not recognised. Unrealised losses are provided for.

in millions of euros	31/12/2021	31/12/2020
Certificates of deposit and savings bonds	0.0	0.0
Interbank market instruments and money market instruments	2,116.6	1,613.7
Other debt securities	0.0	0.0
Accrued interest	(2.7)	(0.8)
TOTAL	**2,113.9**	**1,613.0**

4.8 Other assets and liabilities

	31/12/2021		31/12/2020	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Settlement accounts in credit on securities transactions	0.0	0.0	0.0	0.1
Tax and social security receivables and liabilities	0.4	22.4	6.4	8.8
Security deposits paid and received	79.3	22.0	167.7	5.6
Other non-trade receivables, other accounts payable	78.5	57.9	78.7	58.4
TOTAL	**158.2**	**102.2**	**252.8**	**72.8**

The amount of the deposits paid, which record cash collateral payments, is €54.3 million compared to €148.6 million at the end of 2020

No guarantee deposit received recorded the collection of “cash collateral” at the end of 2021 and 2020.

4.9 Accrual accounts

	31/12/2021		31/12/2020	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	0.0	0.4	0.0	2.5
Deferred gains and losses on forwards, futures and options used for hedging purposes	0.4	48.7	0.5	51.1
Prepaid expenses and unearned income	3.0	4.2	1.6	5.3
Accrued income/expenses	43.5	81.8	70.8	138.3
Items in process of collection	0.9	3.8	0.8	46.7
Other[(1)]	73.8	13.6	146.0	36.0
TOTAL	**121.7**	**152.5**	**219.7**	**279.9**

(1) The “Other” asset item mainly represents the amounts entered in suspense accounts, before being interfaced in the management modules, and on the liabilities side the cash flows awaiting allocation.

4.10 Provisions

Accounting principles

This item includes provisions set up to cover contingencies and losses that are clearly identifiable but of uncertain timing or amount, that are either directly related or unrelated to banking transactions as laid down in Article L. 311-1 and related transactions as laid down in Article L. 311-2 of the French Monetary and Financial Code. Unless they are covered by a specific text or relate to banking or related transactions, the establishment of such provisions is subject to the existence of an obligation to a third party at the closing date and to the absence of an equivalent consideration expected from this third party, in accordance with the provisions of Regulation No. 2014-03 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC).

It includes a provision for employee benefit obligations and a provision for counterparty risks.

Employee benefit obligations

Employee benefits are accounted for in accordance with ANC Recommendation No. 2013-R-02. They are classified into four categories:

- Short-term employee benefits

Short-term employee benefits mainly include wages, salaries, paid annual leave, incentive schemes, profit-sharing, and bonuses payable within 12 months of the end of the period in which the employee renders the service. They are expensed in the period, including amounts remaining due at the balance sheet date.

- Long-term employee benefits

Long-term employee benefits are generally linked to seniority, accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service; this particularly concerns long-service awards. A provision is set aside covering the amount of these obligations at the reporting date.

Post-employment benefit obligations are measured using an actuarial method that takes account of demographic and financial assumptions such as age, length of service, the likelihood of the employee being on the payroll at retirement and the discount rate. The calculation allocates costs over the service life of each employee (projected unit credit method).

- Termination benefits

Termination benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the Group to terminate a contract or a decision by an employee to accept voluntary redundancy. A provision is set aside for termination benefits. Termination benefits payable more than 12 months after the reporting date are discounted to present value.

- Post-employment benefits

Post-employment benefits include lump-sum retirement bonuses, pensions and other post-employment benefits.

These benefits can be classified into two categories: defined-contribution plans (not representing a commitment to be funded by the company) and defined-benefit plans (representing a commitment payable by the company and giving rise to valuation and provisioning).

Employee benefit obligations not funded by contributions charged to income and paid out to pension funds or insurance companies are provided for.

Post-employment benefits are measured in the same manner as long-term employee benefits.

The measurement of these obligations reflects the value of plan assets as well as previously unrecognised actuarial gains and losses.

Actuarial gains and losses of post-employment benefits, representing differences in calculation assumptions (early retirement, discount rate, etc.) or recognised between actuarial assumptions and actual calculations (return on hedging assets, etc.) are amortised according to the so-called corridor rule, *i.e.* for the part that exceeds a change of more or less than 10% of the commitments or assets.

The annual expense in respect of defined-benefit plans includes the current service cost, interest cost (the effect of discounting the net obligation), the past service cost and the amortisation of any previously unrecognised actuarial gains and losses.

Provisions for regulated home savings products

Regulated home savings accounts (*comptes d'épargne logement* – CEL) and regulated home savings plans (plans d'épargne logement – PEL) are retail products marketed in France governed by the 1965 law on home savings plans and accounts, and subsequent implementing decrees.

Regulated home savings products generate two types of commitments for institutions marketing these products:

- a commitment to grant a loan to the customer at a future date at a rate set at inception of the contract (for PEL products) or at a rate contingent on the savings phase (for CEL products);
- a commitment to pay interest on the savings at a future date at a rate set at inception of the contract for an indefinite period (for PEL products) or at a rate set on a semi-annual basis according to an indexation formula regulated by law (for CEL products).

Commitments with potentially adverse consequences for the Group are measured for each generation of regulated home savings plans and for all regulated home savings accounts.

A provision is recognised for the associated risks by discounting future potential income from at-risk outstanding:

- at-risk savings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. They are estimated on a statistical basis for each future period taking account of savers' historical patterns of behaviour and reflect the difference between the probable outstandings and the minimum expected savings;
- at-risk loans correspond to the loans outstanding granted but not yet due at the calculation date plus statistically probable loans outstanding based on customers' historical patterns of behaviour as well as vested and projected rights from regulated home savings accounts and plans.

The commitments are estimated using the Monte Carlo method to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings. On this basis, a provision is made for the same generation of contracts in the event of a potentially unfavourable situation for the Group, without compensation between generations.

The provision is recognised under liabilities on the balance sheet, and changes are recognised in net banking income.

4.10.1 Table of changes in provisions

in millions of euros	31/12/2020	Allocations	Reversals	Uses	Conversion	31/12/2021
Provisions for counterparty risks	**72.1**	**23.4**	**(7.9)**	**0.0**	**0.2**	**87.8**
Provisions for employee benefit obligations	**11.2**	**1.5**	**(0.3)**	**0.0**	**0.0**	**12.4**
Provisions for PEL/CEL regulated accounts	**2.5**	**0.4**	**0.0**	**0.0**	**0.0**	**2.9**
Provisions for restructuring	**0.0**	**10.3**	**0.0**	**0.0**	**0.0**	**10.3**
Securities portfolio and forwards, futures and options	*5.6*	*0.0*	*(2.9)*	*0.0*	*0.0*	*2.7*
Litigation	*5.3*	*5.0*	*(2.2)*	*(0.5)*	*0.0*	*7.6*
Provisions for contingencies	*0.6*	*0.7*	*(0.6)*	*0.0*	*0.0*	*0.7*
Other	*5.5*	*0.5*	*(3.6)*	*0.0*	*0.0*	*2.4*
Other provisions for contingencies	**16.9**	**6.2**	**(9.2)**	**(0.5)**	**0.0**	**13.4**
TOTAL	**102.6**	**41.9**	**(17.5)**	**(0.5)**	**0.2**	**126.8**

The change in accounting policy for the distribution of benefit rights introduced by the amendment of ANC recommendation No. 2013-02 did not result in accounting for 2021.

4.10.2 Provisions and impairment for counterparty risks

in millions of euros	31/12/2020	Endowments(3)	Reversals(3)	Uses	Conversion(4)	31/12/2021
Impairment of loans and advances to customers (on an individual basis)	257.2	63.7	(20.3)	(44.6)	(3.1)	252.9
Impairment of other loans and advances	20.1	3.8	0.0	(7.5)	(0.5)	15.9
Impairment of assets	**277.3**	**67.5**	**(20.3)**	**(52.1)**	**(3.6)**	**268.8**
Provisions for off-balance sheet commitments(1)	27.1	12.7	(7.9)	0.0	0.2	32.0
Provisions for customer counterparty risk(2)	45.0	10.7	0.0	0.0	0.0	55.8
Provisions for counterparty risk recognised as liabilities	**72.1**	**23.4**	**(7.9)**	**0.0**	**0.2**	**87.8**
TOTAL	**349.4**	**90.9**	**(28.2)**	**(52.1)**	**(3.4)**	**356.6**

(1) Including provisions for performance risks related to off-balance sheet commitments.
(2) A provision for contingencies is set aside for non-doubtful exposures, whether on or off balance sheet, where the available information points to a risk of default and loss at maturity.
(3) Banque Palatine records impairment losses and provisions in compliance with the provisions of ANC Regulation No. 2014-07.
(4) Includes interest provisions presented under net revenue before tax.

4.10.3 Provisions for employee benefit obligations

Post-employment benefits related to defined-contribution plans

Defined-contribution plans refer to mandatory social security pension schemes as well as those managed by the AGIRC and ARRCO pension funds and the supplementary pension schemes to which the Caisse d'Epargne and Banque Populaire banks belong.

Post-employment benefits relating to defined-benefit plans and long-term employee benefits

Banque Palatine's obligations in this regard relate to the following schemes:

- retirements and similar schemes: pensions and other post-employment benefits;
- other: benefits such as long-service awards and other long-term employee benefits.

These commitments are calculated in accordance with Recommendation No. 2013-R-02 of the French Accounting Standards Authority, as amended on 5 November 2021.

Analysis of assets and liabilities recorded on the balance sheet

	FY 2021					FY 2020				
	Post-employment benefits under defined-benefit plans		Other long-term benefits			Post-employment benefits under defined-benefit plans		Other long-term benefits		TOTAL
in millions of euros	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other long-term benefits	TOTAL	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other long-term benefits	
Actuarial liabilities	0.7	7.2	4.0	7.3	19.2	0.8	5.7	3.2	6.6	16.2
Unrecognised actuarial gains/(losses)	0.0	(6.8)	0.0	0.0	(6.8)	0.0	(5.0)	0.0	0.0	(5.0)
NET AMOUNT REPORTED ON THE BALANCE SHEET	0.7	0.4	4.0	7.3	12.4	0.8	0.7	3.2	6.6	16.2
Employee benefits, liabilities	0.7	0.4	4.0	7.3	12.4	0.8	0.7	3.2	6.6	11.2

Analysis of the expense for the period

	Post-employment benefits under defined-benefit plans		Other long-term benefits	FY 2021	FY 2020
in millions of euros	Supplementary pension benefits and other	Termination benefits	Long-service awards	TOTAL	TOTAL
Service cost	0.0	1.0	0.3	1.3	1.3
Interest cost	0.0	0.1	0.0	0.1	0.1
Benefits paid	(0.1)	(1.6)	(0.2)	(1.8)	(1.1)
Actuarial gains and losses recognised in profit or loss	0.0	0.2	0.7	0.9	0.6
Other	0.0	0.0	0.0	0.0	0.1
TOTAL EXPENSE FOR THE PERIOD	**0.0**	**(0.3)**	**0.8**	**0.5**	**1.0**

Main actuarial assumptions

	FY 2021			FY 2020		
	Post-employment benefits under defined-benefit plans		Other long-term benefits	Post-employment benefits under defined-benefit plans		Other long-term benefits
	Supplementary pension benefits and other	Termination benefits	Long-service awards	Supplementary pension benefits and other	Termination benefits	Long-service awards
Discount rate	0.59%	0.87%	0.65%	0.04%	0.48%	0.11%
Inflation/wage growth rate	1.70%	1.70%	1.70%	1.60%	1.60%	1.60%
Wage growth rate	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

IFRS 19 provides that the discount rate used is determined on the basis of a market yield curve depending on the duration of the liability.

The life tables used are those drawn up by INSEE by cohort and by gender (TG H05 and TG TF 05).

The retirement age is determined individually as the one at which the employee reaches the full pensionable rate under the social security pension scheme. If the start date of professional activity is not known, then the assumption of the starting age used is 23 for managers and 20 for non-managers.

Groupe BPCE is assuming voluntary retirement.

The remuneration growth assumption is added to the forward-looking inflation assumption.

The average prospective inflation rate over the period covered by the commitments is set at 1.70%.

4.10.4 PEL/CEL provisions

Deposit account balances

in millions of euros	31/12/2021	31/12/2020
Deposits held in PEL regulated home savings plans		
• plans in place for less than 4 years	4.0	3.6
• plans in place for more than 4, but less than 10 years	81.8	81.8
• plans in place for more than 10 years	93.9	97.7
Deposits collected *via* PEL regulated home savings plans	**179.8**	**183.1**
Deposits collected *via* CEL regulated home savings accounts	**16.6**	**17.2**
TOTAL	**196.4**	**200.2**

Loans granted

in millions of euros	31/12/2021	31/12/2020
Loans granted		
in respect of PEL regulated home savings plans	0.0	0.0
in respect of CEL regulated home savings accounts	0.0	0.0
TOTAL	**0.0**	**0.0**

Provisions for commitments related to PEL and CEL regulated home savings plans and accounts

in millions of euros	31/12/2020	Charges/net reversals	31/12/2021
Provisions for PEL regulated home savings plans			
• plans in place for less than 4 years	0.1	0.0	0.1
• plans in place for more than 4, but less than 10 years	0.3	0.0	0.3
• plans in place for more than 10 years	2.1	0.4	2.4
Provisions for PEL regulated home savings plans	**2.4**	**0.4**	**2.8**
Provisions for CEL regulated home savings accounts	**0.1**	**0.1**	**0.2**
Provisions for PEL loans	0.0	0.0	0.0
Provisions for PEL loans	0.0	0.0	0.0
Provisions for regulated home savings loans	**0.0**	**0.0**	**0.0**
TOTAL	**2.5**	**0.4**	**2.9**

4.11 Subordinated debt

Accounting principles

Subordinated debt consists of the proceeds from issues of term and perpetual subordinated debt securities, plus mutual guarantee deposits. Should the debtor be liquidated, subordinated debt may be redeemed only after the claims of all the other creditors have been satisfied.

Accrued interest payable on subordinated debt is disclosed separately as a balancing entry to the income statement.

in millions of euros	31/12/2021	31/12/2020
Term subordinated debt	300.0	300.0
Accrued interest	3.5	3.5
TOTAL	**303.5**	**303.5**

These borrowings have the following characteristics:

Currency	Issue date	Outstandings at 31/12/2021 (in millions of euros)	Issue price in thousands of euros	Rate	Interest step-up in basis points(1)	Date of call or interest step-up	Mandatory payment	Maturity date if not determined
EUR	07/12/2015	150.0	150.0	Euribor 3M + 2.29%			Yes	08/12/2025
EUR	21/12/2017	50.0	50.0	EURIBOR 3M + 0.97%			Yes	22/12/2027
EUR	28/03/2018	100.0	100.0	4.29%		28/03/2023*	No	
TOTAL		**300.0**	**300.0**					

(1) Above 3-month EURIBOR.

** Date of interest step-up or of transition from fixed rate to variable rate.*

4.12 Fund for general banking risks

Accounting principles

This fund is intended to cover risks inherent in the company's banking activities, in accordance with the provisions of Article 3 of CRBF Regulation No. 90-02.

in thousands of euros	31/12/2021	31/12/2020
Fund for general banking risks	1.3	1.3
TOTAL	**1.3**	**1.3**

4.13 Shareholders' equity

in millions of euros	Share capital	Share premium	Reserves/other	Carried forward	Profit or loss	Total shareholders' equity excl. FRBG
Total at 31 December 2019	688.8	56.7	49.8	207.7	22.5	1,025.5
Changes during the year	0.0	0.0	1.1	3.1	(51.0)	(46.7)
Total at 31 December 2020	688.8	56.7	50.9	210.8	(28.5)	978.8
Appropriation of 2020 income				(28.5)	28.5	0.0
Dividend payments						0.0
Capital increase						0.0
Net income for the period					38.4	38.4
TOTAL AT 31 DECEMBER 2021	**688.8**	**56.7**	**50.9**	**182.4**	**38.4**	**1,017.2**

Banque Palatine's share capital amounts to €688.8 million and comprises 34,440,134 shares with a par value of €20 each, fully subscribed to by BPCE.

4.14 Residual duration of uses and resources

Sources and uses of funds with pre-set due dates are presented by residual maturity and include accrued interest.

	31/12/2021						
in thousands of euros	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not determined	TOTAL
Treasury bills and similar securities	0.0	0.0	81.6	365.0	418.9	0.0	865.5
Loans and advances due from credit institutions	1,467.2	888.0	1,122.9	200.0	650.0	0.0	4,328.0
Customers transactions	1,155.9	499.6	1,323.9	4,452.0	2,972.1	243.9	10,647.5
Bonds and other fixed-income securities	8.7	0.0	38.7	118.1	72.7	0.0	238.3
Finance and operating leases	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL USES OF FUNDS	**2,631.8**	**1,387.6**	**2,567.1**	**5,135.2**	**4,113.7**	**243.9**	**16,079.3**
Amounts due to credit institutions	29.4	132.8	550.2	1,526.0	0.0	0.0	2,238.3
Customers transactions	10,472.8	19.5	299.3	202.3	1.7	0.0	10,995.6
Debts represented by a security	466.9	447.0	1,150.3	49.2	0.5	0.0	2,113.9
Subordinated debt	3.5	0.0	0.0	150.0	50.0	100.0	303.5
TOTAL SOURCES OF FUNDS	**10,972.5**	**599.3**	**1,999.7**	**1,927.5**	**52.2**	**100.0**	**15,651.3**

Following the application of ANC Regulation No. 2020-10, debts represented by a security are presented after deduction of borrowed securities and the receivable on the savings fund is presented as a deduction from regulated savings. Please refer to Notes 4.2, 4.3.1 and 4.8.

Note 5 Information on off-balance sheet and similar transactions

5.1 Commitments received and given

Accounting principles

Financing commitments

Financing commitments in favour of credit institutions and similar institutions include: refinancing agreements, acceptances payable or commitments to pay, confirmations of the opening of documentary credits and other commitments granted to credit institutions.

Financing commitments in favour of customers include: confirmed credit lines, commercial paper substitution lines, commitments on securities issue facilities and other commitments in favour of economic agents other than credit institutions and similar institutions.

Financing commitments received include refinancing agreements and miscellaneous commitments received from credit institutions and similar institutions.

Guarantee commitments

Guarantee commitments to credit institutions include sureties, endorsements and other guarantees to credit institutions and similar institutions.

Guarantee commitments to customers include: sureties, endorsements and other guarantees to economic agents other than credit institutions and similar institutions.

Guarantee commitments received include sureties, endorsements and other guarantees received from credit institutions and similar institutions.

5.1.1 Financing commitments

in millions of euros	31/12/2021	31/12/2020
FINANCING COMMITMENTS GIVEN		
To credit institutions	**0.0**	**0.0**
Documentary credits	46.8	21.4
Other confirmed credit lines	1,986.0	1,998.2
Other commitments	86.6	116.6
To customers	**2,119.5**	**2,136.2**
TOTAL FINANCING COMMITMENTS GIVEN	**2,119.5**	**2,136.2**
Financing commitments received		
From credit institutions	**285.9**	**265.7**
From customers	**0.0**	**0.0**
TOTAL FINANCING COMMITMENTS RECEIVED	**285.9**	**265.7**

5.1.2 Guarantee commitments

in millions of euros	31/12/2021	31/12/2020
GUARANTEE COMMITMENTS GIVEN		
Confirmed documentary credit lines	112.9	70.0
Other guarantees	36.3	18.5
To credit institutions	**149.3**	**88.5**
Real estate guarantees	141.3	148.3
Government and tax guarantees	76.0	77.8
Other guarantees and sureties given	0.0	0.0
Other guarantees given	924.4	786.8
To customers	**1,141.7**	**1,012.8**
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,290.9**	**1,101.3**
Guarantee commitments received from credit institutions	230.7	162.9
TOTAL GUARANTEE COMMITMENTS RECEIVED	**230.7**	**162.9**

5.1.3 Other commitments not recognised off-balance sheet

	31/12/2021		31/12/2020	
in millions of euros	Commitments given	Commitments received	Commitments given	Commitments received
Other securities pledged as collateral to credit institutions	0.0	0.0	0.0	0.0
Other securities pledged as collateral received from customers	0.0	6,720.8	0.0	6,209.7
TOTAL	**0.0**	**6,720.8**	**0.0**	**6,209.7**

No other major commitments were given by Banque Palatine as collateral for its own commitments or for those of third parties.

5.2 Transactions on forward financial instruments

Accounting principles

Trading and hedging transactions in interest rate, currency or equity futures and options are recognised in accordance with the provisions of ANC Regulation No. 2014-07.

Commitments arising from these instruments are recorded off-balance sheet at the notional value of the contracts. At the balance sheet date, the amount recognised in respect of these commitments represents the volume of unwound forward transactions at the balance sheet date.

The accounting policies applied vary depending on the type of instrument and the original purpose of the transaction.

Futures and forwards

Interest rate swaps and similar contracts (forward rate agreements, collars, etc.) are classified as follows based on their initial purpose:

- micro-hedging (affected hedge);
- macro-hedging (global asset and liability management);
- speculative positions/isolated open positions;
- for use with a trading book.

Amounts received or paid in respect of the first two categories are recognised in income on a pro rata basis.

Income and expense related to instruments used for hedging an asset or a homogeneous group of assets is recognised in income in the same manner and period as the income and expense from the hedged items. Gains and losses on hedging instruments are recognised in the same line item as the income and expense from the hedged item under “Interest and similar income” and “Interest and similar expenses”. The “Net gains or losses on trading book transactions” line item is used when the hedged items are in the trading book.

Should over-hedging be identified, a provision may be set aside to cover the over-hedged portion of the hedging instrument, if the instrument shows an unrealised loss. In this case, the charge to provisions is made with a corresponding adjustment to “Net gains or losses on trading book transactions”.

Income and expense related to futures and options instruments used for hedging purposes or for managing global interest rate risk is recognised in income on a pro rata basis under “Interest and similar income” and “Interest and similar expenses”. Unrealised gains and losses are not recorded.

Gains and losses on contracts classified as isolated open positions are taken to income either when the contracts are unwound or over the life of the contract, depending on the type of instrument.

Unrealised capital gains or losses are determined based on the type of market involved (organised, other markets considered as organised, or over-the-counter).

Any unrealised losses on over-the-counter options (including transactions processed by a clearing house) based on their market value are provided for. Unrealised capital gains are not recognised.

Instruments traded in organised markets or other markets considered as organised are continuously quoted and liquid enough to justify being marked to market.

Contracts classified as specialised asset management contracts are measured after applying a discount to take account of the counterparty risk and the net present value of future management costs, if these valuation adjustments are material. Derivatives that are traded with a counterparty that is a member of Groupe BPCE’s share support mechanism (see Note 1.2) are not subject to these valuation adjustments. Changes in value from one accounting period to another are recognised immediately in the income statement under “Net gains or losses on trading book transactions”.

Balances on terminations or transfers are recognised as follows:

- transactions classified under specialised asset management or isolated open positions are recognised immediately in income;
- for micro-hedging and macro-hedging transactions, balances are amortised over the remaining term of the initially hedged item or taken immediately to income.

Options

The notional amount of the underlying asset of an option or forward or futures contract is recognised by distinguishing between hedging contracts and contracts traded as part of capital market transactions.

For transactions involving interest rate, currency, or equity options, the premiums paid or received are recognised in a suspense account. At the end of the period, any options traded on an organised or similar market are measured and recognised in the income statement. For over-the-counter (OTC) options, provisions are set aside for capital losses, but unrealised capital gains are not recognised. When an option is sold, repurchased, exercised or lapses, the corresponding premium is recognised immediately in income.

Income and expenses arising from hedging instruments are recognised in the same manner and period as those relating to the hedged item. Written options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organised markets when market makers ensure continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted in an organised market.

5.2.1 Financial instruments and forward foreign exchange transactions

in millions of euros	31/12/2021 Hedge	31/12/2021 Other transactions	31/12/2021 TOTAL	31/12/2021 Fair value	31/12/2020 Hedge	31/12/2020 Other transactions	31/12/2020 TOTAL	31/12/2020 Fair value
Futures and forwards								
Interest rate contracts	0.0	7.8	7.8	(0.1)	0.0	10.1	10.1	0.0
Transactions in organised markets	**0.0**	**7.8**	**7.8**	**(0.1)**	**0.0**	**10.1**	**10.1**	**0.0**
Currency contracts	*2.7*	*107.3*	*109.9*	*(1.6)*	*0.0*	*0.0*	*0.0*	*0.0*
Interest rate swaps	*4,973.3*	*854.0*	*5,827.3*	*(11.2)*	*6,748.3*	*473.6*	*7,222.0*	*(38.8)*
Currency swaps	*57.7*	*0.0*	*57.7*	*(0.1)*	*0.0*	*6,116.9*	*6,116.9*	*3.2*
Over-the-counter transactions	**5,033.6**	**961.2**	**5,994.8**	**(12.9)**	**6,748.3**	**6,590.6**	**13,338.9**	**(35.5)**
TOTAL FUTURES AND FORWARDS	**5,033.6**	**969.0**	**6,002.6**	**(12.9)**	**6,748.3**	**6,600.7**	**13,349.0**	**(35.5)**
Options								
Transactions in organised markets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest rate options	8,528.6	0.0	8,528.6	(5.3)	8,458.0	896.4	9,354.4	3.6
Currency options	1.4	6,202.3	6,203.7	0.8	531.2	1,377.4	1,908.7	1.8
Over-the-counter transactions	**8,530.0**	**6,202.3**	**14,732.3**	**(4.5)**	**8,989.2**	**2,273.8**	**11,263.1**	**5.4**
TOTAL OPTIONS	**8,530.0**	**6,202.3**	**14,732.3**	**(4.5)**	**8,989.2**	**2,273.8**	**11,263.1**	**5.4**
TOTAL FINANCIAL AND FOREIGN EXCHANGE INSTRUMENTS	**13,563.6**	**7,171.3**	**20,734.9**	**(17.4)**	**15,737.6**	**8,874.5**	**24,612.1**	**(30.2)**

The notional amounts of contracts listed in this table are solely intended to provide an indication of the volume of Banque Palatine's activities involving financial instruments at the balance sheet date and do not reflect the market risk associated with these instruments.

Commitments on interest rate instruments traded over the counter mainly consisted of interest rate swaps and FRAs for futures and forwards, and interest rate guarantees for options.

Commitments on foreign exchange instruments traded over the counter mainly consisted of currency swaps.

5.2.2 Breakdown of over-the-counter interest rate financial instruments and cross-currency swaps traded by type of portfolio

	31/12/2021					31/12/2020				
in millions of euros	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	TOTAL	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	TOTAL
Interest rate contract	*0.0*	*0.0*	*7.8*	*0.0*	*7.8*	*0.0*	*0.0*	*10.1*	*0.0*	*10.1*
Interest rate swaps	*4,760.8*	*212.5*	*854.0*	*0.0*	*5,827.3*	*6,255.4*	*492.9*	*473.6*	*0.0*	*7,222.0*
Currency contracts	*2.7*	*0.0*	*107.3*	*0.0*	*109.9*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Currency swaps	*57.7*	*0.0*	*0.0*	*0.0*	*57.7*	*0.0*	*0.0*	*6,116.9*	*0.0*	*6,116.9*
Futures and forwards	**4,821.1**	**212.5**	**969.0**	**0.0**	**6,002.6**	**6,255.4**	**492.9**	**6,600.7**	**0.0**	**13,349.0**
Interest rate options	*8,528.6*	*0.0*	*0.0*	*0.0*	*8,528.6*	*8,458.0*	*0.0*	*896.4*	*0.0*	*9,354.4*
Currency options	*1.4*	*0.0*	*6,202.3*	*0.0*	*6,203.7*	*531.2*	*0.0*	*1,377.4*	*0.0*	*1,908.7*
Options	**8,530.0**	**0.0**	**6,202.3**	**0.0**	**14,732.3**	**8,989.2**	**0.0**	**2,273.8**	**0.0**	**11,263.1**
TOTAL	**13,351.1**	**212.5**	**7,171.3**	**0.0**	**20,734.9**	**15,244.7**	**492.9**	**8,874.5**	**0.0**	**24,612.1**

	31/12/2021					31/12/2020				
in millions of euros	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	TOTAL	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	TOTAL
Fair value	(15.8)	2.8	(4.4)	0.0	(17.4)	(11.1)	(33.5)	14.4	0.0	(30.2)

5.2.3 Commitments on forwards, futures and options by maturity

	31/12/2021			
in millions of euros	Less than 1 year	1 year to 5 years	Over 5 years	TOTAL
Transactions in organised markets	7.8	0.0	0.0	7.8
Over-the-counter transactions	783.2	2,828.4	2,383.2	5,994.8
Futures and forwards	**791.0**	**2,828.4**	**2,383.2**	**6,002.6**
Over-the-counter transactions	5,535.6	8,451.7	745.0	14,732.3
Options	**5,535.6**	**8,451.7**	**745.0**	**14,732.3**
TOTAL	**6,326.6**	**11,280.1**	**3,128.2**	**20,734.9**

5.3 Foreign currency transactions

Accounting principles

The income relating to foreign exchange transactions is determined in accordance with ANC Regulation No. 2014-07.

Foreign currency receivables, payables and off-balance sheet commitments are translated at the exchange rate ruling at the end of the year. Definitive or unrealised foreign exchange gains and losses are recognised in income. Income and expense paid or received in foreign currencies is recognised at the exchange rate at the transaction date.

Property, plant and equipment, intangible assets and investments in subsidiaries denominated in foreign currencies but financed in euros are stated at acquisition cost.

Unsettled spot foreign exchange transactions are stated at the exchange rate at year-end.

Discounts or premiums on currency forwards and futures used for hedging purposes are recognised in income on a pro rata basis. Other currency forwards and futures and financial forwards and futures denominated in foreign currencies are marked to market. Outright currency forwards and futures and those hedged by forwards, futures and options, are remeasured over the remaining term. Foreign exchange swaps are recognised as combined spot purchase/forward sale transactions. Currency swaps are subject to the provisions of ANC Regulation No. 2014-07.

in millions of euros	31/12/2021	31/12/2020
Spot foreign exchange transactions		
Currencies receivable not received	24.8	27.5
Currencies deliverable not delivered	26.5	31.6
TOTAL	**51.3**	**59.2**

5.4 Breakdown of the balance sheet by currency

	31/12/2021		31/12/2020	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Euro	16,313.9	16,324.2	16,799.3	16,796.0
Dollar	563.5	555.2	391.8	398.0
Pound sterling	31.0	29.2	91.3	90.6
Swiss franc	5.5	5.6	2.2	5.8
Yen	6.3	6.3	3.1	1.8
Other	131.0	130.8	46.7	42.1
TOTAL	**17,051.3**	**17,051.3**	**17,334.2**	**17,334.2**

Note 6 Other information

6.1 Consolidation

With reference to Article 4111-1 of Regulation No. 2014-07 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC), in accordance with article 111–1 of ANC Regulation No. 2020-01, Banque Palatine prepares consolidated financial statements in accordance with international accounting standards.

Its individual financial statements are included in the consolidated financial statements of Groupe BPCE.

6.2 Remuneration, advances, loans and commitments

The total remuneration paid in 2021 to members of the management bodies amounted to €0.8 million.

During 2021, no advances and loans were granted to any member of the administrative, management or supervisory bodies.

6.3 Statutory Auditors' fees

	Deloitte				PricewaterhouseCoopers				KPMG				TOTAL			
	Amount		%		Amount		%		Amount		%		Amount		%	
In thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Role of certification of financial statements	0	0	0%	0%	203	279	90%	100%	263	273	94%	100%	466	552	90%	75%
Issuer	0	0			203	279			263	273			466	552		
Services other than the certification of the financial statements	11	181	100%	100%	22	0	10%	0%	17	0	6%	0%	50	181	10%	25%
Issuer	11	181			22	0			17	0			50	181		
TOTAL	**11**	**181**	**100%**	**100%**	**225**	**279**	**100%**	**100%**	**280**	**273**	**100%**	**100%**	**516**	**733**	**100%**	**100%**
Change (%)	*-94%*				*-19%*				*3%*				*-30%*			

The total amount of Deloitte's fees recorded in the corporate income statement for the financial year amounted to €11 thousand and corresponds to a specific mission relating to a review of the reconciliation between accounting and management and a mission to certify the Banque Palatine SEU fund.

The total amount of PricewaterhouseCoopers' fees recorded in the corporate income statement for the financial year amounted to €225 thousand, of which €203 thousand for the certification of the financial statements of Banque Palatine and €22 thousand for certification of the SRF.

The total amount of KPMG's fees recorded in the corporate income statement for the financial year amounted to €280 thousand, of which €263 thousand for the certification of the financial statements of Banque Palatine and €17 thousand for an assignment on the management report and the regulated agreements.

6.4 Operations in non-cooperative countries

Article L. 511-45-I of the French Monetary and Financial Code and the Decision of 6 October 2009 issued by the French Minister of the Economy require credit institutions to disclose in the notes to their annual financial statements information about their presence and activities in countries and territories that have not entered into an administrative assistance agreement with France for the exchange of information to combat tax fraud and tax evasion.

These obligations fit within the broader scope of global action against uncooperative tax havens, which were defined at OECD meetings and summits, and are also intended to prevent money laundering and terrorism financing.

Since its foundation, Groupe BPCE has adopted a prudent approach. It ensures that entities belonging to its networks are regularly informed of updates to the OECD list of territories that are considered as uncooperative as regards the effective exchange of tax information as well as about the potential consequences of maintaining operations in uncooperative territories. In addition, lists of these territories were added in part to the ERP systems used in the fight against money laundering with a view to ensuring an appropriate level of vigilance for transactions with non-cooperative countries and territories (implementation of Decree No. 2009-874 of 16 July 2009). An inventory of the Group's locations and activities in uncooperative territories was drawn up by the central body to keep management bodies informed.

This statement is based on the list of countries named in the Decision of 4 March 2021, made in application of Article 238-0-A of the French General Tax Code.

At 31 December 2021, Banque Palatine had no offices or activities in uncooperative tax havens.

3 IFRS consolidated financial statements of the Palatine Group

3.1 Consolidated income statement

in millions of euros	Notes	FY 2021	FY 2020
Interest and similar income	4.1	266.1	272.5
Interest and similar expenses	4.1	(47.7)	(52.9)
Fee and commission income	4.2	106.8	98.9
Fee and commission expenses	4.2	(11.1)	(9.2)
Gains or losses on financial instruments at fair value through profit or loss	4.3	19.9	15.4
Net gains or losses on financial instruments at fair value through equity	4.4	0.4	3.2
Net gains or losses arising from derecognition of financial assets at amortised cost	4.5	0.0	0.8
Net gains or losses arising from reclassification of financial assets at amortised cost in financial assets at fair value through profit or loss	5.6	0.0	0.0
Net gains or losses arising from reclassification of financial assets at fair value through equity in financial assets at fair value through profit or loss	5.6	0.0	0.0
Income from other activities	4.6	2.3	0.6
Expenses from other activities	4.6	(7.3)	(6.2)
NET BANKING INCOME		**329.5**	**323.0**
General operating expenses	4.7	(205.6)	(231.4)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets		(13.2)	(12.7)
GROSS OPERATING INCOME		**110.7**	**78.9**
Cost of credit risk	7.1.1	(39.0)	(100.3)
OPERATING INCOME		**71.8**	**(21.4)**
Share in net income of associates and joint ventures consolidated under the equity method	11.4.2	0.4	0.3
Gains or losses on other assets	4.8	(3.7)	(1.0)
Changes in the value of goodwill	3.5.1	0.0	0.0
INCOME BEFORE TAX		**68.5**	**(22.1)**
Income tax expense	10.1	(19.8)	7.4
Net income after tax from discontinued operations		0.0	0.0
NET INCOME		**48.7**	**(14.7)**
Non-controlling interests	5.17	0.0	0.0
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**48.7**	**(14.7)**

3.2 Overall income

in millions of euros	FY 2021	FY 2020
NET INCOME	**48.7**	**(14.7)**
ITEMS RECYCLABLE TO PROFIT OR LOSS	**(8.1)**	**10.2**
Remeasurement of financial assets at fair value through recyclable equity	(10.9)	13.8
Income taxes	2.8	(3.6)
ITEMS NOT RECYCLABLE TO PROFIT OR LOSS	**(1.6)**	**(2.0)**
Remeasurement (or actuarial gains and losses) in respect of defined-benefit plans	(2.1)	(2.8)
Other items recognised through equity of non-reclassifiable items	(0.1)	0.1
Income taxes	0.6	0.7
TOTAL GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY	**(9.8)**	**8.3**
COMPREHENSIVE INCOME	**38.9**	**(6.4)**
Attributable to equity holders of the parent	38.9	(6.4)
Non-controlling interests	0.0	0.0
For information: amount of non-recyclable items transferred to reserve	*0.0*	*0.0*

3.3 Consolidated balance sheet

Assets

in millions of euros	Notes	31/12/2021	31/12/2020
Cash, central banks	5.1	562.5	911.1
Financial assets at fair value through profit or loss	5.2.1	113.9	297.5
Hedging derivatives	5.3	0.5	0.9
Financial assets at fair value through equity	5.4	909.5	1,041.9
Securities at amortised cost	5.5.1	226.7	303.9
Loans and advances due from credit institutions and similar items at amortised cost	5.5.2	4,611.8	3,502.1
Loans and advances due from customers at amortised cost	5.5.3	10,599.5	11,168.5
Remeasurement gains and losses on interest rate risk-hedged portfolios		2.6	6.3
Current tax assets	10.1	0.0	5.9
Deferred tax assets	10.2	19.7	24.9
Accruals and miscellaneous assets	5.7	133.9	207.6
Non-current assets held for sale	5.8	0.0	0.0
Shares in associates	11.4.1	4.5	4.1
Investment properties	5.9	0.0	0.0
Property, plant and equipment	5.10	36.5	41.0
Intangible assets	5.10	4.3	8.3
Goodwill	3.5.1	0.0	0.0
TOTAL ASSETS		**17,226.0**	**17,524.0**

Liabilities

in millions of euros	Notes	31/12/2021	31/12/2020
Financial liabilities at fair value through profit or loss	5.2.2	85.1	116.3
Hedging derivatives	5.3	30.4	45.5
Debts represented by a security	5.11	2,113.9	1,613.0
Amounts due to credit institutions and similar items	5.12.1	2,224.3	2,860.3
Amounts due to customers	5.12.2	11,271.2	11,356.4
Remeasurement gains and losses on interest rate risk-hedged portfolios		0.0	0.0
Current tax liabilities		10.4	0.0
Deferred tax liabilities		0.0	0.0
Accruals and miscellaneous liabilities	5.13	159.8	248.7
Liabilities related to non-current assets held for sale		0.0	0.0
Provisions	5.14	87.7	75.2
Subordinated debt	5.15	200.2	200.2
Equity		1,042.9	1,008.3
Equity attributable to equity holders of the parent		1,042.9	1,008.3
Retained earnings		745.5	745.5
Retained earnings		242.8	261.8
Gains and losses recognised directly in other lines of comprehensive income	5.18	5.9	15.7
Net income for the period		48.7	(14.7)
Non-controlling interests	5.17	0.0	0.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,226.0**	**17,524.0**

3.4 Statement of changes in shareholders' equity

in millions of euros	Retained earnings		
	Share capital	Premiums	Perpetual deeply subordinated notes
SHAREHOLDERS' EQUITY AT 1 JANUARY 2020	**688.8**	**56.7**	**100.0**
Distribution			
TOTAL MOVEMENTS RELATED TO RELATIONS WITH SHAREHOLDERS	**0.0**	**0.0**	**0.0**
Gains and losses recognised directly in other comprehensive income (Note II)			
Net income for the period			
COMPREHENSIVE INCOME	**0.0**	**0.0**	**0.0**
Other changes			
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2020	**688.8**	**56.7**	**100.0**
Allocation of net income for the 2020 financial year			
SHAREHOLDERS' EQUITY AT 1 JANUARY 2021	**688.8**	**56.7**	**100.0**
Distribution			
TOTAL MOVEMENTS RELATED TO RELATIONS WITH SHAREHOLDERS	**0.0**	**0.0**	**0.0**
Gains and losses recognised directly in other comprehensive income (Note 5.18)			
Net income for the period			
COMPREHENSIVE Income	**0.0**	**0.0**	**0.0**
Other changes			
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2021	**688.8**	**56.7**	**100.0**

	Gains and losses recognised directly in other lines of comprehensive income									
			Recyclable			Non-recyclable				
Retained earnings	translation reserves	Financial assets and liabilities carried at fair value through equity	Change in fair value of hedging derivatives	Equity financial assets carried at fair value through equity	Remeasurement of own credit risk of financial liabilities carried at fair value through profit or loss	Revaluation difference on social security liabilities	Net income attributable to equity holders of the parent	Total equity attributable to equity holders of the parent	Non-controlling interests	Total consolidated shareholders' equity
184.4	**(0.1)**	**13.0**	**0.0**	**0.0**	**(3.3)**	**(2.2)**	**0.0**	**1,037.3**	**0.0**	**1,037.3**
(22.6)								(22.6)	0.0	(22.6)
(22.6)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(22.6)**	**0.0**	**(22.6)**
		10.2			0.1	(2.1)		8.3	0.0	8.3
							(14.7)	(14.7)	0.0	(14.7)
0.0	**0.0**	**10.2**	**0.0**	**0.0**	**0.1**	**(2.1)**	**(14.7)**	**(6.4)**	**0.0**	**(6.4)**
161.8	**(0.1)**	**23.2**	**0.0**	**0.0**	**(3.2)**	**(4.3)**	**(14.7)**	**1,008.3**	**0.0**	**1,008.3**
(14.7)							14.7	0.0	0.0	0.0
147.1	**(0.1)**	**23.2**	**0.0**	**0.0**	**(3.2)**	**(4.3)**	**(0.0)**	**1,008.3**	**0.0**	**1,008.3**
(4.3)								(4.3)	0.0	(4.3)
(4.3)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**(4.3)**	**0.0**	**(4.3)**
		(8.1)			(0.1)	(1.6)		(9.8)	0.0	(9.8)
							48.7	48.7	0.0	48.7
0.0	**0.0**	**(8.1)**	**0.0**	**0.0**	**(0.1)**	**(1.6)**	**48.7**	**38.9**	**0.0**	**38.9**
142.9	**(0.1)**	**15.1**	**0.0**	**0.0**	**(3.3)**	**(5.9)**	**48.7**	**1,042.9**	**0.0**	**1,042.9**

3.5 Statement of cash flows

in millions of euros	31/12/2021	31/12/2020
Income before tax	**68.5**	**(22.1)**
Net depreciation and amortisation of property, plant and equipment, and intangible assets	13.2	12.7
Goodwill impairment	0.0	0.0
Net charges to provisions and impairment losses (including technical insurance provisions)	(4.1)	20.1
Share in net income of associates	(0.4)	(0.3)
Net gains/(losses) on investment activities	(6.2)	(13.1)
Income/expenses from financing activities	0.0	0.0
Other movements	(0.1)	(22.7)
Total non-cash items included in net income before tax	**2.4**	**(3.2)**
Net increase or decrease arising from transactions with credit institutions	(1,765.7)	(144.8)
Net increase or decrease arising from transactions with customers	495.0	392.1
Net increase or decrease arising from transactions affecting financial assets and liabilities	735.2	(448.8)
Net increase or decrease arising from transactions affecting non-financial assets and liabilities	(15.4)	(21.7)
Tax paid	5.1	(2.4)
Net increase/(decrease) in assets and liabilities generated by operating activities	**(545.9)**	**(225.6)**
NET CASH FLOWS FROM OPERATING ACTIVITIES (A) – CONTINUING OPERATIONS	**(475.0)**	**(250.9)**
Net increase or decrease relating to financial assets and investments	92.0	128.0
Net increase or decrease relating to investment property	0.0	0.4
Net increase or decrease relating to property, plant and equipment, and intangible assets	(7.2)	(3.6)
NET CASH FLOWS FROM INVESTING ACTIVITIES (B) – CONTINUING OPERATIONS	**84.8**	**124.8**
Cash flow received from or paid to shareholders(1)	(4.3)	(22.5)
Cash flows from financing activities	0.0	0.0
NET CASH FLOWS FROM FINANCING ACTIVITIES (C) – CONTINUING OPERATIONS	**(4.3)**	**(22.5)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS (D) – CONTINUING OPERATIONS	**0.2**	**0.0**
NET CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C+D)	**(394.4)**	**(148.6)**
Cash and net balance of accounts with central banks	**911.1**	**305.8**
Cash and net balance of accounts with central banks (assets)	911.1	305.9
Cash placed with central banks (liabilities)	0.0	(0.1)
Net balance of demand transactions with credit institutions	**357.0**	**1,111.0**
Current accounts with overdrafts(2)	279.1	30.6
Demand accounts and loans	151.4	1,090.5
Demand accounts in credit	(73.5)	(10.1)
OPENING CASH POSITION	**1,268.1**	**1,416.7**
Cash and net balance of accounts with central banks	**562.5**	**911.1**
Cash and net balance of accounts with central banks (assets)	562.5	911.1
Net balance of demand transactions with credit institutions	**311.2**	**357.0**

Current accounts with overdrafts[2]	305.9	279.1
Demand accounts and loans	22.9	151.4
Demand accounts in credit	(17.5)	(73.5)
Closing cash and cash equivalents	**873.7**	**1,268.1**
CHANGE IN NET CASH	**(394.4)**	**(148.6)**

(1) The cash flows received from or paid to shareholders correspond to dividends paid.

(2) Current accounts with overdrafts do not include Livret A, LDD and LEP passbook savings accounts centralised with Caisse des Dépôts et Consignations.

4 Notes to the financial statements of the Palatine Group

Note 1 General background

1.1 Groupe BPCE and Banque Palatine

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central body and its subsidiaries.

Two banking networks – the Banque Populaire banks and the Caisse d'Epargne banks

Groupe BPCE is a cooperative group whose members own two retail banking networks: the 14 Banque Populaire banks and the 15 Caisse d'Epargne banks. Each of the two networks owns an equal share in BPCE, the Group's central body.

The Banque Populaire network consists of the Banque Populaire banks and the mutual guarantee companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisse d'Epargne banks and the local savings companies (LSCs).

The Banque Populaire banks are wholly owned by their cooperative members.

The capital of the Caisse d'Epargne banks is wholly owned by the local savings companies. Local savings companies are cooperative entities with open-ended share capital owned by cooperative members. They are tasked with coordinating the cooperative membership, in line with the general objectives set out for the individual Caisse d'Epargne with which they are affiliated, and they cannot perform banking transactions.

BPCE

BPCE, a central body as defined by the French Banking Act, and a credit institution licensed to operate as a bank, was created pursuant to Act No. 2009-715 of 18 June 2009. BPCE was incorporated as a French *société anonyme* with a Management Board and a Supervisory Board. Its share capital is owned jointly and equally by the 14 Banque Populaire and 15 Caisse d'Epargne banks.

BPCE must comply with the cooperative principles of the Banque Populaire and Caisse d'Epargne banks at all times.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, takes steps to ensure depositor protection, approves appointments of senior executives and oversees the smooth operation of the Group's institutions.

As a holding company, BPCE acts as the ultimate controlling party of the Group and holds the joint ventures between the two networks in retail banking and insurance, corporate banking and financial services, and their production units. It also defines the Group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries are organised around two main business lines:

- retail banking and insurance, including the Banque Populaire network, the Caisse d'Epargne network, the Financial Solutions and Expertise segment (including factoring, consumer loans, finance leases, securities & financial guarantees and the retail securities activity), the Natixis Payment and Insurance segments and Other Networks (primarily Banque Palatine and Oney Group);
- Global financial services comprising Asset and Wealth Management (Natixis Investment Managers and Natixis Wealth Management) and global customers banking (Natixis Corporate & Investment Banking).

In parallel, BPCE is responsible for centralised management of surplus funds, for the execution of any financial transactions required to develop and fund the Group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the Group as part of its general oversight of financial activities. BPCE also provides banking services to the other Group entities.

Banque Palatine

Banque Palatine is a *société anonyme* (French limited liability corporation) with a Board of Directors, wholly owned by the BPCE central body. Its registered office has been located at 86, rue de Courcelles – 75008 Paris (France) since 1 January 2022.

Its main subsidiaries and affiliates are active in two segments:

- financial services and asset management;
- insurance.

1.2 Guarantee mechanism

In accordance with Articles L. 511-31, L. 512-107-5 and L. 512-107-6 of the French Monetary and Financial Code, the guarantee and solidarity mechanism aims to safeguard the liquidity and capital adequacy of the Group and BPCE's affiliates, and to organise financial support between them.

BPCE is tasked with taking all requisite measures to guarantee the capital adequacy of the Group and each of the networks. This includes implementing the appropriate internal financing mechanisms within the Group and establishing a mutual guarantee fund common to both networks, for which it determines the operating rules, the conditions for the provision of financial support to the existing funds of the two networks, as well as the contributions from affiliates to the fund's initial capital endowment and reconstitution.

BPCE manages the Banque Populaire Network Fund and the Caisse d'Epargne Network Fund and sets up the Mutual Guarantee Fund.

The **Banque Populaire Network Fund** was endowed with a €450 million deposit by the Banque Populaire banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The **Caisse d'Epargne Network Fund** consists of a €450 million deposit made by the Caisse d'Epargne banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The **Mutual Guarantee Fund** was formed through deposits made by the Banque Populaire and Caisse d'Epargne banks. These deposits were booked by BPCE in the form of ten-year term accounts renewable in perpetuity. The deposits by network amounted to €172 million at 31 December 2021.

The total amount of deposits made with BPCE in the Banque Populaire Network Fund, the Caisse d'Epargne Network Fund and the Mutual Guarantee Fund may be no lower than 0.15% and may not exceed 0.3% of the Group's total risk-weighted assets.

When deposits are recorded in the institutions' individual accounts under the guarantee and solidarity system, an item of an equivalent amount is recorded under a dedicated capital heading.

BPCE's Management Board holds all the requisite powers to use the financial resources of the various contributors immediately and in the agreed order pursuant to prior authorisations given to BPCE by the contributors.

1.3 Significant events

The year 2021 was still marked by the Covid-19 health crisis and its consequences on the organisation of work, with the massive use of remote working. This mode of operation is now fully controlled but had to be adapted in terms of procedures and controls due to the IT migration initiated in October 2020, and the changes made in terms of process and operation.

Given the importance of remote working in the event of a crisis and its crucial role for business continuity, an IT infrastructure continuity plan was initiated in 2021 with the aim of ensuring the rapid replacement of IT equipment for employees, particularly in the event of a crisis.

With regard to the governance of the Banque Palatine institution, the Board of Directors, at its meeting of 10 December 2021, took note of the resignation of Christine Jacglin from her duties as Chief Executive Officer with effect from 31 December 2021 at midnight and appointed Didier Moaté as Chief Executive Officer with effect from 1 March 2022.

In September 2021, Banque Palatine presented its new Up 2024 strategic plan, which is based on two strategic orientations:

- acceleration of the targeted conquest of medium-sized companies and private customers;
- adaptation to the environment.

It also relies on three cross-functional markers: promote employee commitment; modernise and digitise uses; enhance Banque Palatine's involvement in corporate social responsibility.

The cost of risk decreased sharply by €61.3 million to €39 million at the end of 2021.

At 31 December 2021, the net income was €48.7 million, compared with a net expense of €14.7 million in 2020.

1.4 Post-balance sheet events

Since 31 December 2021 and until 9 February 2022, the date on which the Board of Directors approved the financial statements, no event occurred likely to have a notable influence on the financial position or the income of Banque Palatine.

Note 2 Applicable accounting standards and comparability

2.1 Regulatory framework

The consolidated financial statements of Groupe BPCE were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable on that date, excluding certain provisions in IAS 39 relating to hedge accounting.

2.2 Standards

The standards and interpretations used and outlined in the annual financial statements at 31 December 2020 were complemented by the standards, amendments and interpretations whose application is mandatory for financial starting on or after 1 January 2021.

Groupe BPCE has chosen the option provided by IFRS 9 not to apply the provisions of the standard relating to hedge accounting and to continue to apply IAS 39 for the recognition of these transactions, as adopted by the European Union, *i.e.* excluding certain provisions on macro-hedging.

Furthermore, on 3 November 2017, the European Commission adopted the amendment to IFRS 4 relating to the combined application of IFRS 9 "Financial instruments" and IFRS 4 "Insurance contracts" with specific provisions for financial conglomerates, applicable as of 1 January 2018. European regulations therefore allow European financial conglomerates to postpone the application of IFRS 9 for their insurance sector until 1 January 2021 (application date for the new IFRS 17 "Insurance contracts") with conditions:

- not to transfer financial instruments from the insurance sector to other of the conglomerate's sectors (except for financial instruments at fair value through profit or loss for both sectors concerned by the transfer);
- to indicate the insurance entities which apply IAS 39;
- to provide specific additional information in appended notes.

At its meeting of 17 March 2020, the IASB decided to postpone its application for two years, as clarifications still need to be made on key points of the standard. It also decided to align the expiry date of the temporary waiver of IFRS 9 for insurers so that it coincided with IFRS 17 at 1 January 2023. An amendment was published on 25 June 2020. This amendment brings improvements for the application of IFRS 17.

As Groupe BPCE is a financial conglomerate, it decided to apply this provision for its insurance business which, consequently, remains under IAS 39. The entities concerned by this measure are mainly CEGC, Natixis Assurances, BPCE Vie and its consolidated funds, Natixis Life, BPCE Prévoyance, BPCE Assurances, BPCE IARD, Surassur, Oney Insurance, Oney Life, Prepar Vie and Prepar IARD.

In accordance with the adoption regulation of 3 November 2017, the Group took the necessary measures to prohibit any transfer of financial instruments between its insurance sector and the rest of the Group which would have a derecognition effect for the transferring entity, as this restriction is not required for transfers of financial instruments assessed at fair value through profit or loss by the two sectors involved.

Regulation (EU) 2017/2395 of 12 December 2017 on transitional provisions to mitigate the impact of the introduction of IFRS 9 on capital and for the treatment of the significant risks of certain public sector exposures was published in the Official Journal of the European Union (OJEU) on 27 December 2017. As a reminder, Groupe BPCE decided not to opt for the transitional neutralisation of IFRS 9 impacts at the prudential level because of the moderate impacts relating to implementation of the standard.

Amendment to IAS 39 and IFRS 9: benchmark rate reform (Phase 2)

On 27 August 2020, the IASB published amendments dealing with issues related to the replacement of benchmark rates by their alternative reference rate (Phase 2). These amendments amend IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 on changes to financial assets and financial liabilities (including liabilities related to leases) in connection or not with the implementation of existing contractual clauses (*i.e.* fallback clauses), hedge accounting and disclosures. These amendments were adopted by the European Commission on 13 January 2021. Its application date was set for 1 January 2021 with early application possible. Groupe BPCE opted for early application at 31 December 2020.

The uncertainties relating to the benchmark rate reform and the organisation in place at Groupe BPCE are presented in Note 5.21.

Decision of the IFRS Interpretations Committee (IFRS IC) relating to IAS 19 “Employee Benefits”

The IFRS IC was asked to take into account the vesting conditions for post-employment defined-benefit plans (retirement benefits and similar provisions provisioned as a liability on the balance sheet) when the benefit granted to the employee depends on:

- the employee’s presence in the company at the time of his or her retirement;
- the employee’s length of service (seniority);
- a ceiling determined in terms of the number of years of service.

The final position of the IFRS IC, issued at its meeting of 20 April 2021, indicates that, pursuant to IAS 19, the vesting period of the rights must be the period immediately preceding the retirement age, from the date on which each year of service counts towards the vesting of rights in accordance with the conditions applicable to the plan.

As such, it is no longer possible, like for the method previously applied by Groupe BPCE, to use the total length of service as the vesting period when this is greater than the ceiling used to calculate the service.

This position does not change the valuation of the commitments but their rate of recognition over time in the income statement.

Groupe BPCE implemented this position as of 31 December 2021. This decision mainly concerns termination benefits, with the effect of a decrease in the amount of provision recognised in this respect at 31 December 2021 against shareholders’ equity (consolidated reserves). No impact was noted at Banque Palatine pursuant to the IFRS IC decision.

The comparative information presented for the 2020 financial year has not been restated for these effects but is the subject of specific information at the bottom of the tables in Note 8.2.

Decision of the IFRS Interpretations Committee (IFRS IC) relating to IAS 38 “Intangible Assets”

The IFRS IC was asked to express itself on the subject of the accounting, at the customer, of the costs of configuration and customisation of software obtained from a supplier under a Software as a Service (SaaS) type contract.

The final position of the IFRS IC, issued at its meeting of 16 March 2021, indicates that in application of IAS 38, IAS 8 and IFRS 15, SaaS contracts are generally not recognised as assets and are recognised at the customer as a service. The configuration and customisation costs incurred under these contracts can only be recognised as intangible assets in certain situations, for example when the contract could give rise to the creation of new lines of code, the future economic benefits of which would benefit the customer only. Failing this, the customer recognises these costs as expenses when he receives the configuration and customisation services from the supplier (and not when the customer uses these services).

This decision has no effect on Groupe BPCE’s financial statements at 31 December 2021.

The other standards, amendments and interpretations adopted by the European Union have no significant impact on the Group’s financial statements.

New standards published and not yet applicable

IFRS 17

IFRS 17 “Insurance contracts” was published by the IASB on 18 May 2017 and will replace IFRS 4 “Insurance contracts”. Initially applicable as of 1 January 2021, with a comparison with 1 January 2020, this standard is not expected to enter into effect until 1 January 2023. At its meeting of 17 March 2020, the IASB resolved to postpone the standard’s application by two years, as clarifications still needed to be made regarding structural elements. It also decided to align the expiry date of the temporary waiver of IFRS 9 for insurers so that it coincided with IFRS 17 at 1 January 2023. A draft amendment was published on 25 June 2020. This amendment brings improvements for the application of IFRS 17. EU Regulation No. 2020/2097 of 15 December 2020 adopts the amendments to IFRS 4 relating to the extension of the exemption period from the application of IFRS 9 for all insurance companies. EU Regulation No. 2021/2036 of 19 November 2021 adopts IFRS 17 and provides for the possibility of exempting inter-generational pooled contracts and contracts with cash flow netting from the annual cohort requirement imposed by the standard. Groupe BPCE’s savings/retirement contracts should fully fall within the scope of this European exemption. On 9 December, the IASB published an amendment to IFRS 17 allowing, as an option, to present according to IFRS 9 all financial assets held by insurers at 1 January 2022 to be presented in the comparative statements when applying IFRS 17 and IFRS 9 in 2023. Groupe BPCE plans to apply this option and also to apply the impairment rules of IFRS 9 for credit risk to eligible financial assets for its 2022 comparative statements.

IFRS 17 sets out the principles of recognition, assessment, presentation and information to be provided relating to insurance contracts and investment contracts with discretionary participation falling within the scope of the standard.

Measured today at historical cost, the obligations imposed by contracts should be recognised, in application of IFRS 17, at present value. For this, insurance contracts will be measured, depending on the cash flow they will generate in the future, by including a risk margin to take into account the uncertainty related to this flow. On the other hand, IFRS 17 introduces the concept of contractual service margin. This represents the profit not

acquired by the insurer and will be released over time, depending on the service the insurer provides to the insured party. The standard requires a more detailed level of granularity than before since it requires estimates by group of contracts (without classifying in the same group contracts issued more than one year apart – annual cohorts). However, the European Commission has introduced an optional carve-out that does not apply the annual cohort requirement to groups of insurance contracts with direct participation features and to groups of investment contracts with discretionary participation features that benefit from pooling of returns on underlying assets between the different generations of policyholders (contracts with intergenerational pooling).

These accounting changes could modify the result of the insurance profile (particularly that of life assurance) and also introduce more volatility in the result.

On 31 December 2021, Groupe BPCE's insurance entities set up project structures that are in line with the changes brought about by the standard and are continuing preparatory work: examination and documentation of standards, modelling, adaptation of systems and organisations, production of financial statements and changeover strategy, financial communication and change management.

2.3 Use of estimates and judgments

Preparation of the financial statements requires management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the individuals preparing these financial statements and the information available at the reporting date.

Actual future results may differ from these estimates.

In the financial statements for the annual period ended 31 December 2021, the accounting estimates involving assumptions were mainly used for the following measurements:

- the fair value of the financial instruments determined on the basis of the valuation techniques (Note 9 "Fair value measurement");
- the amount of expected credit losses on financial assets, and financial and guarantee commitments (Note 7.1 "Credit risk");
- the results of the hedging relationship effectiveness tests (Note 5.3);
- the provisions recorded under liabilities on the balance sheet and, more specifically, the provisions for regulated home savings products (Note 5.14 "Provisions") and provisions for legal defence costs;
- the calculations relating to pension and future employee benefit obligations (Note 8.2 "Employee benefits");
- uncertainties relating to tax treatment of income tax (Note 10.1 "Income taxes");
- the deferred tax assets and liabilities (Note 10.2 "Deferred taxes");
- the uncertainties relating to the application of certain provisions of the regulation relating to benchmarks (Note 5.21);
- the goodwill impairment testing (Note 3.5 "Goodwill");
- the term of the leases to be used for the recognition of right-of-use assets and lease liabilities (Note 11.2.2).

Moreover, judgement must be exercised to understand the business model, as well as the basic characteristic of the financial instrument. The methods are detailed in the relevant paragraphs (Note 2.5.1 "Classification and assessment of the financial assets").

Estimates and judgment are also used to estimate the climate and environmental risks of the Group's activities. The governance and commitments made on these risks are presented in Chapter 2 "Statement on non-financial performance". Information on the impact and consideration of climate risks on credit risk management (Note 7) is presented in Chapter 6 "Risk management – Climate risks". The accounting treatment of the main green financial instruments is presented in Notes 2.3, 5.5, 5.11 and 5.12.2.

2.4 Presentation of the consolidated financial statements and reporting date

As no specific format is required under IFRS, the presentation used for the summarised statements follows Recommendation No. 2017-02 of 2 June 2017 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC).

The consolidated financial statements are based on the financial statements at 31 December 2021. The Palatine Group's consolidated financial statements for the financial year ended 31 December 2021 were approved by the Board of Directors on 9 February 2022. They will be submitted for approval to the General Meeting of 17 May 2022.

Unless stated otherwise, the amounts presented in the financial statements and in the notes to the financial statements are expressed in millions of euros. The impacts of rounding may result in differences between the amounts reported in the financial statements and those disclosed in the notes to the financial statements.

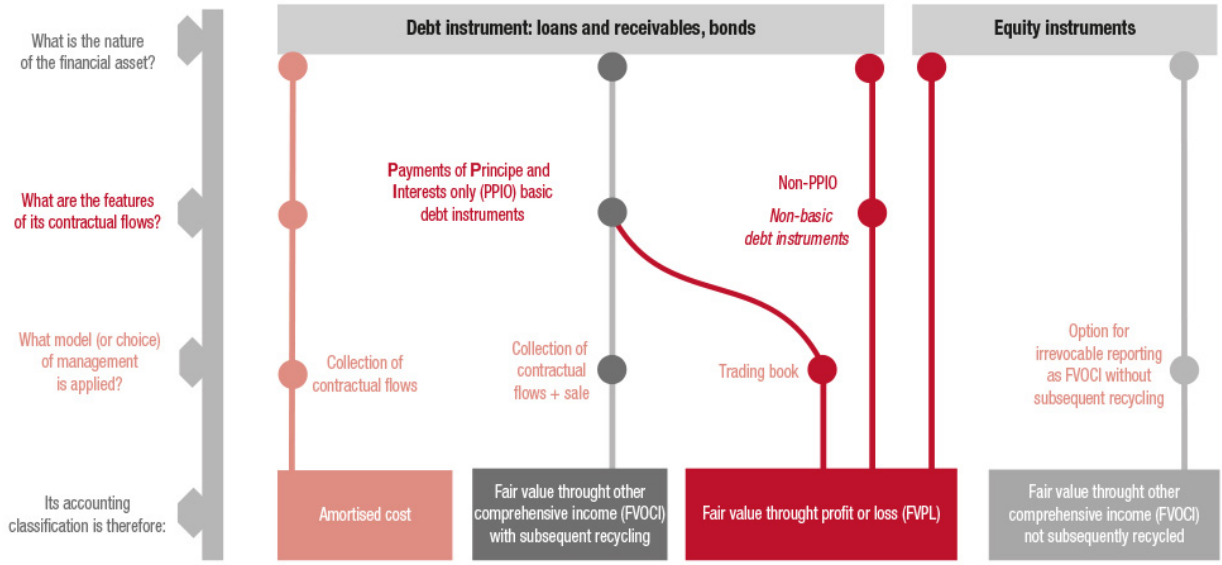
2.5 General accounting principles and measurement methods

The general accounting principles presented below apply to the main items in the financial statements. Specific accounting principles are presented in the various appended notes to which they relate.

2.5.1 Classification and measurement of financial assets and liabilities

IFRS 9 is applicable to Groupe BPCE with the exception of insurance subsidiaries, which apply IAS 39.

On initial recognition, financial assets are classified at amortised cost, at fair value through equity or at fair value through profit or loss depending on the nature of the instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (business model).



Business model

The entity's business model is the way said entity manages its financial assets with a view to generating cash flows. Judgement must be exercised to assess the business model.

The definition of the business model must take into account all the information on how cash flows have been generated in the past, as well as all other relevant information.

By way of example, it is worth highlighting:

- the way the performance of the financial assets is evaluated and presented to the main senior executives;
- the risks that have an impact on the performance of the business model and, in particular, the way these risks are managed;
- the way senior executives are paid (for example, whether remuneration is based on the fair value of the assets under management or on the contractual cash flows generated);
- the frequency, the volume and the reason for sales.

Moreover, the definition of the business model must be conducted in such a way that it reflects how the groups of financial assets are collectively managed with a view to attaining a given economic objective. Therefore, the business model is not defined instrument by instrument but rather at a higher level of aggregation, by portfolio.

The standard recognises three business models:

- a business model whose objective is to hold financial assets with a view to generating contractual cash flows from them (collection model). This model, whose holding concept is quite close to holding to maturity, is not however called into question if sales are made in the following specific cases:
  - the sales result from the increased credit risk,
  - the sales take place shortly before maturity and at a price reflecting the contractual cash flow still due,
  - the other sales may also be compatible with the contractual flow collection model if they are infrequent (even if they are of significant value) or if they are not of significant value considered both individually and globally (even if they are frequent).

  For Groupe BPCE, the collection model particularly applies to the financing activity (excluding syndication) carried on within the retail banking, global customers banking and specialised financial services departments;
- a combined model where assets are managed with a view to both generating contractual cash flows and selling the financial assets (a collection and sales model).

  Groupe BPCE applies the collection and sale model primarily to the part of the securities portfolio management activities of the liquidity reserve which is not exclusively managed according to a collection model;
- a model specific to other financial assets, particularly transaction, in which the collection of contractual flows is incidental. This business model applies to the syndication activity (for the portion of the outstanding available for sale identified at the outset) and the market activities primarily implemented by the global customers banking department.

Characteristic of the contractual flows: Establishing basic nature or SPPI (Solely Payments of Principal and Interest)

A financial asset is considered basic if the contractual terms of the financial asset give rise, on specified dates, to cash flows corresponding solely to payments of principal and interest calculated on the outstanding capital due. The basic character is to be established for each financial asset upon initial recognition.

The principal is defined as the fair value of the financial asset at its vesting date. The interest is consideration for the time value of money and the credit risk associated with the principal, as well as other risks such as liquidity risk, administrative expenses and the trading margin.

To assess whether contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument must be examined. This involves analysing any element that might call into question the exclusive representation of the time value of money and the credit risk. For example:

- the events that would change the amount and date of generation of the cash flows.

Any contractual model which would bring about exposure to risks or volatility of the flows without any link to a basic loan contract, such as exposure to changes in share prices or a stock market index, or again the introduction of a leverage effect, would not allow the contractual cash flow to be considered as being basic;

- the characteristics of the applicable rates (*e.g.* consistency between the rate reset period and the interest calculation period).

In the case where a qualitative analysis would not enable a precise result to be obtained, a quantitative analysis (benchmark test) is carried out consisting in comparing the contractual cash flow of the asset studied with those of the benchmark asset;

- the terms of early redemption and extension.

The contractual terms, for the borrower or for the lender, for early redemption of the financial instrument remain compatible with the basic nature of the contractual cash flow when the amount of the early redemption mainly represents the principal due and the related interest, as well, if applicable, reasonable compensation.

In the case where a qualitative analysis would not enable a precise result to be obtained, a quantitative analysis (benchmark test) is carried out consisting in comparing the contractual cash flow of the asset studied with those of the benchmark asset.

Furthermore, although not strictly meeting the remuneration criteria of the money's time value, certain assets with a regulated rate are considered as basic when this regulated interest rate provides a counterparty which, to a large degree, corresponds to the passage of time and without any exposure to a risk inconsistent with a basic loan. This is particularly the case with financial assets representing the part of the collection of Livret A savings accounts centralised with *Caisse des Dépôts et Consignations* (CDC).

Basic financial assets are debt instruments which particularly include: fixed-rate loans, variable-rate loans without any differential (mismatch) in rates or without indexation to a value or a stock market index and fixed-rate or variable-rate debt securities.

Non-basic financial assets particularly include: units in UCITS, debt instruments that are convertible or redeemable into a fixed number of shares, and structured loans granted to local authorities.

To be described as basic assets, the securities held in a securitisation vehicle must meet specific conditions. The contractual terms of the tranche must meet the basic criteria. The underlying asset pool must meet the basic conditions. The risk in the tranche must be equal to or lower than the exposure to the underlying assets in the tranche.

A non-recourse loan (example: an infrastructure financing type project) is a loan guaranteed solely by collateral. In the absence of any possible recourse against the borrower, to be classified as a basic asset, it is necessary to examine the structure of the other possible recourse or mechanisms of protection of the lender in the event of default: takeover of the underlying asset, collateral contributed (security deposit, margin call, etc.) or enhancements made.

Accounting categories

Debt instruments (loans, receivables or debt securities) can be measured at amortised cost, at fair value through recyclable equity or at fair value through profit or loss.

A debt instrument is measured at amortised cost if it meets the following two conditions:

- the asset is held under a business model the objective of which is to collect contractual cash flow; and
- the contractual terms of the financial asset, which define it as basic (Solely Payments of Principal and Interest – SPPI) within the meaning of the standard.

A debt instrument is measured at fair value through equity only if it meets the following two conditions:

- the asset is held under a business model the objective of which is both to collect contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset, which define it as basic (Solely Payments of Principal and Interest – SPPI) within the meaning of the standard.

The equity instruments are recognised by default at fair value through profit or loss except in the case of an irrevocable option for an assessment of the fair value through non-recyclable equity (provided that these instruments are not held for trading and as such are classified as financial assets at fair value through profit or loss) without subsequent reclassification in income. In the case of an option for the latter category, dividends will still be recognised in income.

Financing through the issuance of green financial products or investments in such products are recognised at amortised cost unless they are held as part of a short-term disposal activity.

All other financial assets are classified at fair value through profit or loss. Said financial assets notably include financial assets held for trading, financial assets used at fair value through profit or loss and non-basic assets (non-SPPI). The designation at fair value through profit or loss option for financial assets only applies in the case of the elimination or significant reduction of an accounting treatment gap. This option makes it possible to eliminate distortions arising from different valuation rules applied to instruments managed as part of the same strategy.

The derivatives incorporated are no longer recognised separately from the host contract when the latter are financial assets, so that the whole hybrid instrument must now be recognised at fair value through profit or loss when it is not of a basic debt nature.

As regards financial liabilities, the rules for classifying and assessing financial liabilities given in IAS 39 are adopted without change in IFRS 9, apart from those applicable to the financial liabilities that the entity decides to assess at fair value through profit or loss (fair value option) for which the revaluation differences in connection with the changes in the entity's own credit risk will be recognised among the gains and losses recognised directly in equity without reclassification at a later stage as income.

The provisions of IAS 39 relating to the derecognition of financial assets and liabilities are adopted without change in IFRS 9. The IFRS 9 amendment dated 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate should be recorded in profit or loss.

2.5.2 Foreign currency transactions

The method used to account for assets and liabilities relating to foreign currency transactions entered into by the Group depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the balance sheet on which they appear at the exchange rate on the reporting date. The exchange differences resulting from this conversion are recognised in the income statement. However, this rule has two exceptions:

- the only component of the foreign currency gains and losses calculated on the amortised cost of financial assets at fair value through equity is recognised in income, with any additional gains and losses recognised in "Gains and losses recognised directly in equity";
- the foreign currency gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign entity are recognised in "Gains and losses recognised directly in equity".

Non-monetary assets carried at historical cost are translated at the exchange rate ruling at the transaction date. Non-monetary assets recognised at fair value are translated using the exchange rate on the date on which the fair value was determined. Foreign currency gains and losses on non-monetary lines are recognised in profit or loss if the gain or the loss on the non-monetary line is recorded in income and in "Gains and losses recognised directly in equity", and if the gain or the loss on the non-monetary line is recorded in "Gains and losses recognised directly in equity".

Note 3 Consolidation

3.1 Consolidating entity

Banque Palatine is the Banque Palatine Group's consolidating entity.

3.2 Scope of consolidation, consolidation and measurement methods

The Group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, when their consolidation has a material impact on the aforementioned financial statements.

The scope of the entities consolidated by Banque Palatine is shown in Note 13 "Details of the scope of consolidation".

3.2.1 Entities controlled by the Group

The subsidiaries controlled by Banque Palatine are fully consolidated.

Definition of control

Control exists when the Group has the power to govern an entity's relevant activities, it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control. These potential voting rights may derive, for example, from call options on ordinary shares traded on the market, debt instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account in calculating percentage ownership.

Exclusive control is presumed to exist when the Group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is able to exercise significant influence.

Specific case of structured entities

Entities described as structured entities are those organised in such a way that voting rights are not a dominant factor in deciding who controls the entity. This is the case in particular when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity frequently has some or all of the following features or attributes:

- restricted activities;
- a narrow and well-defined objective. For example, implementing a lease benefiting from specific tax treatment, carrying out research and development activities, providing an entity with a source of capital or funding, or providing investors with investment options by transferring to them the risks and advantages associated with the structured entity's assets;
- insufficient equity to permit the structured entity to finance its activities without resorting to subordinated financial support;
- financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks ("tranches").

As structured entities, the Group therefore may use collective investment vehicles as defined in the French Monetary and Financial Code and equivalent bodies governed by foreign law.

Full consolidation

A subsidiary in the Group's consolidated financial statements is fully consolidated from the date on which the Group takes control until it relinquishes control of the entity.

A non-controlling interest is an interest not directly or indirectly attributable to the Group.

Income and all components of other comprehensive income (gains and losses recognised directly in equity) are apportioned between the Group and non-controlling interests. The comprehensive income of subsidiaries is apportioned between the Group and non-controlling interests, even where this results in the allocation of a loss to non-controlling interests.

Changes to the percentage ownership of subsidiaries that do not lead to a change in control are recognised as transactions affecting equity. The effects of such transactions are recognised in equity at their amount net of tax and therefore do not impact consolidated net income attributable to equity holders of the parent.

Exclusion from the scope of consolidation

Non-material controlled entities are excluded from the scope of consolidation in accordance with the principle outlined in Note 13 "Details of the scope of consolidation".

Pension funds and supplementary health insurance plans for the Group's employees are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans to which IAS 19 "Employee benefits" applies.

Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognised in accordance with the provisions of IFRS 5 "Non-current assets held in view of sale and discontinued activities".

3.2.2 Investment in associates and joint ventures

Definitions

An associate is an entity over which the Group holds significant influence. Significant influence is the power to participate in the entity's financial and operating policy decisions, but not control them or exercise joint control over these policies. It is presumed to exist if the Group holds, directly or indirectly, more than 20% of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control over a company which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity accounting

Income, assets and liabilities of investments in associates and joint ventures are accounted for in the Group's consolidated financial statements using the equity method.

An investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter for the Group's share in the income and other comprehensive income of the associate or joint venture.

The equity method is applied from the date on which the entity becomes an associate or a joint venture. On the acquisition of an associate or a joint venture, the difference between the cost of investment and the Group's share in the net fair value of the entity's identifiable assets and liabilities is recognised as goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognised in income.

The share in net income of entities accounted for under the equity method is included in the Group's consolidated income.

When a Group entity carries out a transaction with a Group joint venture or associate, the profit and loss resulting from this transaction is recognised in interests held by third parties in the associate or joint venture.

Net investment in an associate or a joint venture is subjected to an impairment test if there is any objective indication of impairment arising from one or more events occurring after the net investment's initial recognition and that these events have an impact on the estimated future cash flow from the net investment, which may be reliably estimated. In such a case, the total carrying amount of the investment (including goodwill) is tested for impairment according to the provisions of IAS 36 "Impairment of assets".

Exception to the equity method

When an investment is held by a venture capital organisation, mutual fund, unit trust or similar entities including investment-linked insurance funds, the investor may elect not to account for the investment in the associate using the equity method. The revised IAS 28 "Investment in associates", in this case, allows the investor to recognise the investment at its fair value (with changes in fair value recognised in profit or loss) in accordance with IFRS 9.

These investments are therefore recognised as "Financial assets at fair value through profit or loss".

3.2.3 Investments in joint activities

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

An investment in a joint operation is accounted for including all the interests held in the joint operation, *i.e.* the Group's share in each of its assets and liabilities, income and expense. These interests are allocated by their nature to the various lines of the consolidated balance sheet, the consolidated income statement and the statement of net income and gains and losses recognised directly in equity.

3.3 Consolidation rules

The consolidated financial statements are prepared using consistent accounting policies for reporting similar transactions in comparable circumstances. Where material, consolidation adjustments are made to ensure the consistency of the measurement methods applied by consolidated entities.

3.3.1 Translation of the financial statements of foreign entities

The consolidating entity's financial statements are presented in euros.

The consolidated subsidiaries of the Palatine Group are all domiciled in France and the financial statements are prepared in euros.

3.3.2 Elimination of intra-group transactions

The impacts of intercompany transactions on the consolidated balance sheet and consolidated income statement were eliminated. Dividends, as well as gains and losses on intercompany asset disposals, are also eliminated. Where appropriate, capital losses from asset disposals resulting in impairment are maintained.

3.3.3 Business combinations

Pursuant to revised IFRS 3 "Business combinations" and revised IAS 27 "Consolidated and separate financial statements":

- combinations between mutual insurers are now included in the scope of IFRS 3;
- costs directly associated with business combinations are recognised in income for the period;
- any counterparties to pay are now included in the acquisition cost at their fair value at the time of the business combination, even when they are contingent in nature. Depending on the settlement method, the counterparties transferred are recognised with a corresponding adjustment in:
  - equity and subsequent price adjustments are not accounted for,
  - or debts, and subsequent price adjustments are recognised in the income statement (financial liabilities) or according to the appropriate standards (other financial liabilities outside the scope of IFRS 9);
- at the time of the business combination, non-controlling interests may be measured at:
  - either the fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
  - or at their share of the fair value of the identifiable assets and liabilities of the entity acquired (method similar to that applicable to transactions prior to 31 December 2009).

One of these methods must be chosen for each business combination.

Irrespective of the method chosen at the time of the business combination, increases in the percentage ownership of an entity already controlled are recognised systematically in equity:

- any share previously held by the Group at the time of the business combination should be remeasured at fair value through profit or loss. Consequently, in the event of a step acquisition, the goodwill is determined with reference to the fair value at the time of the business combination;
- when the Group relinquishes control of a consolidated company, any share previously held by the Group should be remeasured at fair value through profit or loss.

Companies combined prior to the revision of IFRS 3 and IAS 27 are recognised in accordance with the method by which they were acquired, however with the exception of combinations involving mutual guarantee entities and entities under common control which were explicitly excluded from the field of application.

3.3.4 Reporting date for consolidated entities

The reporting date for entities in the scope of consolidation is 31 December.

3.4 Changes in the scope of consolidation during the 2021 financial year

There were no changes in Palatine Group's scope of consolidation in the 2021 financial year.

	31/12/2021				
	Country of incorporation or residence	Consolidation method	Changes in scope compared with 31 December 2020	Percentage control	Percentage interest
Banque Palatine	**France**	**Full consolidation**			**Consolidating entity**
Palatine Asset Management	France	Full consolidation	-	100.0%	100.0%
Ariès Assurances	France	Full consolidation	-	100.0%	100.0%
Conservateur Finance	France	Equity method	-	20.0%	20.0%

3.5 Goodwill

3.5.1 Value of goodwill

in millions of euros	31/12/2021	31/12/2020
Opening net value	**3.1**	**3.1**
Impairment on ARIÈS	(3.1)	(3.1)
Goodwill at end of period, net	**0.0**	**0.0**

Note 4 Notes to the income statement

Overview

Net banking income (NBI) combines:

- interest income and expense;
- fees and commission;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through equity;
- net gains or losses arising from the derecognition of financial assets at amortised cost;
- net income from insurance activities;
- income and expense from other activities.

4.1 Interest and similar income and expenses

Accounting principles

Interest income and expenses are recognised in the income statement for all financial instruments measured at amortised cost using the effective interest method, namely, loans and borrowings on interbank transactions and customer transactions, the portfolio of securities at amortised cost, debts represented by a security and subordinated debt as well as rental liabilities. The interest accrued and due on fixed-income securities recognised in the portfolio of financial assets at fair value in equity and hedging derivatives, it being specified that accrued interest on cash flow hedges is taken to the income statement in the same manner and period as the accrued interest on the hedged item.

Interest income also includes interest on non-basic debt instruments not held in a transaction model as well as interest from related economic hedges (by default classified as instruments at fair value through profit or loss).

The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes account of all transaction fees paid or received and any premiums and discounts. Costs and transaction income that form an integral part of the effective rate of the contract, such as set-up fees or commissions paid to business providers, are similar to additional interest.

As at 31 December 2021, negative interest is presented as follows:

- a negative interest on an asset is shown as an interest expense in the NBI;
- a negative interest on a liability is shown as interest income in the NBI.

in millions of euros	FY 2021			FY 2020		
	Interest income	Interest expense	Net	Interest income	Interest expense	Net
Loans/borrowing to credit institutions[1]	42.8	(17.0)	25.8	23.5	(0.9)	22.6
Loans/borrowing to customers	191.5	(13.9)	177.6	195.7	(14.5)	181.2
Bonds and other debt securities held/issued	22.9	(5.2)	17.7	18.2	(0.3)	17.9
Subordinated debt	///	(2.9)	(2.9)	///	(3.1)	(3.1)
Rental liabilities	///	(0.1)	(0.1)	///	(0.1)	(0.1)
Financial assets and liabilities at amortised cost (excluding finance lease contracts)[2]	**257.2**	**(39.1)**	**218.2**	**237.4**	**(18.9)**	**218.5**
Finance lease operations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	5.4	///	5.4	5.3	///	5.3
Financial assets at fair value through equity	**5.4**	**///**	**5.4**	**5.3**	**///**	**5.3**
TOTAL FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST AND FAIR VALUE THROUGH SHAREHOLDERS' EQUITY	**262.6**	**(39.1)**	**223.6**	**242.7**	**(18.9)**	**223.8**
Non-standard financial assets not held for trading	**0.0**	**///**	**0.0**	**0.0**	**///**	**0.0**
Hedging derivatives	**3.4**	**(8.6)**	**(5.1)**	**29.8**	**(34.0)**	**(4.1)**
Derivatives for economic hedging	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL INTEREST INCOME AND EXPENSE	**266.1**	**(47.7)**	**218.4**	**272.5**	**(52.9)**	**219.6**

(1) The interest income on loans and receivables from credit institutions comprises €1.9 million (€1.9 million in 2020) collected on the Livret A, LDD and LEP passbook savings accounts centralised with Caisse des Dépôts et Consignations.

(2) Including interest income from financial assets at amortised cost with a proven risk indicator (S3): €5.5 million.

The good performance of customer credit production, the decrease in the cost of financial resources as well as savings related to the macro-hedging operations for exchange risk, contributed to the increase in the net interest margins in 2021.

4.2 Commission income and expenses

Accounting principles

Pursuant to IFRS 15 "Revenue from contracts with customers", the recognition of income from current activities now reflects the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. There are five steps in the revenue recognition process:

- identifying contracts with customers;
- identifying distinct performance obligations (or elements) to be recognised separately from each other;
- establishing the price of the transaction as a whole;
- allocating the price of the transaction to the different distinct performance obligations;
- recognising income when the performance obligations are met.

This approach applies to agreements that an entity enters into with its customers, apart from leases (covered by IFRS 16), insurance contracts (covered by IFRS 4), and financial instruments (covered by IFRS 9), in particular. If the provisions specific to revenues or to contract costs are provided for in another standard, they will be applied as a priority.

In light of the Group's activities, this method mainly concerns the following items:

- commission income, in particular that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;
- income from other activities (see Note 4.6 "Income and expense from other activities"), notably in the case of integrated services provided under leases;
- banking services rendered with the participation of Group partners.

Fee and commission income and expenses are therefore recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.

This line includes mainly fees and commission receivable or payable on recurring services (payment processing, custody fees, etc.) and occasional services (fund transfers, payment penalties, etc.), commission receivable or payable on execution of significant transactions, and commission receivable or payable on trust assets managed on behalf of the Group's customers.

However, fees and commission that form an integral part of the effective yield on a contract are recorded under "Net interest income".

Service fee and commission income and expense

Service fees and commissions were analysed to distinguish the various items (or performance obligations) which comprise them and to allocate its share of the income to each item. Then each item is recognised in income by type of service provided and according to the method used to account for the associated financial instruments:

- commission payable on recurring services is deferred over the period in which the service is provided (payment processing, securities custody fees, etc.);
- commission payable on occasional services is recognised in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commission payable on execution of a significant transaction is recognised in full in income upon performance of the transaction.

When there is uncertainty about the assessment of the amount of a commission (asset management performance commission, financial engineering variable commission, etc.), only the amount the right to which the Group is already assured in view of the information available at closing is recognised.

Fees and commission forming an integral part of the effective yield on an instrument, such as fees on financing commitments given or origination fees, are recognised and amortised as an adjustment to the effective interest rate over the estimated term of the loan. These fees are therefore reported as interest income rather than fees and commission income.

Fiduciary, trust and similar fees and commission are earned by the Group when it holds or invests assets on behalf of individual customers, pension schemes or other institutions. The fiduciary and trust activities mainly consist of asset management and custody for third parties.

	FY 2021			FY 2020		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	0.8	(0.1)	0.7	0.4	(0.1)	0.3
Customers transactions	44.9	0.0	44.9	37.5	0.0	37.5
Financial services	6.4	(5.0)	1.5	6.0	(4.4)	1.6
Sales of life insurance products	13.9	///	13.9	13.7	///	13.7
Payment services	11.1	(5.4)	5.7	10.1	(4.5)	5.6
Securities transactions	2.1	(0.6)	1.5	1.6	(0.2)	1.3
Fiduciary and trust activities	26.4	///	26.4	26.2	0.0	26.2
Transactions on financial instruments and off-balance sheet	0.0	0.0	0.0	0.0	0.0	0.0
Other fee and commission income	1.1	0.0	1.1	3.5	0.0	3.5
TOTAL FEES AND COMMISSIONS	**106.8**	**(11.1)**	**95.7**	**98.9**	**(9.2)**	**89.6**

4.3 Net gains and losses on financial instruments at fair value through profit or loss

Accounting principles

The item “Gains and losses on financial instruments at fair value through profit or loss”, records trading financial gains and losses of assets and liabilities, or optionally recognised at fair value through profit or loss including the interest generated by these instruments.

“Gains and losses on hedging transactions” include the remeasurement of derivatives used as fair value hedges, as well as the remeasurement of the hedged item in the same manner, offset by remeasurement at fair value of the macro-hedged portfolio and the ineffective portion of cash flow hedges.

in millions of euros	FY 2021	FY 2020
Gains and losses on financial instruments obligatorily measured at fair value through profit or loss[(1)]	12.7	14.3
Gains and losses on hedging transactions	0.0	0.0
Change in fair value hedges	10.0	(8.1)
Change in the hedged item	(10.0)	8.1
Gains and losses on foreign exchange transactions	7.3	1.1
TOTAL NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS	**19.9**	**15.4**

(1) Including economic currency hedging.

The net gains and losses on financial instruments at fair value through profit or loss increased by €4.5 million.

4.4 Net gains or losses on financial instruments at fair value through shareholders' equity

Accounting principles

Financial instruments at fair value through equity include:

- basic debt instruments managed under a business model for the collection and sale at fair value through equity that is recyclable in profit or loss. If they are sold, these changes in fair value are transferred to income;
- equity instruments at fair value through equity that is non-recyclable in profit or loss. If they are sold, these changes in fair value are not transferred to income but directly to retained earnings in shareholders' equity. Only dividends affect income if they correspond to a return on investment.

Changes in the value of basic debt instruments under a business model for the collection and sale at fair value through recyclable equity include:

- income and expenses recognised as net interest margin;
- net gains or losses on financial debt assets at fair value through equity;
- impairments recognised as cost of risk;
- gains and losses recognised directly in equity.

in millions of euros	FY 2021	FY 2020
Gains or losses on debt instruments	0.0	2.9
Net gains or losses on equity instruments (dividends)	0.4	0.3
TOTAL GAINS AND LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH SHAREHOLDERS' EQUITY	**0.4**	**3.2**

4.5 Net gains or losses arising from derecognition of financial assets at amortised cost

Accounting principles

This item includes net gains or losses on financial instruments at amortised cost arising from derecognition of instruments at amortised cost of financial assets (loans or advances, debt securities) and financial liabilities at amortised cost.

	FY 2021			FY 2020		
in millions of euros	Gains	Losses	Net	Gains	Losses	Net
Debt securities	0.0	0.0	0.0	0.8	0.0	0.8
Gains and losses on financial assets at amortised cost	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**	**0.8**
Gains and losses on financial liabilities at amortised cost	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
NET GAINS OR LOSSES ARISING FROM THE DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST	**0.0**	**0.0**	**0.0**	**0.8**	**0.0**	**0.8**

No gain or loss was recognised during the financial year following the disposal of financial assets at amortised cost at 31 December 2021, compared with a gain of €0.8 million at 31 December 2020.

4.6 Income and expenses from other activities

Accounting principles

Income and expenses from other activities particularly recorded:

- income and expense on investment property (rental income and expense, gains and losses on disposals, depreciation and impairment);
- income and expenses on operational lease transactions;
- income and expenses on property development (revenue, purchases consumed).

in millions of euros	FY 2021			FY 2020		
	Income	Expense	Net	Income	Expense	Net
Income and expense on investment property	**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.1**
Transfers of expenses and income	*0.1*	*(1.4)*	*(1.3)*	*0.0*	*(1.0)*	*(1.0)*
Other miscellaneous operating income and expenses	*2.2*	*(3.9)*	*(1.7)*	*0.5*	*(4.0)*	*(3.5)*
Additions to and reversals of provisions to other operating income and expenses	*///*	*(2.0)*	*(2.0)*	*///*	*(1.1)*	*(1.1)*
Other banking income and expenses	**2.3**	**(7.3)**	**(5.0)**	**0.5**	**(6.2)**	**(5.7)**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**2.3**	**(7.3)**	**(5.0)**	**0.6**	**(6.2)**	**(5.6)**

4.7 General operating expenses

Accounting principles

Operating expenses include mainly payroll costs (wages and salaries net of rebilled amounts), social security charges, and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and other external services costs.

Contributions to mechanisms for banking resolution

The procedures for feeding the deposit guarantee and resolution fund were amended by an Order dated 27 October 2015.

For the deposit guarantee fund, the cumulative amount of the contributions paid and available to the fund for deposit, guarantee and security mechanisms represents €15.3 million. The premiums (non-repayable contributions in the event of voluntary withdrawal of approval) represent €3.2 million. The contributions paid in the form of associate or association certificates and cash guarantee deposits that are registered on the asset side of the balance sheet total €12.1 million.

EU Directive No. 2014/59/EU referred to the Bank Recovery and Resolution Directive (BRRD) that establishes a framework for the correction and resolution of credit institutions and investment corporations and EU Regulation No. 806/2014 (SRM Regulation) established the implementation of a resolution fund starting in 2015. In 2016, this fund became a Single Resolution Fund (SRF) between the member states participating in the Single Supervisory Mechanism (SSM). The SRF is a system for funding the resolution available to the Single Resolution Board (SRB). This system could call upon this fund as part of the implementation of resolution procedures.

In compliance with EU Delegated Regulation No. 2015/63 and Implementing Regulation No. 2015/81 supplementing the BRRD directive on ex ante contributions to the systems for financing the resolution, the Single Resolution Board determined the contributions to the single resolution fund for 2021. The amount of the contributions paid by the Group for the financial year was €7.1 million of which €6 million was recognised as an expense and €1.1 million in the form of cash deposit guarantees that are recognised on the balance sheet as assets (15% of calls for funds constituted in the form of cash deposit guarantees). The total contributions that are entered in the balance sheet assets amounted to €5 million at 31 December 2021.

in millions of euros	FY 2021	FY 2020
Personnel expenses[(2)]	**(137.2)**	**(136.0)**
Taxes, levies and regulatory contributions[(1)]	(11.0)	(10.6)
External services and other general operating expenses[(3)]	(32.6)	(63.6)
Other administrative expenses	**(68.4)**	**(95.4)**
TOTAL GENERAL OPERATING EXPENSES	**(205.6)**	**(231.4)**

(1) Taxes and regulatory contributions include the contribution to the Single Resolution Fund (SRF) in an annual amount of €6 million (versus €4.8 million in 2020).

(2) The application of the IFRS IC decision relating to IAS 19 "Employee benefits", which was implemented in 2021, did not result in any recognition.

(3) The change in "External services and other general operating expenses" includes a decrease of €0.6 million in 2021 due to the reclassification of recovery costs on doubtful loans (S3) within the line item "General operating expenses" to "Cost of credit risk" when these are marginal costs directly attributable to the recovery of contractual cash flows.

The impact on the income statement of leases – lessee are analysed under Section 11.2.2.

The breakdown of personnel expenses is provided in Note 8.1 "Personnel expenses".

4.8 Gains or losses on other assets

Accounting principles

Gains and losses on other assets record the profit or loss on disposal of operating property, plant and equipment and intangible assets and the profits or losses from the disposal of investments in consolidated subsidiaries.

in millions of euros	FY 2021	FY 2020
Gains or losses on disposals of property, plant and equipment and operating intangible assets	(3.7)	(1.0)
Gains or losses on disposals of consolidated holdings	0.0	0.0
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**(3.7)**	**(1.0)**

The derecognition of business goodwill impacted by the bank's network restructuring plan amounted to €0.6 million, plus scrapping of €3 million.

Note 5 Notes to the balance sheet

5.1 Cash and net balance of accounts with central banks

Accounting principles

This item mainly comprises cash and assets placed with central banks at amortised cost.

in millions of euros	FY 2021	FY 2020
Cash	7.6	9.8
Cash placed with central banks	554.9	901.3
TOTAL CASH AND ASSETS PLACED WITH CENTRAL BANKS	**562.5**	**911.1**

5.2 Financial assets and liabilities at fair value through profit or loss

Accounting principles

Financial assets and liabilities at fair value through profit or loss consist of traded-for-trading transactions, including derivative financial instruments, certain assets and liabilities that the Group has elected to recognise at fair value, from their date of acquisition or issue, under the option offered by IFRS 9, and non-basic assets.

Date of recognition of securities

Investments are recorded on the balance sheet on the settlement/delivery date.

Securities lending transactions are also recognised on the settlement date.

When the securities' reverse repurchase agreements are recognised in "Assets and liabilities at fair value through profit or loss", the commitment to repurchase is recognised as a fixed-rate derivative instrument.

The First-In, First-Out (FIFO) method is applied to any partial disposals of investments, except in special cases.

5.2.1 Financial assets at fair value through profit or loss

Accounting principles

Financial assets at fair value through profit or loss are:

- financial assets held for trading, *i.e.* securities acquired or issued principally for the purpose of selling them in the short term;
- financial assets that the Group has designated on initial recognition as those to be recognised at fair value through profit or loss using the fair value option in IFRS 9. The conditions for the use of this option are described above;
- non-basic debt instruments;
- equity instruments measured at fair value through profit or loss (which are not held for trading).

These assets are measured at fair value at the date of initial recognition and at each reporting date. Changes in fair value over the period, interest, dividends, gains or losses on disposals on these instruments are recognised in "Net gains or losses on financial instruments at fair value through profit or loss" with the exception of non-basic debt financial assets whose interest is recognised under "Interest income".

The financial assets of the trading portfolio mainly consist of securities transactions conducted on its own behalf, repurchase agreements and derivative financial instruments traded as part of the Group's position management activities.

in millions of euros	31/12/2021				31/12/2020			
	Other financial assets that must be measured at fair value through profit or loss				Other financial assets that must be measured at fair value through profit or loss			
	Financial assets related to a trading activity	Other financial assets	Financial assets designated at fair value optionally	TOTAL	Financial assets related to a trading activity	Other financial assets	Financial assets designated at fair value through profit or loss (option)	Total
Bonds and other debt securities	0.0	12.5	0.0	12.5	0.0	18.2	0.0	18.2
Debt securities	**0.0**	**12.5**	**0.0**	**12.5**	**0.0**	**18.2**	**0.0**	**18.2**
Equity instruments	**0.0**	**0.0**	///	**0.0**	**0.0**	**0.0**	///	**0.0**
Trading derivatives	**101.4**	///	///	**101.4**	**130.7**	///	///	**130.7**
Security deposits paid	**0.0**	///	///	**0.0**	**148.6**	///	///	**148.6**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**101.4**	**12.5**		**113.9**	**279.3**	**18.2**		**297.5**

The financial assets of the trading portfolio mainly consist of securities transactions conducted on its own behalf, repurchase agreements and derivative financial instruments traded as part of the Group's position management activities.

The "Trading derivatives" item includes derivatives whose fair value is positive. These are mainly economic hedging derivatives that do not meet the restrictive hedging criteria required by IFRS 9.

The amount of this item is also reduced by the amount of the value adjustments of the Credit Valuation Adjustment (CVA) derivative portfolio (transaction and hedging), *i.e.* €2.9 million at 31 December 2021.

Assets at fair value through profit or loss (option)

IFRS 9 makes it possible, on initial recognition, to designate financial assets as being recognised at fair value through profit or loss, with said choice being irrevocable.

Compliance with the conditions set by the standard must be checked prior to any registration of an instrument under the fair value option.

The use of this option is reserved only for cases of an elimination or significant reduction of an accounting treatment gap. The use of the option makes it possible to eliminate the distortions arising from the different valuation rules applied to instruments managed as part of a same strategy.

5.2.2 Financial liabilities at fair value through profit or loss

Accounting principles

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or voluntarily classified in this category as of their initial recognition pursuant to the option provided by IFRS 9. The trading portfolio consists of short-selling debt, repurchase agreements and derivative financial instruments. The conditions for the use of this option are described above.

These liabilities are measured at fair value upon initial recognition and at each reporting date.

Changes in the fair value of the period, interest, and gains or losses related to these instruments are recorded under "Net gains or losses on financial instruments at fair value through profit or loss", except for changes in fair value attributable to changes in its own credit risk for financial liabilities at fair value through profit or loss (option) which are recorded, as of 1 January 2016, in "Remeasurement of own credit risk on financial liabilities designated at fair value through profit or loss" under "Gains and losses recognised directly in equity". If the liability is derecognised prior to maturity (for example, early redemption), the realised fair value gain or loss, attributable to own credit risk, is transferred directly to retained earnings in shareholders' equity.

Financial liabilities at fair value through profit or loss (option)

IFRS 9 makes it possible, on initial recognition, to designate financial liabilities as being recognised at fair value through profit or loss, with said choice being irrevocable.

Compliance with the conditions set by the standard must be checked prior to any registration of an instrument under the fair value option.

The use of this option is reserved for the following situations:

Elimination or significant reduction of an accounting treatment gap

The use of the option makes it possible to eliminate the distortions arising from the different valuation rules applied to instruments managed as part of a same strategy.

Alignment of accounting treatment with management and performance measurement

The option applies in the case of liabilities managed and measured at fair value, provided that such management is based on a documented risk management policy or investment strategy and that internal monitoring is based on a measurement at fair value.

Compound financial instruments with one or more embedded derivatives

An embedded derivative is the component of a hybrid contract, whether financial or not, that meets the definition of a derivative. It must be extracted from the host contract and recognised separately if the hybrid instrument is not measured at fair value through profit or loss and the economic characteristics and associated risks of the embedded derivative are not closely related to the host contract.

The use of the fair value option for a financial liability is possible in the event that the embedded derivative materially modifies the flows of the host contract and that the separate recognition of the embedded derivative is not specifically prohibited by IFRS 9 (case of an early redemption option embedded in a debt instrument). The option allows the instrument to be measured at fair value in its entirety, making it possible to not extract, recognise or measure the embedded derivative separately.

This treatment applies in particular to certain structured issues with significant embedded derivatives.

	31/12/2021			31/12/2020		
in millions of euros	Financial liabilities issued for trading	Financial liabilities designated at fair value (option)	TOTAL	Financial liabilities issued for trading	Financial liabilities designated at fair value (option)	TOTAL
Short sales	0.0	///	0.0	0.0	///	0.0
Trading derivatives	85.1	///	85.1	116.3	///	116.3
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**85.1**	**0.0**	**85.1**	**116.3**	**0.0**	**116.3**

The "Trading derivatives" item includes derivatives whose fair value is negative. These are mainly economic hedging derivatives that do not meet the restrictive hedging criteria required by IFRS 9.

The amount of this item is also reduced by the value adjustments of the entire derivatives portfolio (trading and hedging) in respect of the Debit Valuation Adjustment (DVA). This amount was not significant at 31 December 2021.

5.2.3 Trading derivatives

Accounting principles

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

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognised on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each reporting date irrespective of whether they were acquired for trading or hedging purposes.

The trading derivatives are entered in the balance sheet in "Financial assets at fair value through profit or loss" and in "Financial liabilities at fair value through profit or loss". The gains and losses realised and unrealised are recognised in the income statement in the line item "Net gains or losses on financial instruments at fair value through profit or loss".

The notional amounts of derivatives are merely an indication of the volume of activity and do not reflect the market risks associated with such instruments. Positive or negative fair values represent the replacement value of the instruments. These values may vary significantly depending on changes in market parameters.

	31/12/2021			31/12/2020		
in millions of euros	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value
Interest rate instruments	5,361.8	59.2	49.8	6,270.4	80.0	74.2
Currency instruments	3,094.0	24.2	21.0	3,098.5	27.2	24.0
Futures and forwards	**8,455.8**	**83.4**	**70.8**	**9,368.9**	**107.3**	**98.2**
Interest rate instruments	8,395.3	22.1	16.8	9,620.0	24.8	21.2
Currency instruments	5,107.4	(4.0)	(2.5)	1,543.1	(1.3)	(3.1)
Options	**13,502.7**	**18.0**	**14.3**	**11,163.1**	**23.5**	**18.1**
TOTAL TRADING DERIVATIVES	**21,958.5**	**101.4**	**85.1**	**20,532.0**	**130.7**	**116.3**

Changes noted in fair value items on the asset side are recorded as liabilities since the instruments sold to customers are mostly traded back to back. The increase in activity applies to both assets and liabilities.

5.3 Hedging derivatives

Accounting principles

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

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognised on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each reporting date irrespective of whether they were acquired for trading or hedging purposes.

Changes in the fair value of derivatives are recognised in income for the period, except for derivatives qualifying as cash flow hedges for accounting purposes or as hedges of a net investment in a foreign operation.

Derivatives may be designated as hedges only if they meet the criteria laid down in IAS 39 at inception and throughout the term of the hedge. These criteria include formal documentation that the hedging relationship between the derivatives and the hedged items is effective both prospectively and retrospectively.

Fair value hedges mainly consist of interest-rate swaps that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates. These hedges transform assets or liabilities at fixed rates into floating rate assets or liabilities. Fair value hedges include hedges of loans, securities, deposits and fixed-rate subordinated debt.

Fair value hedging is also used to manage the global interest rate risk position.

The cash flow hedges fix or control the variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the global interest rate risk position.

The notional amounts of derivatives are merely an indication of the volume of activity and do not reflect the market risks associated with such instruments.

The hedging relationship qualifies for hedge accounting if, at the inception of the hedge, there is formal documentation of the hedging relationship identifying the hedging strategy, and the type of risk hedged, the designation and characteristics of the hedged item and the hedging instrument. In addition, the effectiveness of the hedge must be demonstrated at inception and verified retrospectively.

Derivatives used in hedging relationship are designated according to the intended purpose of the hedge.

Groupe BPCE has chosen the option provided by IFRS 9 not to apply the provisions of the standard relating to hedge accounting and to continue to apply IAS 39 for the recognition of these transactions, as adopted by the European Union, *i.e.* excluding certain provisions on macro-hedging.

Fair value hedge

Fair value hedges are intended to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or a firm commitment, in particular the interest rate risk on fixed-rate assets and liabilities.

The remeasurement gain or loss on hedging instruments is recognised in income in the same manner and period as the gain or loss on the hedged item attributable to the risk being hedged. The ineffective portion of the hedge, if any, is recognised in income under “Net gains or losses on financial instruments at fair value through profit or loss”.

Accrued interest on the hedging instrument is taken to income in the same manner and period as the accrued interest on the hedged item.

Where identified assets or liabilities are hedged, the remeasurement of the hedged component is recognised on the same line of the balance sheet as the hedged item.

The ineffective portion relating to the dual-curve valuation of collateralised derivatives is taken into account when calculating the effectiveness of a hedge.

If a hedging relationship ceases (investment decision, failure to fulfil effectiveness criteria, or because the hedged item is sold before maturity), the hedging derivative is transferred to the trading book. The remeasurement gain or loss recorded on the balance sheet in respect of the hedged item is amortised over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the remeasurement gain or loss is recognised in income for the period.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable future transaction (hedge of interest rate risk on floating-rate assets and liabilities, hedge of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The effective portion of the changes in fair value is recognised on a separate line of “Gains and losses recognised directly in equity”, and the ineffective portion is recognised in the income statement under “Net gains or losses on financial instruments at fair value through profit or loss”.

Accrued interest on the hedging derivative is recognised in interest income in the same manner and period as the accrued interest on the hedged item.

The hedged items are accounted for using the rules applicable to their specific asset category.

If a hedging relationship ceases (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognised in equity are transferred to income as and when the hedged item impacts profit or loss, or immediately if the hedged item ceases to exist.

Specific cases of portfolio hedging (macro-hedging)

Documentation of cash flow hedges

Some of the Group's institutions document their macro-hedging of interest rate risk in cash flow hedges (hedging of loan or borrowing portfolios).

In this case, portfolios of assets and liabilities that may be hedged are assessed in each maturity band by considering:

- floating-rate assets and liabilities; the entity incurs a risk of variability in future cash flows from floating-rate assets or liabilities insofar as future interest rate levels from forthcoming fixings are not known in advance;
- future transactions whose nature can be considered highly probable (forecasts): in the case of a constant outstandings assumption, the entity bears a risk of variability of future cash flows on a future fixed-rate loan to the extent that the rate at which the future loan will be granted is unknown; in the same way, the entity may consider that it bears a risk of variability of future cash flows on refinancing that it will have to carry out on the market.

Under IAS 39, hedges of an overall net position per maturity band do not qualify for hedge accounting. The hedged item is therefore considered to be equivalent to a proportionate share of one or more portfolios of floating rate instruments identified (portion of outstanding variable-rate deposits or loans); the effectiveness of the hedges is measured by constituting, for each maturity band, a hypothetical instrument whose changes in fair value since inception are compared with those of the derivatives documented as hedges.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires preparation of a maturity schedule.

Hedge effectiveness must be demonstrated prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various reporting dates.

At each reporting date, changes in the fair value of hedging instruments, excluding accrued interest, are compared against those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealised gain or loss recognised in equity is transferred immediately to income.

When the hedging relationship ceases, if the hedged item is still shown on the balance sheet, or if it remains highly probable, cumulative unrealised gains and losses are recognised in equity on a straight-line basis. If the derivative has not been cancelled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognised in income.

Documentation as fair value hedges

Some of the Group's entities document their macro-hedge of interest rate risk as fair value hedges, applying the provisions of IAS 39 as adopted by the European Union (known as a carve-out).

The version of IAS 39 adopted for use by the European Union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce global interest rate risk. In particular, the carve-out allows the Group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The macro-hedging instruments used by the Group are mainly plain vanilla interest rate swaps designated at inception as fair value hedges of fixed-rate deposits or loans.

Macro-hedging derivatives are accounted for in the same manner as derivatives used to hedge the fair value of specific transactions (micro-hedging).

In the case of a macro-coverage relation, the remeasurement of the component covered is broadly included in the item "Remeasurement gains and losses on interest rate risk-hedged portfolios": on the assets side of the balance sheet when a portfolio of financial assets is hedged and on the liabilities side of the balance sheet when a portfolio of financial liabilities is hedged.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffective portion relating to the dual-curve valuation of collateralised derivatives is taken into account.

Effectiveness is tested in two ways:

- asset-based testing: for plain vanilla swaps designated as hedging instruments at inception, the Group verifies prospectively at the date the instrument is designated as a hedge and retrospectively at each reporting date that no excess hedging exists;
- quantitative testing: for other swaps, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the underlying hedged item. These tests are conducted prospectively at the date the instrument is designated as a hedge and retrospectively at each reporting date.

If a hedging relationship ceases, the remeasurement gain or loss is amortised on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognised. It is taken directly to income if the hedged item is no longer recorded on the balance sheet. Derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, for example in the case of the prepayment of loans or the withdrawal of deposits.

Hedging a net investment denominated in foreign currency

The net investment in a business abroad is the amount of the consolidating entity's interest in the net assets of that business.

The purpose of hedging a net investment denominated in foreign currency is to protect the consolidating entity against changes in the exchange rate of an investment in an entity whose functional currency is different from the presentation currency of the consolidated financial statements. This type of hedge is recognised in the same way as cash flow hedges.

Unrealised gains or losses recognised in equity are transferred to profit or loss on disposal (or partial disposal with loss of control) of all or part of the net investment.

Fair value hedges mainly consist of interest-rate swaps that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates. These hedges transform assets or liabilities at fixed rates into floating rate assets or liabilities.

Fair value macro-hedging is used for the overall management of interest rate risk, notably to cover:

- the fixed-rate loan portfolios;
- the demand deposits;
- the PEL-related deposits;
- the inflation component of Livret A savings accounts.

Fair value micro-hedging is used notably to cover:

- a fixed-rate liability;
- securities of the fixed-rate liquidity reserve and securities indexed to inflation.

The cash flow hedges fix or control the variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the global interest rate risk position.

Cash flow hedges are used notably for:

- the hedge variable-rate liabilities;
- the hedge the risk of changes in the value of future variable debt flows;
- the macro-hedge variable-rate assets.

The main sources of hedge ineffectiveness stem from:

- the "bi-curve" inefficacy: the valuation of collateralised derivatives (subject to margin calls paid at EONIA) is based on the EONIA discount curve, whereas the valuation of the hedged component of the items hedged at fair value is calculated on the basis of a EURIBOR discount curve;
- the time value of the optional hedges;
- the over-hedging as part of macro-hedging base tests (notional hedging derivative amounts greater than the nominal amount of the hedged items, notably in the event that the hedged items have been repaid earlier than expected);
- the valuation adjustments linked to credit risk and own credit risk on derivatives (Credit Value Adjustment and Debit Value Adjustment);
- fixing differences between the hedged item and its hedge.

The notional amounts of derivatives are merely an indication of the volume of activity and do not reflect the market risks associated with such instruments.

	31/12/2021			31/12/2020		
in millions of euros	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value
Interest rate instruments	473.3	0.5	30.4	558.5	0.9	45.5
Futures and forwards	**473.3**	**0.5**	**30.4**	**558.5**	**0.9**	**45.5**
Fair value hedge	**473.3**	**0.5**	**30.4**	**558.5**	**0.9**	**45.5**
TOTAL HEDGING DERIVATIVES	**473.3**	**0.5**	**30.4**	**558.5**	**0.9**	**45.5**

All hedging derivatives are presented under "Hedging derivatives" on the assets and liabilities sides of the balance sheet.

Timetable of the notional amount of the hedging derivatives at 31 December 2021

	Under 1 year	1 year to 5 years	6 to 10 years	Over 5 years
Interest rate hedges	**90.3**	**373.0**	**10.0**	**0.0**
Fair value hedging instruments	90.3	373.0	10.0	0.0
TOTAL	**90.3**	**373.0**	**10.0**	**0.0**

Hedged items

Fair value hedge

in millions of euros	Fair value hedge								
	31/12/2021								
	Interest rate risk hedge			Exchange rate risk hedge			Hedging of other risks (gold, commodities, etc.)		
	Carrying amount	of which revaluation of the hedged component*	Hedged component remaining to be spread**	Carrying amount	of which revaluation of the hedged component*	Hedged component remaining to be spread**	Carrying amount	of which revaluation of the hedged component*	Hedged component remaining to be spread**
Assets									
Financial assets at fair value through equity	**224.9**	**5.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	224.9	5.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	811.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans or advances due from customers	797.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt securities	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL ASSETS	**1,036.1**	**5.1**							
Liabilities									
Financial liabilities at amortised cost	**212.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Amounts due to customers	212.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL LIABILITIES	**212.5**	**0.0**							

* *Fair value excluding accrued interest.*

** *De-designation, end of the hedging relationship (full term of the derivative).*

The ineffective portion of hedging for the period is presented in Note 4.3 “Gains or losses on financial assets and liabilities at fair value through profit or loss” or in Note 4.4 “Net profit or loss on financial instruments at fair value through equity”.

Cash flow hedging and hedging of net investments in foreign currencies

Cash flow hedging and hedging of net investments in foreign currencies are not applicable to Banque Palatine.

5.4 Financial assets at fair value through shareholders’ equity

Accounting principles

Financial assets at fair value through equity are initially recognised at their fair value plus transaction costs.

Debt instruments measured at fair value through recyclable equity

At the reporting date, they are measured at fair value and changes in fair value (excluding accrued interest) are recorded in gains and losses recognised directly in recyclable equity (foreign currency assets being monetary, changes in fair value for the foreign exchange component affect income). The principles for determining fair value are described in Note 9 “Fair value of financial assets and liabilities”.

These instruments are subject to the IFRS 9 requirements regarding impairment. Credit risk disclosures are presented in Note 7.1 “Credit risk”. If they are sold, these changes in fair value are transferred to income.

Income accrued or acquired on debt instruments is recorded under “Interest income and similar income” according to the effective interest rate (EIR) method. This method is described in Note 5.5 “Assets at amortised cost”.

Debt instruments measured at fair value through non-recyclable equity

At the reporting date, they are measured at fair value and changes in fair value are recorded in gains and losses recognised directly in non-recyclable equity (foreign currency assets being non-monetary, changes in fair value for the foreign exchange component do not affect income). The principles for determining fair value are described in Note 9 “Fair value of financial assets and liabilities”.

The designation at fair value through non-recyclable equity is an irrevocable option that applies instrument-by-instrument only to equity instruments not held for trading. Unrealised and realised impairment losses are still recognised in equity without ever affecting income. These financial assets are not subject to impairment.

If they are sold, these changes in fair value are not transferred to income but directly to retained earnings in shareholders' equity.

Only dividends affect income if they correspond to a return on investment. They are recorded under "Net gains or losses on financial instruments at fair value through equity" (Note 4.4).

in millions of euros	31/12/2021	31/12/2020
Debt securities	901.6	1,033.8
Shares and other equity securities	7.9	8.1
FINANCIAL ASSETS AT FAIR VALUE THROUGH EQUITY	**909.5**	**1,041.9**
O/w impairment for expected credit losses	*0.0*	*0.0*
Of which gains and losses recognised directly in shareholders' equity (before tax)(1)	*20.2*	*31.2*
• Debt instruments	20.2	31.2
• Equity instruments	0.0	0.0

(1) Including the share of non-controlling interests.

At 31 December 2021, the gains and losses recognised directly in shareholders' equity included, in particular, treasury bills, bonds and other investments in unconsolidated subsidiaries.

Equity instruments designated at fair value through equity

Accounting principles

Equity instruments designated as at fair value through equity may be:

- investments in unconsolidated subsidiaries;
- shares or other equity securities.

During initial recognition, equity instruments designated as at fair value through equity are measured at fair value plus transactions costs.

On subsequent reporting dates, changes in the fair value of the instrument are recognised in equity (OCI).

The changes in fair value thus accrued in equity will not be reclassified in income during subsequent years (non-recyclable OCI).

Only dividends are recognised in income, when the criteria are met.

	31/12/2021				31/12/2020			
	Fair value	Dividends recognised over the period	Derecognition over the period		Fair value	Dividends recognised over the period	Derecognition over the period	
in millions of euros		Equity instruments held at the end of the period	Fair value at the disposal date	Accumulated profit or loss at the disposal date		Equity instruments held at the end of the period	Fair value at the disposal date	Accumulated profit or loss at the disposal date
Investments in unconsolidated subsidiaries	1.9	0.4	0.0	0.0	3.3	0.0	0.0	0.0
Shares and other equity securities	6.0	0.0	0.0	0.0	4.9	0.3	0.0	0.0
TOTAL	**7.9**	**0.4**	**0.0**	**0.0**	**8.1**	**0.3**	**0.0**	**0.0**

Investments in unconsolidated subsidiaries include strategic holdings, "tool" entities (*e.g.* IT) and certain long-term capital investment securities. Since these investments in unconsolidated subsidiaries are not held for sale, the categorisation as equity instruments designated as at fair value through equity is appropriate for this type of investment.

5.5 Assets at amortised cost

Accounting principles

Assets at amortised cost are basic financial assets held in a collection model. The vast majority of loans granted by the Group are classified in this category. Credit risk disclosures are presented in Note 7.1 "Credit risk".

Financial assets at amortised cost include loans and advances to credit institutions and customers as well as securities at amortised cost such as treasury bills and bonds.

Loans and receivables are initially recognised at fair value plus costs and less any income directly attributable to the implementation of the loan or issue.

When loans are granted at below-market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows, discounted at the market rate, is recognised as a reduction in the nominal value of the loan. The market rate is the rate used by the vast majority of institutions in the market at a given moment, for instruments and counterparties with similar characteristics.

For subsequent reporting periods, these financial assets are measured at amortised cost using the effective interest rate (EIR) method.

The EIR is the rate used to discount future cash flows in respect of the carrying amount of the loan at inception. This rate includes discounts, recorded when loans are issued at below-market conditions, as well as external transaction income and costs directly related to the implementation of loans and analysed as an adjustment to the actual yield on the loan. No internal costs are included in the calculation of amortised cost.

Loans guaranteed by the French State

The State-guaranteed loan (*Prêt garanti par l'Etat* – PGE) is a support mechanism set up in application of Article 6 of Act No. 2020-289 of 23 March 2020 (the amended French Finance Act for 2020), and of the Decision of the Minister of the Economy and Finance of 23 March 2020, granting a State guarantee to credit institutions and finance companies as of 16 March 2020 in order to meet the cash flow needs of companies impacted by the Covid-19 health crisis. The scheme was extended until 30 June 2022 by Act No. 2021-1900 of 30 December 2021, the Finance Act for 2022. The SGL must meet the eligibility criteria common to all institutions distributing this loan as defined by the act.

State-guaranteed loans are liquidity loans with a one-year grace period. The beneficiary companies may decide, at the end of the first year, to amortise the SGL over a period of one to five additional years or to start the amortisation of the capital only from the second year of the period by paying only the interest and the cost of the State guarantee.

For eligible companies, the amount of the State-guaranteed loan is capped, in the general case (excluding innovative and recently created companies, and excluding the Season loans for our Tourism/Hotels/Catering customers for example), at 25% of the company's revenue. State-guaranteed loans are 70% to 90% guaranteed by the French State, depending on the borrowing company's size, with the lending banks carrying the remaining risk. The State guarantee covers a percentage of the outstanding amount of the debt (capital, interest and accessories) until its expiry. The State guarantee may be called before the expiry of the term in the event of a credit event.

The early repayment penalty is fixed in the contract and in a reasonable way (2% of the remaining capital due during the initial period of the loan, 3% to 6% of the remaining capital due during the amortisation period of the loan). The terms of extension are not set in advance but are established two to three months before the expiration of the extension option, depending on market conditions.

The State-guaranteed loans do not need to be covered by other collateral or guarantees than the guarantee offered by the French State except when they are granted within the framework of an order issued by the Minister of the Economy and Finance. It is accepted that the professional or manager may request or be offered death insurance, but not have it imposed on him or her.

Given these characteristics, the loans guaranteed by the French State meet the basic lending criteria (see Note 2.5.1). They are recognised in the "Amortised cost" category since they are held in a collection management model whose objective is to hold the loans in order to collect the cash flows (see Note 2.5.1). At subsequent reporting periods, they will be measured at amortised cost using the effective interest rate method.

With regard to the State guarantee, it is considered an integral part of the terms of the contract and is taken into account in the calculation of expected credit loss impairments. The guarantee fee paid at the granting of the loan by Groupe BPCE to the French State is recognised in profit or loss over the initial term of the State-guaranteed loan according to the Effective Interest Rate (EIR) method. The impact is presented within the net interest margin.

A State-guaranteed loan granted to a counterparty considered doubtful at the inception (Stage 3) is classified as a Purchased or Originated Credit Impaired (POCI).

However, the granting of a SGL to a given counterparty does not in itself constitute a criterion for downgrading the risk, which would lead to a transition to Stage 2 or 3 of the other outstandings of this counterparty.

Renegotiation and restructuring

When contracts are amended, IFRS 9 requires the identification of financial assets that have been renegotiated, restructured or reorganised, whether or not in view of financial difficulties, and which do not give rise to derecognition. Any gains or losses resulting from an amended contract is recognised in the income statement. The gross carrying amount of the financial asset is then recalculated to equal the present value – at the initial effective interest rate – of the renegotiated or amended contractual cash flows. An analysis of the substantial nature of the amendments is however to be carried out on a case-by-case basis.

"Restructured" outstandings correspond to financing arrangements that constitute a concession when these arrangements are made with debtors facing or about to face financial difficulties. The "restructured" outstandings therefore result from the combination of a concession and financial difficulties.

The adjustments targeted by the "restructurings" must bring a more advantageous situation to the debtor (*e.g.* suspension of interest or principal repayment, extension of maturity, etc.) and are materialised by the introduction of amendments modifying the terms of an existing contract or by the total or partial refinancing of an existing loan.

The financial difficulty is determined by observing a certain number of criteria such as the existence of non-payment of more than 30 days or the presence of a sensitive note. The implementation of a "restructuring" does not necessarily imply the classification of the counterparty concerned by the restructuring in the Basel defaults category. The classification in default of the counterparty depends on the result of the viability test carried out during the restructuring of the counterparty.

Under IFRS 9, the treatment of restructurings due to financial difficulties remains similar to that which prevailed under IAS 39: in the event of restructuring following a proven credit loss event, the loan is considered as an impaired loan (in Stage 3) and is subject to a discount equal to the difference between the discounting of the initially expected contractual flows and the discounting of the expected future flows of capital and interest following the restructuring. The discount rate used is the initial effective interest rate. This discount is expensed to the "Cost of credit risk" item and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. If there is no significant discount, the EIR of the restructured loan is adjusted and no discount is recorded.

The restructured loan is reclassified as performing (not impaired, Stage 1 or Stage 2) when there is no more uncertainty about the borrower's capacity to honour its commitments.

When substantial restructuring takes place (*e.g.* the conversion of all or part of a loan into an equity instrument), the new instruments are recognised at fair value. The difference between the derecognised loan's carrying amount (or part of the loan) and the fair value of the assets received in exchange is recognised in the income statement under "Cost of credit risk". Any previously recorded loan impairment charges are adjusted. It is reversed in full if the loan is fully converted into new assets.

The moratoria generally granted to companies and aimed at responding to temporary cash flow difficulties related to the Covid-19 crisis modify the repayment schedules of these receivables without substantially modifying their characteristics. These receivables are therefore modified without being derecognised. In addition, the granting of this adjustment is not in itself an indicator that these companies are in any financial difficulty.

Fees and commissions

Costs directly relating to the implementation of loans include external costs, primarily consisting in commissions paid to third parties, such as those paid to business introducers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more likely than unlikely that the loan will be drawn down). The loan commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a *prorata temporis* basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is calculated at each fixing date.

Date of recognition

Investments are recorded on the balance sheet on the settlement/delivery date.

Securities lending transactions are also recognised on the settlement date.

The First-In, First-Out (FIFO) method is applied to any partial disposals of investments, except in special cases.

For reverse repurchase transactions, a financing commitment given is recognised between the transaction date and the settlement-delivery date.

5.5.1 Securities at amortised cost

in millions of euros	31/12/2021	31/12/2020
Treasury bills and similar securities	47.8	0.0
Bonds and other debt securities	195.6	326.0
Impairment for expected credit losses	(16.7)	(22.0)
TOTAL SECURITIES AT AMORTISED COST	**226.7**	**303.9**

The fair value of securities is presented under Note 9 "Fair value of financial assets and liabilities". The breakdown of outstanding amounts and impairment for credit losses by stage is presented under Note 7.1 "Credit risk".

5.5.2 Credit institutions' loans and receivables and similar items at amortised cost

in millions of euros	31/12/2021	31/12/2020
Current accounts with overdrafts	305.9	279.1
Accounts and loans(1)	4,265.8	3,216.3
Security deposits paid	40.1	7.0
Impairment for expected credit losses	0.0	(0.3)
TOTAL	**4,611.8**	**3,502.1**

(1) The Livret A, LDD and LEP savings accounts centralised with Caisse des Dépôts et Consignations and recorded under "Accounts and loans" amounted to €281.7 million at 31 December 2021, versus €242.6 million at 31 December 2020.

The fair value of loans and advances due from credit institutions is presented in Note 9 "Fair value of financial assets and liabilities".

The breakdown of outstanding amounts and impairment for credit losses by stage is presented in Note 7.1.

5.5.3 Customers' loans and receivables at amortised cost

in millions of euros	31/12/2021	31/12/2020
Current accounts with overdrafts	**420.2**	**818.1**
Other facilities granted to customers	**10,468.9**	**10,682.7**
• Short-term loans	3,943.7	4,253.2
• Equipment loans	3,271.9	3,201.9
• Home loans	2,892.4	2,660.6
• Export loans	67.0	48.3
• Subordinated loans	2.3	1.8
• Other loans	291.5	516.8
Other loans and advances due from customers	**11.3**	**5.7**
Security deposits paid	**30.5**	**2.6**
GROSS LOANS AND RECEIVABLES DUE FROM CUSTOMERS	**10,930.9**	**11,509.0**
Impairment for expected credit losses	(331.4)	(340.5)
TOTAL	**10,599.5**	**11,168.5**

Green financing outstandings are detailed in Chapter 2 "Statement on non-financial performance", Section 2.1 entitled "Supporting our customers by taking into account economic, social and environmental issues".

The fair value of loans and advances due from customers is presented in Note 9 "Fair value of financial assets and liabilities".

The breakdown of outstanding amounts and impairment for credit losses by stage is presented in Note 7.1.

5.6 Reclassification of financial assets

Accounting principles

Reclassifications of financial assets under IFRS 9 are more limited than under IAS 39. It is no longer possible to reclassify a security at amortised cost in the case of simple market illiquidity. A reclassification is only possible where the management model has changed due to a strategic decision of the management. As a result, this scenario is very infrequent (for example: sale of a business segment resulting in winding up the assets concerned, restructuring of activity, etc.).

In this case, the reclassification is forward-looking and does not involve any redefinition affecting prior periods.

Banque Palatine did not reclassify any financial assets in 2021.

5.7 Accruals and sundry assets

in millions of euros	31/12/2021	31/12/2020
Collection accounts	0.4	0.8
Prepaid expenses	3.7	2.3
Accrued income	17.3	21.5
Other accrual accounts	78.5	148.7
ACCRUAL ACCOUNTS – ASSETS	**99.9**	**173.4**
Guarantee deposits in respect of GF	4.7	3.9
Guarantee deposits in respect of SRF	5.0	3.9
Miscellaneous debtors	24.3	26.4
SUNDRY ASSETS	**34.0**	**34.2**
TOTAL ACCRUED INCOME AND SUNDRY ASSETS	**133.9**	**207.6**

The "Collection accounts" line mainly includes checks sent for collection (*via* the Clearing House), as well as the expected Dailly receivables awaiting settlement.

"Other accrual accounts" mainly include pending transactions in the management modules.

5.8 Non-current assets held for sale and related liabilities

Accounting principles

In the case of a decision to sell non-current assets with a strong probability that the sale will occur within 12 months, the assets in question are isolated in the balance sheet in the line item "Non-current assets held for sale". Any liabilities that are linked to them are also presented separately in a dedicated item "Liabilities linked to non-current assets held for sale".

When they are classified in this category, the non-current assets are no longer amortised and are measured at the lower of their carrying amount or of their fair value less sales costs. Financial instruments are measured according to the principles of IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered through a sale transaction. This asset (or group of assets) must be available immediately for sale and it must be highly probable that the sale will occur within 12 months.

These assets do not apply to Banque Palatine.

5.9 Investment property

Accounting principles

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation, or both.

The accounting treatment of investment property is identical to that of property, plant and equipment for Group entities, with the exception of certain insurance entities that recognise their buildings representing insurance investments at fair value with recognition of the change in income. Fair value is based on a multi-criteria approach where rents are capitalised at market rates and compared with the transaction market.

The fair value of the Group's investment property is reported on the basis of the results of regular appraisals, except in special cases significantly affecting the value of the property.

Leased property may have a residual value deducted from the depreciable base.

Gains or losses on the sale of investment property are recorded in the income statement under "Net income or expenses from other activities", with the exception of insurance activities classified as "Income from insurance activities".

	31/12/2021			31/12/2020		
in millions of euros	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Property recognised at fair value	0.0	0.0	0.0	0.0	0.0	0.0
Property recognised at historical cost	0.1	(0.1)	0.0	0.0	0.0	0.0
TOTAL INVESTMENT PROPERTY	**0.1**	**(0.1)**	**0.0**	**0.0**	**0.0**	**0.0**

The fair value of investment property is classified in Level 3 of the fair value hierarchy of IFRS 13.

5.10 Non-current assets

Accounting principles

This item includes operating property, plant and equipment, movable assets acquired with a view to an operating lease, non-current assets acquired under finance leases and movable assets temporarily not rented under a finance lease. Real estate company (French SCI) investments are treated as property, plant and equipment.

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognised as assets only if they meet the following criteria:

- it is probable that the future economic benefits associated with the asset will flow to the Group;
- the cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets used in operations are initially recognised at cost plus any directly attributable acquisition costs. Internally developed software that satisfies the criteria for recognition as a non-current asset is recognised at its production cost, which includes external charges and the payroll costs of employees directly assigned to the project.

The component-based approach is applied to all buildings.

After initial recognition, non-current assets are measured at cost less any accumulated depreciation, amortisation and impairment. The depreciable amount of the asset takes account of its residual value where this is material and can be measured reliably.

Property, plant and equipment and intangible assets are depreciated or amortised in a manner reflecting the pattern in which the asset's expected economic benefits are consumed, which generally corresponds to the asset's useful life. Where an asset consists of a number of components that have different uses or economic benefits, each component is recognised separately and depreciated over a period that reflects the useful life of that component.

The depreciation and amortisation periods used by the Group are as follows:

- construction, major works: 15 to 50 years;
- plant and equipment: 20 years;
- fixtures and fittings: 10 years;
- furniture and special equipment: 4 to 10 years;
- computer equipment: 3 to 5 years;
- software: up to 5 years.

Property, plant and equipment and intangible assets are tested for impairment whenever there is any evidence that they may be impaired at the reporting date. Where this is the case, the new recoverable amount of the asset is compared with its carrying amount. An impairment loss is recognised in income if the new recoverable amount of the asset is less than its carrying amount.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

Assets under operating leases are presented on the assets side of the balance sheet as property, plant and equipment in the case of movable assets.

	31/12/2021			31/12/2020		
in millions of euros	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
PROPERTY, PLANT AND EQUIPMENT	**37.8**	**(26.3)**	**11.5**	**43.8**	**(29.9)**	**13.9**
• Real estate	11.5	(9.9)	1.7	12.5	(9.6)	2.9
• Movable assets	26.3	(16.4)	9.9	31.2	(20.3)	10.9
Property, plant and equipment given under operating leases	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Movable assets	0.0	0.0	0.0	0.0	0.0	0.0
Rights of use under leases	**38.9**	**(13.9)**	**25.0**	**42.0**	**(14.9)**	**27.1**
On real estate properties	38.9	(13.9)	25.0	42.0	(14.9)	27.1
TOTAL PROPERTY, PLANT AND EQUIPMENT	**76.7**	**(40.2)**	**36.5**	**85.8**	**(44.8)**	**41.0**
INTANGIBLE ASSETS	**8.0**	**(3.7)**	**4.3**	**50.9**	**(42.6)**	**8.3**
• Leasehold rights	4.4	(0.3)	4.1	9.1	(1.4)	7.6
• Software	3.6	(3.4)	0.2	41.7	(41.1)	0.6
• Other intangible assets	0.0	0.0	0.0	0.1	0.0	0.1
TOTAL INTANGIBLE ASSETS	**8.0**	**(3.7)**	**4.3**	**50.9**	**(42.6)**	**8.3**

5.11 Debt securities

Accounting principles

Issues of debt securities (which are neither classified as financial liabilities at fair value through profit or loss nor as equity) are initially recognised at fair value less any transaction costs. They are subsequently measured at amortised cost at each reporting date using the effective interest method.

These instruments are recognised under "Amounts due to credit institutions", "Amounts due to customers" or "Debt securities".

Debt securities are classified based on the nature of the underlying, except for subordinated notes presented under "Subordinated debt".

Investments are recorded on the balance sheet on the settlement/delivery date.

The First-In, First-Out (FIFO) method is applied to any partial disposals of investments, except in special cases.

A new category of liabilities eligible for the TLAC numerator (Total Loss Absorbing Capacity requirement) was introduced by French law and is commonly referred to as "senior non-preferred". These liabilities have an intermediate rank between equity and other debts known as "senior preferred".

in millions of euros	31/12/2021	31/12/2020
Bonds	0.0	0.0
Interbank market instruments and negotiable debt securities	2,116.6	1,613.7
TOTAL	**2,116.6**	**1,613.7**
Accrued interest	(2.7)	(0.8)
TOTAL DEBT SECURITIES	**2,113.9**	**1,613.0**

The fair value of debt securities is presented in Note 9 “Fair value of financial assets and liabilities”.

5.12 Amounts due to credit institutions and similar items and to customers

Accounting principles

These liabilities, which are not classified as financial liabilities at fair value through profit or loss, are carried at amortised cost under “Amounts due to credit institutions” or “Amounts due to customers”.

Issues of debt securities (which are neither classified as financial liabilities at fair value through profit or loss nor as equity) are initially recognised at fair value less any transaction costs. They are subsequently measured at amortised cost at each reporting date using the effective interest method.

These instruments are recognised under “Amounts due to credit institutions”, “Amounts due to customers” or “Debt securities”.

Securities lending transactions are recognised on the settlement-delivery date.

For securities repurchase agreements, a financing commitment received is recognised between the transaction date and the settlement date when said transactions are recognised as “Liabilities”.

5.12.1 Amounts due to credit institutions and similar items

in millions of euros	31/12/2021	31/12/2020
Demand accounts	17.5	73.5
Accrued interest	0.0	0.0
DEMAND ACCOUNTS TO CREDIT INSTITUTIONS AND SIMILAR	**17.5**	**73.5**
Term deposits and loans	2,207.1	2,793.9
Accrued interest	(22.3)	(10.5)
TERM ACCOUNTS TO CREDIT INSTITUTIONS AND SIMILAR	**2,184.9**	**2,783.4**
Guarantee deposits received	21.9	3.3
TOTAL DEBTS TO CREDIT INSTITUTIONS AND SIMILAR	**2,224.3**	**2,860.3**

The fair value of amounts due to credit institutions is presented in Note 9 “Fair value of financial assets and liabilities”.

5.12.2 Amounts due to customers

in millions of euros	31/12/2021	31/12/2020
Current accounts in credit	**9,321.7**	**9,293.8**
Livret A savings accounts	268.7	201.9
Regulated home savings products	196.2	204.8
Other regulated savings accounts	938.7	953.4
Regulated savings accounts	**1,403.5**	**1,360.1**
Demand accounts and loans	14.1	116.8
Term accounts and loans	531.8	584.8
Accrued interest	0.0	0.3
Other customer accounts	**545.9**	**701.9**
Guarantee deposits received	0.1	0.7
TOTAL AMOUNTS DUE TO CUSTOMERS	**11,271.2**	**11,356.4**

The fair value of amounts due to customers is presented in Note 9 “Fair value of financial assets and liabilities”.

5.13 Accruals and miscellaneous liabilities

in millions of euros	31/12/2021	31/12/2020
Collection accounts	4.2	49.3
Prepaid income	4.2	5.3
Accrued expenses	55.8	79.3
Other accrual accounts	47.5	66.2
ACCRUAL ACCOUNTS – LIABILITIES	**111.7**	**200.1**
Settlement accounts in credit on securities transactions	0.0	0.1
Sundry creditors	22.8	21.5
Rental liabilities	25.3	27.1
OTHER LIABILITIES	**48.1**	**48.6**
TOTAL ACCRUED EXPENSES AND OTHER LIABILITIES	**159.8**	**248.7**

The “Collection accounts” line mainly includes transfers made (*via* the Clearing House), as well as deductions from promissory notes in the statement.

The “Accrued expenses” line is impacted by the increase in expenses mainly stemming from the migration of the IT system to the IBP platform.

5.14 Provisions

Accounting principles

Provisions other than those relating to employee benefit obligations and similar items, provisions for regulated home savings products, off-balance sheet commitments, and insurance policies mainly consist of provisions for restructuring, claims and litigation, fines and penalties, and tax risks (other than income tax).

Provisions are liabilities of an uncertain timing or amount, which can be estimated reliably. They reflect a present obligation (legal or constructive) as a result of a past event, in respect of which it is probable that an outflow of resources will be required to settle the obligation.

The amount recognised in provisions is the best estimate of the expenditure required to settle the present commitment at the end of the reporting period.

Provisions are discounted when the impact of discounting is material.

Changes in provisions are recognised in income on the line items corresponding to the nature of future expenditure.

Provisions for regulated home savings products

Regulated home savings accounts (*comptes d'épargne logement* – CEL) and regulated home savings plans (plans d'épargne logement – PEL) are retail products marketed in France governed by the 1965 law on home savings plans and accounts, and subsequent implementing decrees.

Regulated home savings products give rise to two types of commitments for the Group:

- a commitment to grant a loan to the customer at a future date at a rate set at inception of the contract (for PEL products) or at a rate contingent on the savings phase (for CEL products);
- a commitment to pay interest on the savings at a future date at a rate set at inception of the contract for an indefinite period (for PEL products) or at a rate set on a semi-annual basis according to an indexation formula regulated by law (for CEL products).

Commitments with potentially adverse consequences for the Group are measured for each generation of regulated home savings plans and for all regulated home savings accounts.

A provision is recognised for the associated risks by discounting future potential income from at-risk outstanding:

- at-risk savings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. They are estimated on a statistical basis for each future period taking account of savers' historical patterns of behaviour and reflect the difference between the probable outstandings and the minimum expected savings;
- at-risk loans correspond to the loans outstanding granted but not yet due at the calculation date plus statistically probable loans outstanding based on customers' historical patterns of behaviour as well as vested and projected rights from regulated home savings accounts and plans.

The commitments are estimated using the Monte Carlo method in order to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings. On this basis, a provision is made for the same generation of contracts in the event of a potentially unfavourable situation for the Group, without compensation between generations.

The provision is recognised under liabilities on the balance sheet, and changes are recognised in interest income and expense.

Provisions are broken down in the table of changes below, with the exception of provisions for expected credit losses on financing and guarantee commitments, which are shown in Note 7 "Exposure to risks".

in millions of euros	01/01/2021	Increase	Use	Unused reversals	Other movements[1]	31/12/2021
Provisions for employee benefit obligations	17.1	1.7	0.0	(0.5)	2.1	20.4
Provisions for restructuring	0.0	10.3	0.0	0.0	0.0	10.3
Legal and tax risks	5.6	5.0	(0.4)	(2.5)	0.0	7.7
Loan and guarantee commitments	46.1	20.1	0.0	(23.0)	0.2	43.4
Provisions for regulated home savings products	2.5	0.4	0.0	0.0	0.0	2.9
Other operating provisions	3.8	0.7	0.0	(1.5)	0.0	3.1
TOTAL PROVISIONS	**75.2**	**38.2**	**(0.4)**	**(27.5)**	**2.3**	**87.7**

(1) The other changes mainly correspond to the changes in actuarial liabilities on the employee benefit obligations (€2.1 million).

5.14.1 Deposits collected *via* regulated home savings products

in millions of euros	31/12/2021	31/12/2020
Deposits held in PEL regulated home savings plans		
plans in place for less than 4 years	4.0	3.6
plans in place for more than 4, but less than 10 years	81.8	81.8
plans in place for more than 10 years	93.9	97.7
Deposits collected *via* PEL regulated home savings plans	**179.8**	**183.1**
Deposits collected *via* CEL regulated home savings accounts	**16.6**	**17.2**
TOTAL DEPOSITS COLLECTED *VIA* REGULATED HOME SAVINGS PRODUCTS	**196.4**	**200.2**

5.14.2 Loans granted under home savings products

in millions of euros	31/12/2021	31/12/2020
Outstanding loans granted under home savings plans	0.0	0.0
Loans granted under CEL regulated home savings accounts	0.0	0.0
TOTAL OUTSTANDING LOANS GRANTED FOR HOME SAVINGS PRODUCTS	**0.0**	**0.0**

5.14.3 Provisions set aside for regulated home savings products

in millions of euros	31/12/2021	31/12/2020
Provisions for PEL regulated home savings plans		
• plans in place for less than 4 years	0.1	0.0
• plans in place for more than 4, but less than 10 years	0.3	0.3
• plans in place for more than 10 years	2.4	2.1
Provisions for PEL regulated home savings plans	**2.8**	**2.4**
Provisions for CEL regulated home savings accounts	**0.2**	**0.1**
Provisions for PEL loans	0.0	0.0
Provisions for PEL loans	0.0	0.0
Provisions for regulated home savings loans	**0.0**	**0.0**
TOTAL PROVISIONS FOR HOME SAVINGS PLANS	**2.9**	**2.5**

5.15 Subordinated debt

Accounting principles

Subordinated debt differs from other debt, receivables and bonds in that it is repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

The subordinated debt that the issuer is obliged to repay is classified as debt and initially recognised at fair value less transaction costs and thereafter at amortised cost at the reporting date using the effective interest method.

in millions of euros	31/12/2021	31/12/2020
Debt subordinated at fair value through profit or loss	**0.0**	**0.0**
Term subordinated debt	200.0	200.0
SUBORDINATED DEBT AND SIMILAR ITEMS	**200.0**	**200.0**
Accrued interest	0.2	0.2
SUBORDINATED DEBT AT AMORTISED COST	**200.2**	**200.2**
TOTAL SUBORDINATED DEBT	**200.2**	**200.2**

The fair value of subordinated debt is presented in Note 9 “Fair value of financial assets and liabilities”.

Changes in subordinated debt over the year:

in millions of euros	01/01/2021	Issue	Reimbursement	Other movements	31/12/2021
Term subordinated debt	200.0	0.0	0.0	0.0	200.0
SUBORDINATED DEBT AT AMORTISED COST	**200.0**	**0.0**	**0.0**	**0.0**	**200.0**
SUBORDINATED DEBT AND SIMILAR ITEMS	**200.0**	**0.0**	**0.0**	**0.0**	**200.0**

The deeply subordinated notes classified as equity instruments are presented in Note 5.16.2 “Perpetual deeply subordinated notes classified as equity”.

5.16 Ordinary shares and equity instruments issued

Accounting principles

Financial instruments issued by the Group are classified as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument, or to exchange the instrument under conditions that are potentially unfavourable to the Group. This obligation must arise from specific contractual terms and conditions, not merely economic constraints.

In addition, when an instrument is classified as equity:

- its remuneration impacts shareholders' equity. On the other hand, the tax impact on these distributions may be recognised, depending on the origin of the amounts, under consolidated reserves, gains and losses recognised directly under equity, or on the income statement, in accordance with the December 2017 amendment to IAS 12 applicable as of 1 January 2019. As such, when the distribution can be classified as dividends as defined by IFRS 9, the tax impact is recorded on the income statement. This provision applies to interest on issues of perpetual deeply subordinated notes considered dividends from an accounting perspective;
- the instrument cannot be an underlying eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is kept at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Lastly, when these instruments are issued by a subsidiary, they are included in "Non-controlling interests". When their income is cumulative in nature, it is charged to "Net income attributable to equity holders of the parent" and increases the income of "Non-controlling interests". However, when their remuneration is not cumulative, it is drawn from retained earnings attributable to equity holders of the parent.

5.16.1 Ordinary shares

	31/12/2021			31/12/2020		
in millions of euros	Number	Par value	Share capital	Number	Par value	Share capital
Equities						
Opening balance	34,440,134	20	688.8	34,440,134	20	688.8
Capital increase						
Capital reduction						
Other changes						
Closing balance	**34,440,134**	**20**	**688.8**	**34,440,134**	**20**	**688.8**

5.16.2 Perpetual deeply subordinated notes classified as equity

							Par value (in millions of euros)	
Issuing entity	Issue date	Currency	Amount (in source currency)	Date of redemption option	Date of interest step-up	Rate	31/12/2021	31/12/2020
BPCE	28/03/2018	EUR	100 million	28/03/2049	28/03/2023*	4.3%	100.0	100.0
TOTAL							**100.0**	**100.0**

* *Date of interest step-up or of transition from fixed rate to variable rate.*

5.17 Non-controlling interests

Fully-consolidated investments are wholly owned by the consolidating entity. As a result, no share is attributable to non-controlling interests.

5.18 Change in gains and losses recognised directly in shareholders' equity

Accounting principles

If equity financial assets recognised in equity are sold, changes in fair value are not transferred to income. These are items that cannot be reclassified in income.

	FY 2021			FY 2020		
in millions of euros	Gross	Taxes	Net	Gross	Taxes	Net
Remeasurement of non-current assets						
Remeasurement (or actuarial gains and losses) in respect of defined-benefit plans	(2.1)	0.5	(1.6)	(2.8)	0.7	(2.1)
Other items recognised through equity of items that cannot be reclassified to net income	(0.1)	0.0	(0.1)	0.1	0.0	0.1
ITEMS NOT RECYCLABLE TO PROFIT OR LOSS	**(2.2)**	**0.6**	**(1.6)**	**(2.6)**	**0.7**	**(2.0)**
Remeasurement of financial assets at fair value through recyclable equity	(10.9)	2.8	(8.1)	13.8	(3.6)	10.2
ITEMS RECYCLABLE TO PROFIT OR LOSS	**(10.9)**	**2.8**	**(8.1)**	**13.8**	**(3.6)**	**10.2**
GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY (NET OF TAX)	**(13.2)**	**3.4**	**(9.8)**	**11.2**	**(2.9)**	**8.3**
Attributable to equity holders of the parent	(13.2)	3.4	(9.8)	11.2	(2.9)	8.3
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0

5.19 Offsetting of financial assets and liabilities

Accounting principles

Financial assets and liabilities under netting agreements may only be offset for accounting purposes if they meet the strict offsetting criteria set out in IAS 32.

This applies to transactions in respect of which offsetting is possible only in the event of the default, insolvency or failure of one of the contracting parties.

For these instruments, the "Associated assets and financial instruments received as collateral" and "Associated liabilities and financial instruments pledged as collateral" include:

- for repurchase agreements:
  - loans or borrowings resulting from reverse repurchase agreements with the same counterparty, and securities pledged or received as collateral (at the fair value of said securities),
  - margin calls in the form of securities (at the fair value of said securities);
- for derivatives, the fair values of the reverse transactions with the same counterparty, as well as margin calls in the form of securities.

Margin calls received or paid in cash are shown in "Margin calls received (cash collateral)" and "Margin calls paid (cash collateral)".

Pursuant to the IAS 32 rules on offsetting, the Palatine Group does not offset financial assets and liabilities on the balance sheet.

5.19.1 Financial assets

Impacts of netting agreements not taken into account for accounting purposes on financial assets

	31/12/2021				31/12/2020			
in millions of euros	Net amount of financial assets presented on the balance sheet	Associated financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets presented on the balance sheet	Associated financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives	101.9	37.4	21.9	42.6	131.6	21.2	4.0	106.5
Repurchase agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**101.9**	**37.4**	**21.9**	**42.6**	**131.6**	**21.2**	**4.0**	**106.5**

Net exposure therefore does not reflect the accounting position, as it takes into account the reduction in exposure generated by agreements that do not meet the strict offsetting criteria under IAS 32.

5.19.2 Financial liabilities

Impact of netting agreements not taken into account for accounting purposes on financial liabilities

	31/12/2021				31/12/2020			
in millions of euros	Net amount of financial liabilities presented on the balance sheet	Associated financial assets and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure	Net amount of financial liabilities presented on the balance sheet	Associated financial assets and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives	115.5	57.6	25.6	32.2	161.8	154.4	7.4	0.0
Repurchase agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**115.5**	**57.6**	**25.6**	**32.2**	**161.8**	**154.4**	**7.4**	**0.0**

Net exposure therefore does not reflect the accounting position, as it takes into account the reduction in exposure generated by agreements that do not meet the strict offsetting criteria under IAS 32.

5.20 Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that may be sold or repledged

Accounting principles

A financial asset (or group of similar financial assets) is derecognised when the contractual rights to the asset's future cash flows have expired or when such rights have been transferred to a third party, together with substantially all of the risks and rewards of ownership of the asset. In such cases, all the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

When a financial asset is derecognised, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

In the event that the Group has neither transferred nor retained substantially all of the risks and rewards, but has retained control of the asset, the asset continues to be recognised on the balance sheet to the extent to the Group it has a continuing involvement in the asset.

In the event that the Group has neither transferred nor retained substantially all of the risks and rewards and has not retained control of the asset, the asset is derecognised and all of the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

If not all the conditions for derecognising a financial asset are met, the Group leaves the asset on the balance sheet and records a liability representing the obligations arising when the asset is transferred.

A financial liability (or part of a financial liability) is derecognised only when it is extinguished, *i.e.* when its contractual obligations are discharged, cancelled or lapse.

Repurchase agreements

Securities sold under repurchase agreements are not derecognised in the vendor's accounts. A liability representing the commitment to return the funds received is identified and recognised under "Securities sold under repurchase agreements". This debt is a financial liability recorded at amortised cost or at fair value through profit or loss when said liability is part of a transaction management model.

The assets received are not recognised by the buyer, but a receivable is recorded by the vendor in the amount of the funds loaned. The amount disbursed in respect of the asset is recognised under "Securities bought under repurchase agreements". On subsequent reporting dates, the securities continue to be accounted for by the vendor in accordance with the rules applicable to the category in which they were initially classified. The receivable is valued according to the methods specific to its category: amortised cost if it has been classified under "Loans and advances", or fair value through profit or loss if it falls under a transaction management model.

Outright securities lending

Outright securities loaned under securities lending transactions are not derecognised by the vendor. They continue to be recognised in their original accounting category and are measured accordingly. The borrowed securities are not recognised by the borrower.

Transactions leading to substantial changes in financial assets

When an asset undergoes substantial changes (in particular following a renegotiation or a remodelling owing to financial difficulties) it is derecognised, to the extent that rights to initial cash flows have essentially expired. The Group considers substantial changes have arisen, including:

- changes leading to a change of counterparty, especially where the new counterparty's creditworthiness differs significantly from that of the previous counterparty;
- changes with a view to switching from highly structured to basic indexing, insofar as both assets are not exposed to the same risks.

Transactions leading to substantial changes in financial liabilities

A substantial change in the terms of a borrowing should be recognised as the extinguishment of the former debt and its replacement with a new debt. The IFRS 9 amendment dated 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate should be recorded in profit or loss. To assess the substantial nature of the change, IFRS 9 sets a threshold of 10% on the basis of discounted cash flows including any fees and expenses: if the difference is greater than or equal to 10%, all costs or expenses incurred are recognised in profit or loss when the debt is extinguished.

The Group believes that other changes may be considered substantial, such as a change of issuer (even within the same group) or a change of currencies.

5.20.1 Financial assets transferred but not fully derecognised and other financial assets pledged as collateral

	Carrying amount				
in millions of euros	Loans of "outright" securities	Repos	Assets transferred or pledged as collateral	Securitisation	31/12/2021
Financial assets at fair value through equity	0.0	0.0	0.0	0.0	0.0
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
o/w financial assets transferred but not fully derecognised	***0.0***	***0.0***	***0.0***	***0.0***	***0.0***

Repurchase transactions

The Palatine Group did not carry out any repurchase transactions as of 31 December 2021 and 31 December 2020.

Sales of receivables

In 2021, the Palatine Group assigned receivables as collateral (Article L. 211-38 or Articles L. 313-23 *et seq*. of the French Monetary and Financial Code) under guaranteed refinancing operations, with the central bank in particular. This type of transfer as collateral involves the legal transfer of the associated contractual rights, and therefore the "transfer of assets" as defined in the amendment to IFRS 7. Even so, the Group remains exposed to substantially all the risks and rewards of ownership, and as such the receivables remain on the balance sheet.

5.20.2 Financial assets received as collateral that may be sold or repledged

The Palatine Group did not recognise assets received as collateral in connection with financial guarantee agreements plus a right of re-use.

5.21 Financial instruments subject to the benchmark index reform

Accounting principles

In accordance with the amendments to IFRS 9 and IAS 39 relating to the reform of reference rates (Phase 1), until the uncertainties related to the reform are resolved, it is considered that:

- transactions designated as cash flow hedges may be considered as "highly probable", as the hedged cash flows are not considered to be affected by the reform;
- prospective hedge effectiveness tests for fair value hedges and cash flow hedges are not called into question by the effects of the reform; hedge accounting can be continued if the retrospective tests go beyond the 80-125% limit during this transitional period, however the ineffectiveness of the hedging relationships will still have to be recognised in the income statement;
- the hedged risk component, when designated on the basis of a benchmark rate, is considered separately identifiable.

Groupe BPCE considers that all of its hedging contracts, which have a BOR or EONIA component, are affected by the reform, and can therefore benefit from these amendments wherever uncertainty exists regarding the contractual changes to be made as a result of the regulations, regarding the substitute index to be used or regarding the application period for provisional rates. Groupe BPCE is primarily exposed under its derivative contracts and loan and borrowing contracts at EURIBOR, EONIA and US LIBOR rates.

The amendments of Phase 2, post implementation of alternative rates, introduce a practical expedient, which consists in modifying the effective interest rate prospectively without impact on net income in the case where the changes in flows of financial instruments are exclusively related to the reform and make it possible to maintain an economic equivalence between the old flows and the new ones.

If these conditions are met, they also introduce flexibility in the eligibility criteria for hedge accounting in order to maintain the hedging relationships affected by the reform. These provisions concern in particular the impacts related to the redocumentation of hedges, portfolio hedging, the treatment of the OCI reserve for CFH hedges, the identification of an identifiable risk component and retrospective effectiveness tests.

These amendments were applied by Groupe BPCE in advance in the financial statements at 31 December 2020 and will continue to apply mainly to EURIBOR and USD LIBOR, which have not yet been remedied.

European Union Regulation No. 2016/1011 of 8 June 2016 on indices used as benchmarks ("Benchmarks Regulation" or "BMR") sets out a common framework ensuring the accuracy and integrity of indices used as benchmarks for financial instruments and contracts, as well as indices measuring the performance of investment funds in the European Union.

The BMR is designed to regulate the provision of benchmarks, the provision of underlying data for a benchmark and the use of benchmarks within the European Union. It provides for a transitional period for administrators, who have until 1 January 2022 to be authorised or registered. After this date, the use of benchmarks by EU-supervised entities, by unapproved or unregistered administrators (or, if not located in the EU, those not subject to an equivalent scheme or otherwise recognised or endorsed) will be prohibited.

Under the BMR Regulation, the EURIBOR, LIBOR and EONIA interest rate benchmarks have been declared as critical benchmarks.

The benchmark reform was accelerated by the announcements, from March 2021, of the Financial Conduct Authority (FCA), the British regulator overseeing ICE Benchmark Administration (LIBOR administrator):

- confirming the cessation, after 31 December 2021, of the publication of EUR, CHF, JPY and GBP LIBORs, the publication of USD LIBOR being extended until 30 June 2023 (except for the 1-week and 2-month tenors which will end after 31 December 2021);
- authorising, for a limited period, for existing contracts (with the exception of cleared derivatives) indexed to YEN and GBP LIBOR (tenors of one month, three months and six months), from 1 January 2022, the use of synthetic LIBOR indices based on risk-free rates, published by ICE Benchmark Administration;
- aiming to limit the use, for new contracts, from the end of 2021, of the USD LIBOR, a similar announcement having been made in November 2021 by the US authorities.

For its part, on 22 October 2021, the European Union published two regulations (Implementing Regulations (EU) Nos. 2021/1847 and 2021/1848) providing for the legal replacement rate, on the one hand, for the CHF LIBOR (Implementing Regulation (EU) No. 2021/1847), the compound SARON rate, plus the difference adjustment with the CHF LIBOR determined by the ISDA on 5 March 2021 (adjustment determined following the FCA announcement on the discontinuation of the index), on the other hand, for the EONIA (Implementing Regulation (EU) No. 2021/1848), the €STER rate (successor rate of the EONIA recommended by the working group on Eurozone rates) plus the 8.5 basis point margin calculated by the European Central Bank. These replacement rates will be applied following the end of the publication of the CHF LIBOR (1 January 2022) and the EONIA (3 January 2022) to all contracts and financial instruments for which a transition to alternative benchmark rates or the integration of a robust fallback clause (contractual provision providing for the terms and conditions for the replacement of the index initially agreed between the parties) has not been made.

With regard to EURIBOR, the implementation of a new calculation methodology, recognised by the Belgian regulator as being in compliance with the requirements of the Benchmark Regulation, aimed at switching to a so-called "Hybrid" EURIBOR, was finalised in November 2019. At this stage, there is moderate uncertainty as to the sustainability of the EURIBOR, resulting from the limited number of banks contributing to the determination of the index and the ability to maintain or not the hybrid method for all tenors.

In the context of this reform, in the first half of 2018, Groupe BPCE set up a project structure tasked with anticipating the impacts associated with the benchmark reform, from a legal, commercial, financial, risk, system and accounting point of view. During 2019, work focused on the reform of the EURIBOR, the transition from the EONIA to the €STER and the strengthening of contractual clauses regarding the termination of indices. Since 2020, a more operational phase has begun focusing on the transition and the reduction of exposure to benchmark rates that are likely to disappear. It includes the preparatory work for the use of the new indices and the implementation of new products indexed on these indices, the identification and implementation of stock remediation plans as well as active communication with the bank's customers. In this respect:

- concerning derivatives, the process of remediation of derivative contracts was accelerated with the entry into force, on 25 January 2021, of Supplement 70 to the 2006 ISDA Definitions (called the "ISDA IBOR Fallbacks Supplement") and new FBF rate definitions aimed at explicitly providing – for future transactions – fallback rates following the announced disappearance of the LIBORs. The entry into force on the same date of the ISDA 2020 IBOR Fallbacks Protocol, to which Natixis SA and BPCE SA adhered on 21 December 2020, also makes it possible to apply the same fallback clauses to the stock of transactions in progress with the other members of this protocol. In December 2021, the clearing houses also switched from cleared products to RFRs (excluding USD LIBOR), with the transition to €STER and SOFR rates having been made concerning the remuneration of collateralised derivatives in 2020. Natixis Groupe BPCE proactively asked its customers to remedy transactions under the same conditions as the clearing houses. After 31 December 2021, for a very limited number of contracts, pending a transition to RFRs, the synthetic YEN or GBP LIBOR will be applied.

The materiality, at 31 December 2021, of the exposures to LIBORs is to be linked to the existence, at that date, of transactions whose interest period uses a last fixing referenced to the LIBOR, combined, for derivatives, the application of fallbacks, as of 3 January 2022.

The transition to benchmark rates exposes Groupe BPCE to various risks, in particular:

- the risk associated with the management of the change which, in the event of asymmetric information and treatment of Natixis' clients in the GFS division, could lead to disputes with them. To guard against such risks, Natixis has undertaken training initiatives for employees in the challenges of the index transition as well as communication campaigns with customers and the implementation of a control plan;
- the regulatory risk related to non-compliant use of reformed indices – in particular USD LIBOR after 1 January 2022 – excluding exceptions authorised by the authorities. Employees and customers were informed of the restrictions on these indices. In addition, compliance issued a procedure on the management of exceptions and controls were implemented;
- the risk of legal documentation on the stock of transactions for which customers would not adopt the corrective actions to implement fallback clauses proposed by the market and/or the Group, this risk could also lead to customer disputes. The GFS division teams actively follow the legislative initiatives in the various jurisdictions aimed at recommending successor rates;
- the operational risks related to the ability to execute new transactions referencing the new rates and to the remediation of the stock of transactions. The project teams ensure compliance with the implementation schedules for the affected systems, and early renegotiation actions are carried out to spread the remediation workload over time;
- the potential financial risk, which would be reflected in a financial loss resulting from the remediation of the stock of products indexed to LIBOR. Simulations of revenue losses related to remediation, without taking into account an adjustment in spread applied to the alternative reference rates, are monitored directly by Executive Management to raise the awareness of the business lines during renegotiation with customers. The application of credit adjustment spread aims to ensure the economic equivalence of the cash flows of the contracts before and after the replacement of the reference index by an RFR rate;
- the valuation risks related to price volatility and basis risk resulting from the transition to the alternative benchmark rates. The necessary updates to both risk management methodologies and valuation models are carried out.

Note 6 Commitments

Accounting principles

Commitments are characterised by the existence of a contractual obligation and are irrevocable.

The commitments that feature in this item should not qualify as financial instruments falling within the scope of IFRS 9 in terms of classification and measurement. However, the financing and guarantee commitments given are subject to the IFRS 9 provisioning rules as presented in Note 7.

The effects of the rights and obligations of these commitments are subject to the fulfilment of subsequent conditions or transactions. These commitments break down into:

- financing commitments (confirmed credit line or refinancing agreement);
- guarantee commitments (signed commitments or assets received as collateral).

The amounts disclosed correspond to the nominal value of the commitments given.

6.1 Financing commitments

in millions of euros	31/12/2021	31/12/2020
Financing commitments given to:		
• credit institutions	0.0	0.0
• from customers		
Confirmed credit lines	2,031.8	2,019.6
Other commitments	87.7	116.6
TOTAL FINANCING COMMITMENTS GIVEN	**2,119.5**	**2,136.2**
Financing commitments received:		
• from credit institutions	285.9	265.7
• from customers	0.0	0.0
TOTAL FINANCING COMMITMENTS RECEIVED	**285.9**	**265.7**

6.2 Guarantee commitments

in millions of euros	31/12/2021	31/12/2020
Guarantee commitments given:		
• to credit institutions	149.3	108.3
• to customers	1,141.7	993.0
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,290.9**	**1,101.3**
Guarantee commitments received:		
• from credit institutions	230.7	162.9
• of customers(1)	1,979.3	1,531.3
TOTAL GUARANTEE COMMITMENTS RECEIVED	**2,209.9**	**1,694.2**

(1) The loans guaranteed by the French State are not included in the amount of customer guarantees given in the table above.

Guarantee commitments are primarily off-balance sheet commitments.

The “Securities pledged as collateral” are presented in Note 5.20 “Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that may be sold or repledged”.

The “Securities received as collateral” are presented in Note 5.20 “Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that may be sold or repledged”.

Note 7 Risk exposures

The risk exposures addressed below comprise credit risk, market risk, global interest rate risk, exchange rate risk and liquidity risk.

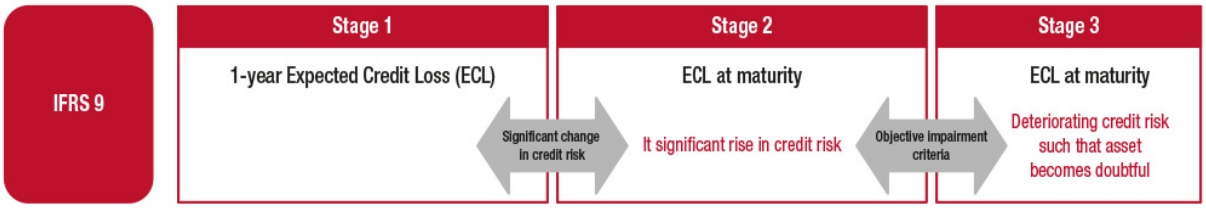
Information on capital management and regulatory ratios is presented in the "Risk management" section.

Information on the impact and consideration of climate risks on credit risk management is presented in Chapter 6 "Risk management – Climate risks".

7.1 Credit risk

Overview

Credit risk is the risk that a party to a financial instrument will default on one of its obligations and thereby cause the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. These include:

- the breakdown of gross exposure by category and by approach (credit risks including counterparty risk);
- the breakdown of the gross exposures by geographic zone;
- the concentration of the credit risk by borrower;
- the credit quality of the renegotiated exposures (CQ1);
- the performing and non-performing exposures and the corresponding provisions (CR1);
- the quality of the performing and non-performing exposures by number of days past due (CQ3);
- the quality of the exposures by geographical area (CQ4);
- the credit quality of the loans and advances by business line (CQ5);
- the breakdown of the guarantees received by type on the financial instruments (CR3);

This information forms an integral part of the financial statements audited by the Statutory Auditors.

7.1.1 Cost of credit risk

Accounting principles

The cost of risk relates to debt instruments classified as financial assets at amortised cost or financial assets at fair value through recyclable equity as well as to financing commitments and financial guarantee contracts not recognised at fair value through profit or loss. It also relates to receivables arising from lease agreements, trade receivables and contract assets.

This item thus covers the net cost of impairments and provisions made for credit risk.

Credit losses related to other types of instruments (derivatives or securities recognised at fair value through option) recorded after default by credit institutions are also included in this item.

Unrecoverable loans not covered by impairments are receivables that have acquired a definitive loss status prior to being the object of a provision in Stage 3.

Cost of credit risk for the period

in millions of euros	FY 2021	FY 2020
Net impairment losses and provisions	(37.5)	(99.0)
Recoveries of bad debts written off	1.2	1.2
Unrecoverable loans and receivables not covered by impairment losses	(2.7)	(2.5)
TOTAL COST OF CREDIT RISK	**(39.0)**	**(100.3)**

Cost of credit risk for the period by type of asset

in millions of euros	FY 2021	FY 2020
Interbank transactions	0.3	(0.1)
Customers transactions	(44.3)	(97.6)
Other financial assets	5.0	(2.6)
TOTAL COST OF CREDIT RISK	**(39.0)**	**(100.3)**

7.1.2 Change in gross carrying amounts and expected credit losses of financial assets and commitments

Accounting principles

Expected credit losses comprise impairment losses on assets at amortised cost and in fair value through equity, and provisions for financing and guarantee commitments.

From the date of initial recognition, the financial instruments concerned (see 7.1.1 "Cost of credit risk") are subject to an impairment or provision for expected credit losses (ECL).

Where there is no objective evidence of individual losses by financial instruments, the expected impairments or provisions for credit losses are measured on the basis of historical loss information and reasonable and justifiable forecasts of discounted future cash flows.

Financial instruments are divided into three categories (stages) according to the deterioration of credit risk observed since their initial recognition. Each loan category corresponds to a specific credit risk measurement method:

Stage 1 (S1):

- these are performing loans where there is no significant increase in credit risk since the initial recognition of the financial instrument;
- an impairment or provision for credit risk corresponds to the credit losses expected at one year;
- interest income is recognised in income according to the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (S2):

- performing loans where a significant increase in credit risk has been observed since the initial recognition of the financial instrument are transferred to this category;
- the impairment or provision for credit risk will then be calculated on the basis of expected credit losses over the residual life of the financial instrument (expected credit losses at maturity);
- interest income is recognised in income, as is this case for Stage 1 loans, according to the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (S3):

these are loans where there is objective evidence of impairment in relation to an event that characterises a proven credit risk and occurs after the initial recognition of the instrument concerned. This category covers, as under IAS 39, receivables for which an event of default has been identified as defined in Article 178 of EU Regulation No. 575/2013 of 26 June 2013 on the prudential requirements applicable to credit institutions in line with the EBA guidelines (EBA/GL/2016/07) on the application of the definition of default and Delegated Regulation No. 2018/1845 of the European Central Bank on the threshold for assessing the importance of arrears on credit obligations, applicable no later than 31 December 2020. The definition of defaulted outstandings is thus clarified by the introduction of a relative threshold and an absolute threshold to be applied to payment arrears to identify default situations, the clarification of the criteria for reverting to sound outstandings with a probation period and the introduction of explicit criteria for classifying restructured loans as default:

- the impairment or provision for credit risk is calculated for the expected credit losses over the remaining useful life of the financial instrument (expected credit losses at maturity) on the basis of the recoverable amount of the loan, *i.e.* the discounted value of estimated recoverable future cash flows;
- interest income is recognised as income according to the effective interest method applied to the carrying amount of the instrument after impairment;
- also included in Stage 3 are financial assets acquired or created and impaired for credit risk upon initial recognition, the entity not expecting to fully recover contractual cash flows (Purchased Originated Credit Impaired – POCI). These assets can be transferred to Stage 2 in the event of an improvement of the credit risk.

For receivables resulting from operating leases or finance leases which fall under IFRS 16, the Group has decided not to retain the option of applying the simplified method proposed by IFRS 9 § 5.5.15.

Methodology for measuring the deterioration of credit risk and expected credit losses

The principles for measuring the deterioration of credit risk and expected credit losses which are applicable to the vast majority of Group exposures are described below. Only BPCE International and some portfolios of Group institutions – corresponding to a limited volume of exposures – cannot be treated according to the methods described below and may be subject to *ad hoc* measurement techniques.

Significant increase in credit risk

The significant increase in credit risk is assessed on an individual basis taking into account all reasonable and justifiable information and comparing the risk of default on the financial instrument at the reporting date with the risk of default on the financial instrument on the date of initial recognition. A counterparty approach (applying the contagion principle to all outstanding loans for the counterparty under consideration) is also possible, notably with regard to the Watch List qualitative criterion. In accordance with IFRS 9, a counterparty with a significant deterioration in credit risk (Stage 2) that has just been originated will be classified as Stage 1.

The assessment of the deterioration is based on a comparison of the probabilities of default or ratings upon the initial recognition of the financial instruments with those existing on the reporting date. The same principles as those determining the entry into Stage 2 are applied to improve the significant deterioration in credit risk.

Moreover, according to the standard, there is a refutable presumption of a significant increase in the credit risk associated with a financial asset since its initial recognition where contractual payments are delayed by over 30 days.

In particular, the moratoria granted to support companies experiencing generalised cash flow difficulties, as well as the granting of loans guaranteed by the French State, do not in themselves lead to the existence of financial difficulties that call into question the capacity of the counterparty to honour its contractual agreements at maturity. Consequently, the principles mentioned are fully applicable depending on the specific situation of the counterparty.

In the majority of cases, the degree of risk degradation makes it possible to record a degradation to Stage 2 before the transaction is impaired individually (Stage 3).

The evaluation of the significant increase in credit risk is carried out on the level of each instrument, on the basis of indicators and thresholds which vary depending on the nature of the exposure and the type of counterparty.

More specifically, the measurement of the change in credit risk is based on the following criteria:

- for the Individual Customers, Professionals, Small and Medium Enterprises, Public Sector and Social Housing portfolios: the measurement of credit risk degradation is based on a combination of quantitative and qualitative criteria. The quantitative criterion is based on the measurement of the change in the probability of default at one year (measured at average cycle) since initial recognition. The additional qualitative criteria make it possible to classify as Stage 2 all contracts with arrears of more than 30 days (unless the presumption of arrears of 30 days is refuted), as a sensitive note, in situations of restructuring or in the presence of financial difficulties if the criteria for downgrading to Stage 3 are not met.

The significant increase in credit risk is calculated on the basis of the following condition:

$$PD_{t_{calculation}}^{12\text{-}month} > \Delta + \mu \times PD_{t_{grant}}^{12\text{-}month}$$

PD 12 mois > Δ + μ x PD 12 mois	12-month PD >Δ +μ x 12-month PD
t octroi	t grant
t calcul	t calculation

The multiplication (μ) and additive (Δ) criteria for the various portfolios are detailed below (transition to S2 if PD to date > μ × PD at grant + Δ).

- for the Large Corporates, Banks and Sovereign portfolios: the quantitative criterion is based on the level of variation of the rating since initial recognition. The same qualitative criteria apply to Individuals, Professionals and Small and Medium-sized Enterprises, and to contracts registered on the Watchlist, as well as additional criteria based on changes in the level of country risk.

The deterioration thresholds for the Large Corporates and Banks portfolios are as follows:

Origin rating	Significant deterioration
1 to 7	
(AAA to A-)	3 notches
8 to 10	
(BBB+ to BBB-)	2 notches
11 to 21	
(BB+ to C)	1 step

For Sovereigns, the downgrading thresholds on the eight-point rating scale are as follows:

Origin rating	Significant deterioration
1	6 notches
2	5 notches
3	4 notches
4	3 notches
5	2 notches
6	1 step
7	S2 directly (except if newly originated contract)
8	S2 directly (except if newly originated contract)

- for the Large Corporates, Banks and Sovereign portfolios: the quantitative criterion is based on the level of variation of the rating since initial recognition. The same qualitative criteria as for Individuals, Professionals and Small and Medium-sized Enterprises apply and it is necessary to add the contracts registered on the watchlist, as well as additional criteria depending on the evolution of the sector rating and the level of country risk;
- for Specialised Finance: the criteria applied vary according to the characteristics of the exposures and the corresponding rating system. Exposures rated under the mechanism dedicated to large exposures are treated in the same way as Large Corporates; the other exposures are treated like Small and Medium Enterprises.

For all of these portfolios, the ratings on which the measurement of the risk degradation is based correspond to ratings from internal systems, when these are available, as well as to external ratings, notably in the absence of internal rating.

The standard makes it possible to consider that the credit risk of a financial instrument has not increased significantly since initial recognition if the risk is considered low at the reporting date. This provision is applied for debt securities rated investment grade and managed as part of BPCE's liquidity reserve, as defined by the Basel III regulations. The "Investment grade" rating corresponds to ratings with a rating equal to or higher than BBB- or its equivalent by Standards and Poor's, Moody's or Fitch.

In accordance with IFRS 9, the recognition of guarantees and collateral does not affect the assessment of the significant deterioration in credit risk: this is based on changes in the credit risk on the debtor without taking into account guarantees.

In order to assess the significant increase in credit risk, the Group provides a process based on two levels of analysis:

- a first level depends on the rules and criteria defined by the Group that apply to its institutions (known as the "central model");
- a second level linked to the appraisal, *i.e.* expert opinion in respect of the forward looking local, of the risk borne by each institution on its portfolios that may lead to the adjustment of the criteria defined by the downgrading group to Stage 2 (portfolio or sub-portfolio switching to ECL at maturity).

Impairment for expected credit losses

Expected credit losses are defined as being an estimate of credit losses (*i.e.* the current value of any cash flow shortfall) weighted on the basis of the probability of such losses occurring during the expected useful life of the financial instruments. They care calculated individually for each case of exposure.

The expected credit losses of Stage 1 or Stage 2 financial instruments are measured on the basis of several parameters:

- expected cash flows over the life of the financial instrument, discounted to the valuation date – these flows are determined according to the characteristics of the contract, its effective interest rate and, for mortgages, the expected level of early repayment on the contract;
- loss given default (LGD);
- probability of default (PD), in the coming year in the case of Stage 1 financial instruments, and up to the maturity of the contract in the case of Stage 2 financial instruments.

The methodology developed relies on the existing concepts and devices used notably for the internal models developed in the framework of the calculation of regulatory capital requirements (Basel rules) and on the projection models used in the context of stress tests. Specific adjustments are made to comply with the specificities of IFRS 9:

- the goal of the IFRS 9 parameters is to estimate as accurately as possible the expected credit losses within an accounting provisioning framework, while the prudential parameters are prudently scaled within a regulatory framework. A number of the prudential margins applied to the prudential parameters are consequently restated;
- the IFRS 9 parameters must make it possible to estimate the expected credit losses up to the maturity of the contract, while the prudential parameters are defined in order to estimate expected losses over a one-year period. The one-year parameters are projected across long-term periods;
- the IFRS 9 parameters must take into account the anticipated economic climate over the projected period (forward-looking), while the prudential parameters correspond to average cycle estimates (for the PD) or low cycle estimates (for the LGD and expected flows over the useful life of the financial instrument). The PD and LGD prudential parameters are therefore also adjusted according to these forecasts on the economic climate.

The methods used to measure expected credit losses take into account collateral and other credit enhancements that are part of the contractual terms and that the entity does not recognise separately. The estimate of expected cash flow shortfalls of a secured financial instrument reflects the amount and timing of collateral recovery.

The IFRS 9 parameter validation system is fully integrated into the model validation system already in place within the Group. The validation of the models therefore follows a review process involving an independent internal model validation unit, the review of this work at the Group Model Committee and the adoption of any recommendations issued by the validation unit.

Prospective macroeconomic data (forward looking) are taken into account in a methodological framework applicable at two levels:

- at group level, in determining a shared framework for taking into account the forward looking in the projection of PD and LGD parameters over the amortisation period of operations within the central model;
- at the level of each entity, with regard to its own portfolios.

Inclusion of forward-looking information

The figure for the expected credit losses is calculated on the basis of a weighted average of probable scenarios, taking past events into account, current circumstances and reasonable and justifiable forecasts regarding the economic climate.

Groupe BPCE includes all forward-looking information both when estimating the significant increase in credit risk and when measuring the expected credit losses.

With regard to the determination of the significant increase in credit risk, beyond the rules based on the comparison of risk parameters between the initial recognition date and the reporting date, it is supplemented by the consideration of forward-looking information such as sectoral or geographical macroeconomic parameters.

With regard to the measurement of the expected credit losses, the Group has chosen to use three macroeconomic scenarios, which are detailed in the paragraph below.

Methodology for calculating expected losses under the central model

The parameters used to measure the expected credit losses are adjusted to the economic environment *via* the definition of three economic scenarios defined over a three-year horizon:

- the central scenario was updated based on the scenarios determined by the Group's economists in June 2021 and validated by the Executive Management Committee;
- a pessimistic scenario, corresponding to less favourable macro-economic variables in the context of the central scenario;
- an optimistic scenario, corresponding to more favourable macro-economic variables in the context of the central scenario.

The definition and review of these scenarios follows the same organisation and governance as that defined for the budget process, with a quarterly review of their relevance since the Covid-19 crisis, which may lead to a revision of macroeconomic projections in the event of a significant deviation of the situation observed, based on proposals from economic research and validation by the Executive Management Committee. The probabilities of scenario occurrence are reviewed quarterly by the Group's Watch List and Provisions Committee. The parameters thus defined make it possible to evaluate the expected credit losses of all exposures, whether they belong to a scope certified through the internal method or one treated as standard for the calculation of risk-weighted assets.

The four-year projections (including the 12-month lag) of the main macroeconomic variables for each of the bounds are presented below:

	Baseline		
	GDP	Unemployment	10-year rate
2021	5.5%	8.9%	0.34%
2022	4.0%	9.3%	0.53%
2023	2.0%	9.0%	0.70%
2024	1.6%	8.7%	0.88%

	Optimistic		
	GDP	Unemployment	10-year rate
2021	7.0%	8.0%	1.23%
2022	5.5%	8.4%	1.27%
2023	3.5%	8.1%	1.43%
2024	3.1%	7.8%	1.61%

	Pessimistic		
	GDP	Unemployment	10-year rate
2021	3.0%	9.8%	(0.41)%
2022	1.0%	10.2%	(0.37)%
2023	0.5%	9.9%	(0.21)%
2024	0.1%	9.6%	(0.03)%

The variables defined in each of these scenarios allow the distortion of the PD and LGD parameters and the calculation of an expected credit loss for each of the economic scenarios. The forecasts of the parameters over periods greater than three years are based on the principle of a gradual return to their long-term average. These economic scenarios are associated with probabilities of occurrence, ultimately allowing the calculation of a probable average loss used as the IFRS 9 impairment amount.

In addition, the Group supplements and adapts this approach taking into account the specificities of certain scopes. Each scenario is weighted according to its proximity to the market consensus (Consensus Forecast) on the main economic variables of each significant scope or market of the Group.

The projections are based on the main macroeconomic variables: GDP, the unemployment rate, and French interest rates on French sovereign debt.

For retail banking, in order to take into account the uncertainties related to macroeconomic projections and measures to support the economy (SGL, partial unemployment, tax measures), the economic scenarios have been adapted. These adaptations have the following consequences:

- mitigation of the suddenness of the crisis in 2020 and the mechanical rebound from 2021 with a moderation of 60% of the shock of the crisis on GDP. As an example, for the central scenario, the value of GDP used is a weighted average of the initial value of the scenario (2020 GDP -9% weighted at 40%) and long-term growth in France (+1.4% weighted at 60%). This adaptation is consistent with the ECB's press releases on the consideration of the Covid-19 crisis under IFRS 9 and with the EBA guidelines on moratoria; and
- spreading of the effects of the crisis over a longer period with a 12-month lag in the scenario, which means that the deterioration in GDP and other variables will impact the probabilities of default 12 months later.

These post-model adjustments reflect the positive impact of the various government support measures on the economic fabric and in particular the reduction in the occurrence of defaults and their lag over time.

Scenario weighting at 31 December 2021

Th expected credit losses are calculated by assigning to each scenario a weighting coefficient determined according to the proximity of the forecasters' consensus to each of the central, pessimistic and optimistic scenarios, on the variables GDP growth, unemployment and 10-year interest rates on French sovereign debt.

In the fourth quarter of 2021, a slight deterioration in French GDP forecasts for 2022 was observed as well as an improvement in unemployment rate forecasts in France; the 10-year OAT rate forecasts remain stable. At the same time, the emergence of the Omicron variant, causing a new particularly virulent wave of Covid-19, led the government to implement new restrictive measures. In this respect, a post-model adjustment was used, leading to an overweighting of the pessimistic scenario at 85% (instead of 20% before adjustment) and an underweighting of the central scenarios to 10% (65% before adjustment) and optimistic to 5% (15% before adjustment). Thus, the weightings used, after adjustment, are as follows:

- central scenario: 10% at 31 December 2021 compared to 60% at 31 December 2020;
- pessimistic scenario: 85% at 31 December 2021 compared to 35% at 31 December 2020;
- optimistic scenario: 5% unchanged compared to 31 December 2020.

Expected credit losses in addition to the central model

The provisions calculated locally have been recorded by the institutions to cover the specific risks of their portfolios, in addition to the provisions described above and calculated by the Group's tools.

In this context, the Group has considerably developed and strengthened the monitoring of the affected sectors. The sector-based monitoring approach allows for a classification of economic sectors and sub-sectors established centrally by Groupe BPCE's risk department and updated regularly.

Since the beginning of the year, the Group has undertaken to harmonise the methodology for calculating sectoral provisions with the deployment and use of a dedicated tool in application of the methodology adopted by the Group. This new tool makes it possible to take into account the deterioration in the rating of contracts according to the business sector on the credit portfolios of Professionals and Corporate. Associated governance has been set up centrally and at the level of the Group's institutions.

Analysis of the sensitivity of ECL amounts

Measurement of loans falling under Stage 3

Financial assets for which there is an objective indication of loss related to an event that characterises a known counterparty risk and that occurs after their initial recognition are considered to be in Stage 3. The criteria for identifying assets are aligned with the definition of default as defined in Article 178 of European Regulation No. 575/2013 of 26 June 2013 on the prudential requirements applicable to credit institutions in line with the guidelines of the EBA (EBA/GL/2016/07) on the application of the definition of default and Delegated Regulation No. 2018/1845 of the European Central Bank on the threshold for assessing the importance of arrears on credit obligations.

Loans and advances are considered as impaired and falling under Stage 3 if the two following conditions are met:

- there are objective indications of impairment on an individual basis or on a portfolio basis: these are "trigger events" or "loss events" that characterise a counterparty risk and occur after the initial recognition of the loans concerned. An objective indication of impairment is the occurrence of an arrears for at least three consecutive months (at least six months for loans to local authorities) for which the amount is higher than the absolute thresholds (by €100 for a retail exposure or €500) and relative to 1% of the counterparty's exposures, or the restructuring of loans in the event of achievement of certain criteria or, independently of any arrears, the observation of financial difficulties of the counterparty leading to consider that all or part of the sums due will not be recovered, or the implementation of litigation procedures. Restructured outstandings are classified in Stage 3 when the loss is greater than 1% of the difference between the net present value before restructuring and the net present value after restructuring;
- these events are likely to result in incurred credit losses, in other words, expected credit losses for which the probability of occurrence has become absolute.

The Stage 3 classification is maintained for a probationary period of three months after all the indicators of default mentioned above have disappeared. The probationary period in Stage 3 is extended to one year for restructured contracts that have been transferred to Stage 3.

Debt securities such as bonds or securities resulting from securitisation (ABS, CMBS, RMBS, cash CDO) are considered impaired and fall under Stage 3 when there is a proven counterparty risk.

The Group uses the same indicators of impairment for Stage 3 debt securities as those used for individually assessing the incurred impairment risk on loans and advances, irrespective of the portfolio to which the debt securities are ultimately allocated. For perpetual deeply subordinated notes meeting the definition of financial liabilities within the meaning of IAS 32, particular attention is also paid if, under certain conditions, the issuer has the option not to pay the coupon or to extend the issue beyond the scheduled redemption date.

Impairment for expected credit losses of Stage 3 financial assets is calculated according to the difference between a loan's amortised cost and its recoverable amount, *i.e.* the discounted value of estimated recoverable future cash flows, whether the cash flows stem from the counterparty's business or from the activation of any collateral. For short-term assets (maturity of less than one year), there is no discounting of future cash flows. The impairment is calculated globally without distinction between interest and capital. Expected credit losses arising from off-balance sheet commitments in Stage 3 are taken into account through provisions recognised on the liability side of the balance sheet. It is calculated on the basis of the maturity schedules using collection histories for each category of loan.

For the purposes of the measurement of expected credit losses, estimates of expected cash flow shortfalls take into account assets pledged as collateral and other credit enhancements that form an integral part of the instrument's contractual terms and conditions and which the entity does not recognise separately.

Expected credit losses comprise impairment losses on assets at amortised cost and in fair value through equity, and provisions for financing and guarantee commitments

For debt instruments recognised on the balance sheet under financial assets at amortised cost, the impairments recorded correct the original item of the asset presented in the balance sheet for its net value (regardless of the asset's stage: S1, S2, S3 or POCI). Impairment charges and reversals are recognised in the income statement under "Cost of credit risk".

For debt instruments recognised in the balance sheet as financial assets at fair value through equity, impairment losses are recognised as balance sheet liabilities at the level of recyclable equity, as the counterpart of the "Cost of credit risk" item in the income statement (regardless of the asset's stage: S1, S2 or S3).

For financing and financial guarantee commitments given, provisions are recorded under "Provisions" on the liabilities side of the balance sheet (regardless of the stage of the commitment given: S1, S2 or S3). Provision charges and reversals are recognised in the income statement under "Cost of credit risk".

7.1.3 Change in expected credit losses on financial assets and commitments

As of 31 December 2020, POCIs are presented by S2 POCI and S3 POCI segmentation.

7.1.3.1 Change in credit losses on financial assets through shareholders' equity

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		TOTAL	
in thousands of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2020	**1,033.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,033.8**	**0.0**
Production and acquisition	92.4	0.0	0.0	0.0	///	///	0.0	0.0	0.0	0.0	92.4	0.0
Derecognition (repayments, disposals and write-offs)	(192.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(192.2)	0.0
Other movements	(32.4)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(32.4)	0.0
BALANCE AT 31/12/2021	**901.6**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**901.6**	**0.0**

7.1.3.2 Change in credit losses on debt securities at amortised cost

in thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		TOTAL	
	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2020	**273.2**	**(1.9)**	**26.4**	**(1.3)**	**24.7**	**(18.8)**	**0.0**	**0.0**	**1.6**	**0.0**	**325.9**	**(22.0)**
Production and acquisition	23.6	0.0	0.0	0.0	///	///	0.0	0.0	0.0	0.0	23.6	0.0
Derecognition (repayments, disposals and write-offs)	(133.6)	0.0	0.0	0.0	(7.5)	7.5	0.0	0.0	0.0	0.0	(141.1)	7.6
Impairment (write-off)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification of financial assets	1.3	0.0	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• Transfers to S1	5.1	0.0	(5.1)	0.0	0.0	0.0	///	///	///	///	0.0	0.0
• Transfers to S2	(3.8)	0.0	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• Transfers to S3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	36.2	1.0	(6.1)	0.5	4.9	(2.2)	0.0	0.0	0.0	(1.5)	35.0	(2.2)
BALANCE AT 31/12/2021	**200.7**	**(0.9)**	**19.0**	**(0.8)**	**22.0**	**(13.5)**	**0.0**	**0.0**	**1.6**	**(1.5)**	**243.4**	**(16.7)**

7.1.3.3 Change in credit losses on receivables due from banks at amortised cost

The loans and receivables to credit institutions registered in Stage 1 include in particular funds centralised with Caisse des Dépôts et Consignations, i.e. €281.7 million at 31 December 2021, compared with €242.6 million at 31 December 2020.

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		TOTAL	
in thousands of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2020	**3,506.1**	**(0.1)**	**1.9**	**(0.2)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**3,508.0**	**0.0**
Production and acquisition	3,770.4	0.0	0.0	0.0	///	///	0.0	0.0	0.0	0.0	3,770.4	0.0
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(2,741.1)	0.0	0.0		0.0		0.0	0.0	0.0	0.0	(2,741.1)	0.0
Other movements	74.7	0.1	(0.1)	0.2	0.0	0.0	0.0	0.0	0.0	0.0	74.6	0.3
BALANCE AT 31/12/2021	**4,610.0**	**0.0**	**1.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4,611.8**	**0.0**

7.1.3.4 Change in credit losses on customer loans and receivables at amortised cost

Financial instruments are divided into three categories (stages) according to the deterioration of credit risk observed since their initial recognition. This deterioration is measured on the basis of the rating at the closing date.

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		TOTAL	
in thousands of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2020	**10,109.5**	**(53.1)**	**909.4**	**(34.5)**	**435.8**	**(242.5)**	**0.0**	**0.0**	**62.4**	**(10.4)**	**11,517.2**	**(340.5)**
Production and acquisition	1,625.6	(10.6)	0.0	0.0	///	///	0.0	0.0	13.8	0.0	1,639.4	(10.6)
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(1,386.0)	0.6	(96.2)	0.1	(119.7)	33.8	0.0	0.0	(7.2)	0.7	(1,609.1)	35.2
Impairment (write-off)	///	///	///	///	(54.8)	52.1	0.0	0.0	0.0	0.0	(54.8)	52.1
Reclassification of financial assets	(917.7)	39.7	859.4	(31.6)	58.3	(16.8)	0.0	0.0	0.0	0.0	0.0	(8.7)
• Transfers to S1	217.6	(0.7)	(200.5)	3.2	(17.1)	0.4	///	///	///	///	0.0	2.9
• Transfers to S2	(1,051.2)	27.2	1,072.8	(37.5)	(21.6)	1.9	0.0	0.0	0.0	0.0	0.0	(8.3)
• Transfers to S3	(84.1)	13.1	(12.9)	2.6	97.0	(19.1)	0.0	0.0	0.0	0.0	0.0	(3.3)
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	(549.4)	(6.5)	(117.1)	13.6	129.9	(71.0)	(0.0)	0.0	(25.1)	5.0	(561.7)	(58.8)
BALANCE AT 31/12/2021	**8,882.0**	**(29.9)**	**1,555.5**	**(52.5)**	**449.5**	**(244.3)**	**0.0**	**0.0**	**43.9**	**(4.7)**	**10,930.9**	**(331.4)**

7.1.3.5 Change in credit losses on financing commitments given

in thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		TOTAL	
	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2020	**2,011.1**	**(5.5)**	**102.4**	**(3.1)**	**22.7**	**(2.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**2,136.2**	**(10.7)**
Production and acquisition	780.6	(2.7)	0.0	0.0	///	///	0.0	0.0	0.0	0.0	780.7	(2.7)
Derecognition (repayments, disposals and write-offs)	(1,405.5)	0.0	(65.1)	0.0	(2.0)	0.0	0.0	0.0	0.0	0.0	(1,472.6)	0.0
Impairment (write-off)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification of financial assets	(51.5)	0.8	51.7	(1.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.5)
• Transfers to S1	13.8	0.0	(13.6)	0.1	0.0		///	///	///	///	0.0	0.0
• Transfers to S2	(64.4)	0.8	65.2	(1.4)	(0.8)		0.0	0.0	0.0	0.0	0.0	(0.6)
• Transfers to S3	(0.9)		0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	618.4	3.0	66.7	1.4	(9.9)	2.1	0.0	0.0	0.0	0.0	675.2	6.5
BALANCE AT 31/12/2021	**1,953.0**	**(4.4)**	**155.8**	**(3.0)**	**10.7**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,119.5**	**(7.4)**

7.1.3.6 Change in credit losses on guarantee commitments given

in thousands of euros	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		TOTAL	
	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2020	**995.1**	**(4.6)**	**54.8**	**(5.8)**	**51.4**	**(25.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**1,101.3**	**(35.4)**
Production and acquisition	585.6	(0.6)	0.0	0.0	///	///	0.0	0.0	0.0	0.0	585.6	(0.6)
Derecognition (repayments, disposals and write-offs)	(373.6)	0.0	(10.7)	0.0	(7.5)	5.9	0.0	0.0	0.0	0.0	(391.7)	6.0
Impairment (write-off)	///	///	///	///	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification of financial assets	(35.2)	1.2	37.6	(1.1)	(2.4)	(0.3)	0.0	0.0	0.0	0.0	0.0	(0.3)
• Transfers to S1	15.0	0.0	(11.4)	0.1	(3.6)	0.0	///	///	///	///	0.0	0.1
• Transfers to S2	(47.9)	0.9	49.0	(1.3)	(1.1)	0.1	0.0	0.0	0.0	0.0	0.0	(0.3)
• Transfers to S3	(2.3)	0.3	0.0	0.1	2.3	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0
Other movements	(23.8)	2.2	18.9	4.8	0.6	(12.7)	0.0	0.0	0.0	0.0	(4.3)	(5.7)
BALANCE AT 31/12/2021	**1,148.2**	**(1.8)**	**100.6**	**(2.1)**	**42.1**	**(32.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**1,290.9**	**(36.0)**

7.1.4 Credit risk measurement and management

Credit risk arises whenever a counterparty is unable to meet its payment obligations and may result from a reduction in credit quality, or even default by the counterparty.

Commitments exposed to credit risk consist of existing or potential receivables and particularly loans, debt securities, equities, performance swaps, performance bonds, or confirmed or undrawn facilities.

Credit risk management procedures and assessment methods, risk concentration, the quality of performing financial assets, and the analysis and breakdown of outstandings are described in the risk management report.

7.1.5 Guarantees received on instruments impaired under IFRS 9

The table below shows the exposure of all of the Palatine Group's financial assets to credit risk and counterparty risk. The credit risk and counterparty risk exposure are calculated on the basis of the carrying amount of the financial assets without taking into account the impact of any unrecognised netting or collateral agreements.

in thousands of euros	Maximum exposure to risk(1)	Impairment	Maximum exposure net of impairment(2)	Guarantees
Debt securities at amortised cost	23.7	(15.0)	8.7	0.0
Loans and advances to customers at amortised cost	493.5	(249.0)	244.4	127.4
Financing commitments	10.7	0.0	10.7	0.0
Guarantee commitments	42.1	(32.1)	10.1	0.0

(1) Gross carrying amount.
(2) Carrying amount on the balance sheet.

7.1.6 Guarantees received on instruments not subject to IFRS 9 impairment rules

in millions of euros	Maximum exposure to risk[1]	Guarantees
Financial assets at fair value through profit or loss		
Debt securities	12.5	0.0
Loans	0.0	0.0
Trading derivatives	101.4	0.0
TOTAL	**113.9**	**0.0**

(1) Carrying amount on the balance sheet.

7.1.7 Credit risk reduction mechanism: assets obtained by taking possession of collateral

The Palatine Group did not obtain any assets by taking possession of collateral.

7.1.8 Financial assets amended since the start of the year, whose impairment was calculated on the basis of expected credit losses at maturity at the start of the period

Accounting principles

Amended contracts are renegotiated, restructured or adjusted financial assets, whether or not in view of financial difficulties, which do not give rise to derecognition because the amendments made are not significant.

A profit or loss is recognised under “Cost of credit risk” in the income statement in the event of an amendment.

The gross carrying amount of the financial asset shall be recalculated so that it is equal to the discounted value of the renegotiated or amended contractual cash flows at the original effective interest rate.

Certain financial assets, whose impairment was calculated on the basis of expected credit losses at maturity, were amended since the start of the period. However, these financial assets are insignificant with regard to the balance sheet and the income statement.

7.1.9 Financial assets amended since their initial recognition, whose impairment was calculated on the basis of expected credit losses at maturity, and whose impairment was remeasured on the basis of expected credit losses at one year since the start of the period

Certain financial assets, whose impairment was calculated on the basis of expected credit losses at maturity, were amended since their initial recognition and their impairment was remeasured on the basis of expected credit losses at one year since the start of the period due to an improvement of their credit risk. However, these financial assets are insignificant with regard to the balance sheet.

7.1.10 Restructured loans

Adjustment in view of financial difficulties

	31/12/2021			31/12/2020		
in millions of euros	Loans and advances	Off-balance sheet commitments	Total	Loans and advances	Off-balance sheet commitments	Total
Impaired restructured loans	83.4	0.0	83.4	14.2	0.0	14.2
Performing restructured loans	132.9	0.0	132.9	22.4	0.0	22.4
TOTAL RESTRUCTURED LOANS	**216.3**	**0.0**	**216.3**	**36.6**	**0.0**	**36.6**
Impairment	**(30.3)**	**0.0**	**(30.3)**	**(6.7)**	**0.0**	**(6.7)**
Guarantees received	**148.4**	**0.0**	**148.4**	**19.2**	**0.0**	**19.2**

Analysis of gross loans

in millions of euros	31/12/2021 Loans and advances	31/12/2021 Off-balance sheet commitments	31/12/2021 Total	31/12/2020 Loans and advances	31/12/2020 Off-balance sheet commitments	31/12/2020 Total
Adjustments: amendments to the terms and conditions	208.9	0.0	208.9	35.9	0.0	35.9
Adjustments: refinancing	7.4	0.0	7.4	0.7	0.0	0.7
TOTAL RESTRUCTURED LOANS	**216.3**	**0.0**	**216.3**	**36.6**	**0.0**	**36.6**

Counterparty region

in millions of euros	31/12/2021 Loans and advances	31/12/2021 Off-balance sheet commitments	31/12/2021 Total	31/12/2020 Loans and advances	31/12/2020 Off-balance sheet commitments	31/12/2020 Total
France	211.9	0.0	211.9	36.3	0.0	36.3
Other countries	4.4	0.0	4.4	0.3	0.0	0.3
TOTAL RESTRUCTURED LOANS	**216.3**	**0.0**	**216.3**	**36.6**	**0.0**	**36.6**

7.1.11 Assets reclassified as losses during the reporting period and still subject to implementation measures

Does not apply to the Banque Palatine Group.

7.1.12 Breakdown by risk category of financial instruments subject to calculation of expected credit losses pursuant to IFRS 9

Does not apply to the Banque Palatine Group.

7.1.13 Financial assets acquired or created and impaired for credit risk on initial recognition (POCI)

in millions of euros	Assets reclassified as losses during the reporting period and still subject to implementation measures
Financial instrument class[1]	
Debt securities at amortised cost	1.6
Loans and receivables due from credit institutions at amortised cost	
Loans and advances to customers at amortised cost	43.9
Debt securities – Fair value through recyclable equity	
Loans and advances to credit institutions – Fair value through recyclable equity	
Loans and advances to customers – Fair value through recyclable equity	
Financing commitments	
Guarantee commitments	
TOTAL	**45.5**

(1) Contractual amount (before provision), i.e. different notion of gross carrying amount and amortised cost.

7.2 Market risk

Market risk reflects the risk of a financial loss as a result of market trends, such as:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market rates of interest;
- exchange rates;
- prices: price risk is the risk of a potential loss resulting from changes in market prices, irrespective of whether these are caused by factors specific to the instrument or its issuer, or by factors affecting all instruments traded on the market. Variable-income securities, equity derivatives and commodity derivatives are exposed to this type of risk; and
- more generally, any market input involved in the measurement of portfolios.

Systems for the measurement and monitoring of market risks are presented in the risk management report.

The information on the management of market risks required by IFRS 7, presented in the risk management report, breaks down as follows:

- the market risk measurement and monitoring framework;
- arrangements for monitoring market risks;
- banking law regarding the separation and regulation of banking activities and the Volcker rule;
- second-level controls for market risks;
- the work done in 2021.

7.3 Overall interest rate risk and foreign exchange risk

Interest rate risk is the risk that unfavourable changes in interest rates will adversely impact the Group's annual results and net asset value. Exchange rate risk is the risk of losses resulting from changes in exchange rates.

The management of the overall interest rate risk and the management of the foreign exchange risk are provided in the risk management report.

7.4 Liquidity risk

Liquidity risk is the risk that the Group will be unable to honour its obligations or make repayments as they fall due.

The funding procedures and liquidity risk management arrangements are disclosed in the risk management report – liquidity, interest rate and foreign exchange risk.

The disclosures relating to the management of liquidity risk required by IFRS 7 are set out in the risk management report: Pillar III, Balance sheet risk management.

Analysis by remaining term to maturity

The table below shows the amounts by contractual maturity date:

in millions of euros	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not determined	No fixed maturity, non-standard	Total at 31/12/2021
Cash, central banks	562.5	0.0	0.0	0.0	0.0	0.0	0.0	562.5
Financial assets at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	113.9	113.9
Financial assets at fair value through equity	10.6	0.0	89.2	407.6	394.3	7.9	0.0	909.5
Hedging derivatives	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5
Securities at amortised cost	2.6	0.0	38.7	106.4	78.9	0.0	0.0	226.7
Loans and advances due from credit institutions and similar items at amortised cost	1,750.9	888.0	1,122.9	200.0	650.0	0.0	0.0	4,611.8
Loans and advances due from customers at amortised cost	1,186.3	499.6	1,323.9	4,452.0	2,972.1	0.0	165.7	10,599.5
Remeasurement gains and losses on interest rate risk-hedged portfolios	0.0	0.0	0.0	0.0	0.0	0.0	2.6	2.6
FINANCIAL ASSETS BY MATURITY	**3,513.0**	**1,387.6**	**2,574.6**	**5,166.0**	**4,095.3**	**7.9**	**282.6**	**17,027.1**
Cash placed with central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	0.0	85.1	85.1
Hedging derivatives	0.0	0.0	0.0	0.0	0.0	0.0	30.4	30.4
Debts represented by a security	361.2	447.0	1,152.8	100.9	52.0	0.0	0.0	2,113.9
Amounts due to credit institutions and similar items	11.5	132.8	550.2	1,526.0	0.0	0.0	3.9	2,224.3
Amounts due to customers	10,748.3	19.5	299.3	202.3	1.7	0.0	0.0	11,271.2
Subordinated debt	0.2	0.0	0.0	0.0	200.0	0.0	0.0	200.2
Remeasurement gains and losses on interest rate risk-hedged portfolios	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL LIABILITIES BY MATURITY	**11,121.2**	**599.3**	**2,002.2**	**1,829.3**	**253.7**	**0.0**	**119.4**	**15,925.0**
Financing commitments given to credit institutions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financing commitments given to customers	801.4	25.1	124.6	1,151.8	5.9	0.0	10.7	2,119.5
TOTAL FINANCING COMMITMENTS GIVEN	**801.4**	**25.1**	**124.6**	**1,151.8**	**5.9**	**0.0**	**10.7**	**2,119.5**
Guarantee commitments in favour of credit institutions	97.8	12.8	35.6	3.1	0.0	0.0	0.0	149.3
Guarantee commitments given to customers	19.0	11.0	105.4	199.7	806.5	0.0	0.0	1,141.7
TOTAL GUARANTEE COMMITMENTS GIVEN	**116.8**	**23.8**	**141.0**	**202.8**	**806.5**	**0.0**	**0.0**	**1,290.9**

These financial instruments are:

- either held for sale or redeemed prior to their contractual maturity;
- or held for sale or redeemed at an indeterminable date (particularly where they have no contractual maturity);
- or measured on the balance sheet for an amount impacted by remeasurement effects.

Accrued interest not yet due is shown in the "Less than 1 month" column.

The amounts shown are contractual amounts excluding projected interest.

Note 8 Employee benefits

Accounting principles

Employee benefits are classified in four categories:

- the short-term employee benefits, such as salaries, paid annual leave, bonuses, incentive schemes and profit-sharing which are expected to be settled within twelve months of the end of the period and relating to said period, are recognised as expenses;
- the post-employment benefits for retired employees break down into two categories: defined-contribution plans and defined-benefit plans.

Defined-contribution plans such as the French national plans are those for which the Group's obligations are limited only to the payment of a contribution and do not include any employer obligation regarding a benefit level. Contributions paid under these plans are recognised as expenses for the year.

Post-employment defined-benefit plans refer to plans for which the Group has committed to providing an amount or level of benefits.

A provision is made for defined-benefit plans, which is determined on the basis of an actuarial valuation of the commitment taking into account demographic and financial assumptions. When these plans are financed by external funds that meet the definition of plan assets, the provision is reduced by the fair value of said assets.

The cost of defined benefit plans recognised as expenses for the period includes: the cost of services rendered (representative of the rights acquired by the beneficiaries during the period), the cost of past service (revaluation difference of the actuarial debt following an amendment or reduction of the plan), the net financial cost (accretion effect of the commitment net of the interest income generated by the hedging assets) and the effect of plan liquidations.

Actuarial debt remeasurement differences related to changes in demographic and financial assumptions and to experience adjustments are recorded in gains and losses recognised directly in non-recyclable equity in net income;

- other long-term benefits include benefits paid to active employees and payable more than twelve months after the end of the period. They notably include long-service awards.

They are measured using an actuarial method identical to that used for defined-benefit post-employment benefits. The way they are recognised differs for actuarial debt remeasurement differences, which are recognised as expenses;

- termination benefits are granted to employees on termination of their employment contract prior to their retirement date, whether as a result of redundancy or a decision by an employee to terminate a contract in exchange for a severance payment. A provision is made for them. Termination benefits not expected to be settled within the 12 months of the reporting date are discounted.

8.1 Personnel expenses

Payroll costs include all personnel costs and related social and tax charges.

in millions of euros	FY 2021	FY 2020
Wages and salaries	(73.4)	(79.8)
including expenses represented by equity-based payments	*0.0*	*0.0*
Defined-contribution and defined-benefit plan expenses[(1)]	(10.0)	(10.5)
Other tax and social security charges	(47.0)	(42.1)
Profit-sharing and incentive plans	(6.9)	(3.6)
TOTAL PERSONNEL EXPENSES	**(137.3)**	**(136.0)**

(1) The IFRS IC decision relating to IAS 19 "Employee benefits", implemented in 2021, would have resulted in the recognition of an adjusted amount for defined-benefit plan expenses presented for the 2020 financial year. Banque Palatine is not impacted by this decision.

The Group's average headcount during the year, broken down by professional category, was as follows: 832 managers and 375 non-managers, representing a total of 1,207 employees.

8.2 Employee commitments

The Palatine Group grants its staff a variety of employee benefits:

- retirements and similar schemes: pensions and other post-employment benefits;
- other: benefits such as long-service awards and other long-term employee benefits.

8.2.1 Analysis of employee-related assets and liabilities recorded on the balance sheet

in millions of euros	Post-employment benefits under defined-benefit plans		Other long-term benefits		31/12/2021	31/12/2020
	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other long-term benefits		
Actuarial debt[1]	0.5	19.9	4.1	7.5	32.1	28.2
Fair value of plan assets	0.0	(11.7)	0.0	0.0	(11.7)	(11.1)
Asset cap effect	0.0	0.0	0.0	0.0	0.0	0.0
Net amount reported on the balance sheet[1]	**0.5**	**8.2**	**4.1**	**7.5**	**20.4**	**17.1**
Employee benefits, liabilities[1]	0.5	8.2	4.1	7.5	20.4	17.1
Employee benefits, assets	0.0	0.0	0.0	0.0	0.0	0.0

(1) The implementation of the IFRS IC decision relating to IAS 19 "Employee benefits" did not result in a decrease in provisions in 2021 to offset the consolidated reserves for Banque Palatine.

8.2.2 Change in amounts recognised in the balance sheet

Change in actuarial liabilities

in millions of euros	Post-employment benefits under defined-benefit plans		Other long-term benefits		FY 2021	FY 2020
	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other long-term benefits		
Actuarial liabilities at start of year	**0.5**	**17.6**	**3.3**	**6.8**	**28.2**	**12.8**
Service cost	0.0	1.1	0.3	0.0	1.4	1.3
Interest cost	0.0	0.1	0.0	0.0	0.1	0.0
Benefits paid	0.0	(1.6)	(0.2)	0.0	(1.8)	(1.2)
Other items recognised in the income statement	0.0	0.1	0.8	0.7	1.6	1.5
Remeasurement gains and losses – Demographic assumptions	0.0	2.8	0.0	0.0	2.8	(0.1)
Remeasurement gains and losses – Financial assumptions	0.0	(0.1)	0.0	0.0	(0.1)	0.7
Remeasurement gains and losses – Experience adjustments	0.0	(0.1)	0.0	0.0	0.0	2.1
Other changes[1]	0.0	0.0	0.0	0.0	0.0	11.1
ACTUARIAL LIABILITIES AT THE END OF THE PERIOD	**0.5**	**19.9**	**4.1**	**7.5**	**32.1**	**28.2**

(1) The implementation of the IFRS IC decision relating to IAS 19 "Employee benefits" did not result in a decrease in provisions in 2021, offsetting the consolidated reserves presented on the "Other" line.

8.2.3 Cost of defined-benefit plans and other long-term employee benefits

Expenses for defined-benefit plans and other long-term employee benefits

in millions of euros	Post-employment benefits under defined-benefit plans	Long-service awards	Other long-term benefits	Other long-term benefits	FY 2021	FY 2020
Service cost	1.1	0.3	0.0	0.3	1.4	1.3
Net financial cost	0.1	0.0	0.0	0.0	0.1	0.0
Other (including income ceiling)	0.1	0.8	0.7	1.5	1.6	1.5
Expense for the period[(1)]	**1.3**	**1.1**	**0.7**	**1.8**	**3.1**	**2.8**
Benefits paid	(1.6)	(0.2)	0.0	(0.2)	(1.8)	(1.2)
Contributions received	0.0	0.0	0.0	0.0	0.0	0.0
Change in provisions following payments	**(1.6)**	**(0.2)**	**0.0**	**(0.2)**	**(1.8)**	**(1.2)**
TOTAL	**(0.3)**	**0.9**	**0.7**	**1.6**	**1.3**	**1.6**

(1) The implementation of the IFRS IC decision relating to IAS 19 "Employee benefits" in 2020 would not have resulted in any recognition as an expense in 2020.

Gains and losses recognised directly in equity of defined-benefit plans

in millions of euros	Supplementary pension benefits and other	Termination benefits	FY 2021	FY 2020
Cumulative remeasurement gains and losses at start of period	**(1.0)**	**6.0**	**5.0**	**2.9**
Remeasurement gains and losses in reporting period	0.0	2.0	2.0	2.8
CUMULATIVE REMEASUREMENT DIFFERENCES AT THE END OF THE PERIOD	**(1.0)**	**8.0**	**7.0**	**5.7**

8.2.4 Other information

Main actuarial assumptions

	31/12/2021	31/12/2020
	CGP-CE	CGP-CE
Discount rate	0.63%	0.45%
Inflation rate	1.70%	1.60%
Life tables used	TGH05-TGF05	TGH05-TGF05

The retirement age was calculated for each employee based on the number of quarters needed to claim a full-rate basic pension and the assumption of a start-of-career age of 23 for managerial-grade and 20 for non-managerial employees.

These calculations also take into account the effects of the most recent pension reform – the increase in the contribution period equal to one quarter every three years from 2020, leading to a total contribution period of 43 years by 2035 (excluding the effect of the Fillon Act of August 2003).

Sensitivity of actuarial liabilities to changes in key assumptions

At 31 December 2021, a 0.25% change in the discount rate would have the following impact on the actuarial liabilities:

	31/12/2021		
in millions of euros	Termination benefits	Long-service awards	Supplementary pension benefits and other
Discount rate	0.77%	0.55%	0.46%
Central scenario	8.2	4.1	0.5
0.25% increase	7.7	3.4	0.5
0.25% decrease	8.8	4.3	0.5

Note 9 Fair value of financial assets and liabilities

Overview

The purpose of this note is to present the principles used to measure the fair value of financial instruments as defined by IFRS 13 "Fair value measurement" and to specify certain valuation methods used by Groupe BPCE entities to determine the fair value of their financial instruments.

Financial assets and liabilities are measured on the balance sheet either at fair value or at amortised cost. An indication of the fair value of the items measured at amortised cost is however presented in the appendix.

For instruments traded in an active market subject to quoted prices, the fair value is equal to the quoted price, which corresponds to Level 1 in the hierarchy of fair value levels.

For other types of financial instruments, which are not quoted on an active market, including loans, borrowings and derivatives traded on over-the-counter markets, the fair value is determined using valuation techniques favouring market models and observable data, which corresponds to Level 2 in the hierarchy of fair value levels. Otherwise, in the case where internal data or proprietary models are used (Level 3 fair value), independent controls are put in place to validate the valuation.

Fair value measurement

General principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group measures the fair value of an asset or liability using assumptions that market participants would use to set the price of the asset or liability. These assumptions include in particular for derivatives an assessment of counterparty risk (or CVA – Credit Variation Adjustment) and of the risk of non-performance (or DVA – Debit Valuation Adjustment). These valuation adjustments are measured using market inputs.

In addition, derivatives that are traded with a counterparty belonging to Groupe BPCE's share support mechanism (see Note 1.2 "Guarantee mechanism") are not subject to the CVA or DVA valuation adjustments in the Group's financial statements.

Fair value upon initial recognition

For the majority of transactions, the price of trades (*i.e.* the value of the consideration paid or received) provides the best estimate of the fair value of the transactions at the initial recognition date.

Fair value hierarchy

Level 1 fair value and active market concept

For financial instruments, prices quoted in an active market ("Level 1 input") represent the most reliable evidence of fair value. They should be used without adjustment to measure fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume.

A decline in the level of market activity may be evidenced by indicators including:

- a significant decline in the primary market for the financial asset or liability (or for similar assets or liabilities);
- a significant decline in transaction volumes;
- price quotations are not updated very frequently;
- there is significant dispersion in prices available over time between the various market participants;
- there is a loss of correlation with indices that previously displayed a high level of correlation with the fair value of the asset or liability;
- there is a significant increase in prices or implied liquidity risk premiums, yields or performance indicators (such as delinquency rates and loss severities) when compared with the Group's estimate of expected cash flows, taking into account all available market data about credit and other non-performance risk for the asset or liability;

- there is a very wide bid-ask spread.

Instruments measured using (unadjusted) prices quoted in an active market (Level 1)

These are mainly equities, government or corporate bonds, certain derivatives traded in organised markets (*e.g.* plain vanilla options on CAC 40 or Eurostoxx indices).

In addition, the fair value of mutual funds is considered as being Level 1 if net asset value is calculated on a daily basis and if this represents a value at which an order can be placed.

Level 2 fair value

Where there is no quotation in an active market, fair value may be measured using appropriate methodology, in line with the generally accepted measurement methods in the financial markets, based on inputs observable in the markets ("Level 2 fair value").

If the asset or liability has a specific (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets or markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals,
  - implied volatilities,
  - credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ("market-corroborated inputs").

Instruments measured using recognised models and underpinned by directly or indirectly observable inputs (Level 2)

Level 2 derivative instruments

The following items will be classified in this category:

- plain vanilla and Constant Maturity Swaps (CMSs);
- Forward Rate Agreements (FRAs);
- standard swaptions;
- standard caps and floors;
- forward purchases and sales of liquid currencies;
- currency swaps and options on liquid currencies;
- liquid credit derivatives on a single name issuer or on the Itraax or Iboxx indices, etc.

Level 2 non-derivatives

Certain hybrid and/or long-maturity financial instruments are measured using a recognised model on the basis of market inputs derived from observable data such as yield curves, implied volatility layers of options, market consensus data or active over-the-counter markets.

For all such instruments, inputs were demonstrated to be observable. From a methodology perspective, observability is based on four inseparable criteria:

- inputs come from external sources (*via* a recognised contributor);
- the input is supplied periodically;
- the input is representative of recent transactions;
- the input's characteristics are identical to those of the transaction.

The margin generated when these instruments begin trading is immediately recognised in income.

Those instruments classified in Level 2 include:

- securities not listed on an active market whose fair value is determined on the basis of observable market data (for example: use of market data from comparable listed companies or earnings multiple method);
- shares in UCITS, the net asset value of which is not calculated and published on a daily basis, but are subject to regular reporting or offer observable data from recent transactions.

Level 3 fair value

Lastly, if there are not sufficient observable inputs available in the markets, fair value may be measured using a method based on internal models ("Level 3 fair value") using unobservable inputs. The model adopted must be calibrated by reconciling its results with recent transaction prices.

Over-the-counter instruments measured using infrequent models or using unobservable inputs to a great extent (Level 3)

When the measurements obtained are not supported by observable inputs or models recognised as market standards, the measurement obtained will be considered as unobservable.

Instruments measured using specific models or using unobservable parameters include:

- unlisted equities, generally investments in unconsolidated investments;
- certain UCITS for which net asset value is an indicative value (in the event of illiquidity, in the event of liquidation, etc.) and where there are no prices to support this value;
- FCPRs (venture capital funds): net asset value is frequently indicative as it is rarely possible to exit;
- multi-underlying equity structured products, options on funds, hybrid interest-rate products, securitisation swaps, structured credit derivatives, option-based interest-rate products;
- securitisation tranches for which no prices are quoted in an active market. These instruments are frequently measured based on contributors' prices (structurers, for example).

Transfers between levels of the fair value hierarchy

Information about transfers between levels of the fair value hierarchy is provided in Note 9.1.3 “Analysis of transfers between levels of the fair value hierarchy”. The amounts given in this note were calculated at the date of the last valuation prior to the change in the level of the fair value hierarchy.

Special cases: fair value of financial instruments recognised at amortised cost (securities)

For financial instruments not measured at fair value on the balance sheet, fair value calculations are disclosed for information purposes and should be interpreted as estimates.

In most cases, the values indicated are not likely to be realised and, generally speaking, are not actually realised.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used for the purpose of overseeing commercial banking activities, for which the management model is mainly based on collection of contractual cash flows.

Consequently, the following simplified assumptions were used:

- the carrying amount of assets and liabilities is deemed to be their fair value in certain cases. These include:
  - short-term financial assets and liabilities (with an initial term of one year or less) insofar as their sensitivity to interest rate risk and credit risk is not material during the period,
  - demand liabilities,
  - floating-rate loans and borrowings,
  - transactions in a regulated market (particularly regulated savings products), the prices of which are set by the public authorities;
- fair value of the customer loans portfolio: the fair value of loans is determined based on internal valuation models that discount future cash flows of recoverable capital and interest over the remaining term of the loan. Except in specific circumstances, only the interest rate component is remeasured, as the credit margin is established at the outset and not subsequently remeasured. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules;
- fair value of the interbank loans: the fair value of loans is determined based on internal valuation models that discount future cash flows of recoverable capital and interest over the remaining term of the loan. The interest rate component is remeasured, as is the credit risk component (where it is an observable piece of data used by the customer relationship managers or market participants). Failing that, the credit risk component is established at the outset and not subsequently remeasured, as with loans to customers. Prepayment options are factored into the model *via* an adjustment to loan repayment schedules;
- fair value of the debts: the fair value of fixed-rate debt owed to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the reporting date. The own credit spread is not taken into account.

9.1 Fair value of financial assets and liabilities

9.1.1 Fair value hierarchy of financial assets and liabilities

The following statement provides a breakdown of financial instruments by type of price and valuation model:

in millions of euros	Listing on an active market (Level 1)	Valuation techniques using observable data (Level 2)	Valuation techniques using unobservable data (Level 3)	TOTAL
Financial assets				
Derivatives	**0.0**	**23.3**	**3.2**	**26.4**
• Interest-rate derivatives	0.0	5.2	3.1	8.3
• Currency derivatives	0.0	18.1	0.1	18.2
Other				
Financial assets at fair value through profit or loss – Held for trading	**0.0**	**23.3**	**3.2**	**26.4**
Derivatives	**0.0**	**74.5**	**0.5**	**75.0**
• Interest-rate derivatives	0.0	72.5	0.5	73.0
• Currency derivatives	0.0	2.0	0.0	2.0
Financial assets at fair value through profit or loss – Economic hedging	**0.0**	**74.5**	**0.5**	**75.0**
Debt instruments	**0.0**	**10.3**	**2.2**	**12.5**
Debt securities	0.0	10.3	2.2	12.5
Financial assets at fair value through profit or loss – Non-standard	**0.0**	**10.3**	**2.2**	**12.5**
Debt instruments	**901.6**	**0.0**	**0.0**	**901.6**
Debt securities	901.6	0.0	0.0	901.6
Equity instruments	**0.0**	**6.0**	**1.9**	**7.9**
Shares and other equity securities	0.0	6.0	1.9	7.9
Financial assets at fair value through equity	**901.6**	**6.0**	**1.9**	**909.5**
Interest-rate derivatives	0.0	0.5	0.0	0.5
Hedging derivatives	**0.0**	**0.5**	**0.0**	**0.5**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**901.6**	**114.5**	**7.8**	**1,023.9**

in millions of euros	Listing on an active market (Level 1)	Valuation techniques using observable data (Level 2)	Valuation techniques using unobservable data (Level 3)	TOTAL
Financial liabilities				
Derivatives	**0.0**	**26.0**	**(0.1)**	**26.0**
• Interest-rate derivatives	0.0	9.4	0.0	9.4
• Currency derivatives	0.0	16.7	(0.1)	16.6
Other financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**
Financial liabilities at fair value through profit or loss – Held for trading	**0.0**	**26.0**	**(0.1)**	**26.0**
Derivatives	**0.0**	**59.2**	**0.0**	**59.2**
• Interest-rate derivatives	0.0	57.3	0.0	57.3
• Currency derivatives	0.0	1.9	0.0	1.9
Financial liabilities at fair value through profit or loss – Economic hedge	**0.0**	**59.2**	**0.0**	**59.2**
Interest-rate derivatives	0.0	30.4	0.0	30.4
Hedging derivatives	**0.0**	**30.4**	**0.0**	**30.4**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	**0.0**	**115.6**	**(0.1)**	**115.5**

9.1.2 Analysis of financial assets and liabilities classified in Level 3 of the fair value hierarchy

		Gains and losses recognised during the period			Management events during the period		Transfers of the period			
		In the income statement								
in millions of euros	31/12/2020	On transactions still outstanding at the reporting date	On transactions no longer in the balance sheet at the reporting date	In equity	Purchases/ Issues	Sales/ Redemptions	To another accounting category	From and to another level	Other changes	31/12/2021
FINANCIAL ASSETS										
Derivatives	**0.0**	**0.1**	**6.8**	**0.0**	**1.7**	**(5.5)**	**0.0**	**0.0**	**0.0**	**3.2**
• Interest-rate derivatives	0.0	0.0	6.4	0.0	1.6	(4.9)	0.0	0.0	0.0	3.1
• Currency derivatives	0.0	0.1	0.5	0.0	0.2	(0.6)	0.0	0.0	0.0	0.1
Financial assets at fair value through profit or loss – Held for trading	**0.0**	**0.1**	**6.8**	**0.0**	**1.7**	**(5.5)**	**0.0**	**0.0**	**0.0**	**3.2**
Derivatives	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**
Interest-rate derivatives	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0	0.0	0.5
Financial assets at fair value through	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.5**

profit or loss – Economic hedging										
Debt instruments	**4.1**	**0.0**	**0.0**	**0.0**	**0.0**	**(1.8)**	**0.0**	**0.0**	**0.0**	**2.2**
Debt securities	4.1	0.0	0.0	0.0	0.0	(1.8)	0.0	0.0	0.0	2.2
Financial assets at fair value through profit or loss – Non-standard	**4.1**	**0.0**	**0.0**	**0.0**	**0.0**	**(1.8)**	**0.0**	**0.0**	**0.0**	**2.2**
Equity instruments	**3.3**	**0.0**	**0.0**	**0.0**	**0.0**	**(1.3)**	**0.0**	**0.0**	**0.0**	**1.9**
Shares and other equity securities	3.3	0.0	0.0	0.0	0.0	(1.3)	0.0	0.0	0.0	1.9
Financial assets at fair value through equity	**3.3**	**0.0**	**0.0**	**0.0**	**0.0**	**(1.3)**	**0.0**	**0.0**	**0.0**	**1.9**

		Gains and losses recognised during the period			Management events during the period		Transfers of the period			
		In the income statement								
in millions of euros	31/12/2020	On transactions still outstanding at the reporting date	On transactions no longer in the balance sheet at the reporting date	In equity	Purchases/Issues	Sales/Redemptions	To another accounting category	From and to another level	Other changes	31/12/2021
Financial liabilities										
Derivatives	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**(0.6)**	**0.0**	**0.0**	**0.0**	**(0.1)**
Currency derivatives	0.0	0.0	0.5	0.0	0.0	(0.6)	0.0	0.0	0.0	(0.1)
Financial liabilities at fair value through profit or loss – Held for trading	**0.0**	**0.0**	**0.5**	**0.0**	**0.0**	**(0.6)**	**0.0**	**0.0**	**0.0**	**(0.1)**

9.1.3 Analysis of transfers between levels of the fair value hierarchy

No transfers were made between levels of the value hierarchy.

9.1.4 Sensitivity of Level 3 fair value to changes in principal assumptions

Financial instruments measured at Level 3 fair value mainly concern investments in unconsolidated subsidiaries and related certificates.

9.2 Fair value of financial assets and liabilities carried at amortised cost

For financial instruments not measured at fair value on the balance sheet, fair value calculations are disclosed for information purposes and should be interpreted as estimates.

In most cases, the values indicated are not likely to be realised and, generally speaking, are not actually realised.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is mainly based on collection of the expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortised cost are presented in Note 9.1 "Fair value of financial assets and liabilities".

	31/12/2021				31/12/2020			
in millions of euros	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST	**15,449.4**	**76.0**	**5,482.9**	**9,890.6**	**14,974.5**	**0.0**	**1,154.3**	**13,820.2**
Loans and receivables due from credit institutions	4,611.8	0.0	3,996.6	615.2	3,502.1	0.0	443.1	3,059.0
Loans and advances due from customers	10,599.5	0.0	1,469.1	9,130.5	11,168.5	0.0	711.2	10,457.3
Debt securities	238.1	76.0	17.2	144.9	303.9	0.0	0.0	303.9
FINANCIAL LIABILITIES AT AMORTISED COST	**15,809.5**	**0.0**	**13,824.6**	**1,984.9**	**16,029.9**	**0.0**	**9,371.3**	**6,658.5**
Amounts due to credit institutions	2,224.3	0.0	274.5	1,949.8	2,860.3	0.0	76.9	2,783.4
Amounts due to customers	11,271.2	0.0	11,271.2	0.0	11,356.4	0.0	9,294.5	2,062.0
Debts represented by a security	2,113.9	0.0	2,078.8	35.1	1,613.0	0.0	0.0	1,613.0
Subordinated debt	200.2	0.0	200.2	0.0	200.2	0.0	0.0	200.2

Note 10 Taxes

10.1 Income tax

Accounting principles

Income tax includes all domestic and foreign taxes due on the basis of the taxable income. Income tax also includes tax such as withholding tax which is payable by a subsidiary, an associate partner or a joint venture on its own dividend payments to the entity submitting the financial statements. The CVAE charge (contribution on corporate added value) is not retained as an income tax.

Income tax comprises:

- firstly, all current taxes, which means the tax due (recoverable) for the taxable income (tax losses) for a given period. These are calculated on the basis of the tax results recorded for each period by a consolidated tax entity in application of the tax rules and rates in force established by the tax authorities and on the basis of which the tax is to be paid (recovered);
- secondly, deferred tax (see 10.2 "Deferred tax").

When it is possible that the Group's tax position will not be accepted by the tax authorities, this situation is reflected in the accounts when current tax (due or recoverable) and deferred tax (assets or liabilities) are recorded.

As IAS 12 "Income tax" does not provide any particular precision on the way tax implications relating to the uncertain nature of the tax must be taken into consideration in the accounting, the IFRIC 23 interpretation "Uncertainties relating to tax treatment" adopted by the European Commission on 23 October 2018 and mandatory from 1 January 2019 has specified the treatment to be used.

This interpretation clarifies the recognition and measurement of current and deferred tax where there is uncertainty about the tax treatment applied. If there is doubt surrounding the acceptance of the tax treatment by the tax authorities under the tax legislation, the tax treatment is therefore an uncertain tax treatment. If it is likely that the tax authorities will not accept the tax treatment applied, IFRIC 23 states that the amount of uncertainty to be reflected in the financial statements must be determined using the method providing the best possible prediction of the outcome of such uncertainty. To determine this amount, two methods may be used: the most probable amount method, or the expected value method (*i.e.* the weighted average of the various possible scenarios). IFRIC 23 also calls for a follow-up of the evaluation of tax uncertainties.

The Group presents any uncertainties relating to the tax treatment of income taxes financial statements, when it deems it likely that the tax authorities will not accept them. To ascertain whether a tax position is uncertain, and assess its effect on the taxation amount, the Group assumes that the tax authorities will review all reported amounts, with access to all available information. It bases its judgement on administrative documentation, French case law, as well as any corrections made by the authorities for similar tax uncertainties. The Group reviews its estimate of the amount it expects to pay to or recover from the tax authorities in relation to any tax uncertainties in the event of any changes in the relevant facts and circumstances, which may result from (but which are not limited to) changes in tax laws, a statute of limitations, audit findings, and action taken by the tax authorities.

Tax uncertainty is recorded depending on whether it relates to current or deferred tax under balance sheet items “Deferred tax assets”, “Current tax assets”, “Deferred tax liabilities” and “Current tax liabilities”.

in millions of euros	FY 2021	FY 2020
Current tax	(11.3)	0.1
Deferred taxes	(8.5)	7.3
INCOME TAX EXPENSE	**(19.8)**	**7.4**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	FY 2021		FY 2020	
in millions of euros	in millions of euros	Tax rate	in millions of euros	Tax rate
Net income attributable to equity holders of the parent	48.7		(14.7)	
Changes in the value of goodwill	0.0		0.0	
Non-controlling interests	0.0		0.0	
Share in net income of associates	(0.4)		(0.3)	
Taxes	19.8		(7.4)	
Income before tax and changes in the value of goodwill (A)	**68.1**		**(22.4)**	
Standard tax rate in France (B)		**28.41%**		**32.02%**
Theoretical tax expense/(income) at the tax rate applicable in France (A*B)	**(19.3)**		**7.2**	
Change in unrecognised deferred taxes	0.0		0.0	
Impact of permanent differences	(1.1)		(0.5)	
Reduced tax rate and exempt activities	0.0		0.3	
Difference in tax rates on income taxed abroad	0.0		0.0	
Tax on prior periods, tax credits and other taxes	0.1		0.1	
Impact of tax rate changes	0.0		0.0	
Other items	0.6		0.3	
Tax expense/(profit) recognised	**(19.8)**		**7.4**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE AS A PERCENTAGE OF TAXABLE INCOME)		**29.07%**		**33.04%**

10.2 Deferred taxes

Accounting principles

Deferred tax assets and liabilities are recognised when temporary differences arise between the carrying amount of assets and liabilities at the reporting date and their tax base, irrespective of when the tax is expected to be recovered or settled.

Deferred tax assets and liabilities are measured at the tax rates and based on the tax rules in force and that are expected to apply to the period when the asset is recovered or realised.

Deferred tax liabilities and assets are offset at the level of each tax entity. The tax entity may either be a single entity or a tax consolidation group. Deferred tax assets are recognised only if it is probable that the entity concerned can recover them over a given period.

Deferred tax assets and liabilities are recognised as a tax profit or expense in the income statement, except for those relating to:

- remeasurement gains and losses on post-employment benefits;
- unrealised gains and losses on financial assets at fair value through equity;
- changes in the fair value of derivatives used as cash flow hedges;

for which the corresponding deferred tax assets and liabilities are recognised as gains and losses recognised directly in equity.

Deferred tax assets and liabilities are not discounted to their present value.

Deferred tax assets and liabilities on temporary differences arise from the recognition of the items listed in the statement below (positive figures indicate deferred tax assets, while negative figures in brackets represent deferred tax liabilities):

in millions of euros	31/12/2021	31/12/2020
Unrealised capital gains on UCITS	0.0	0.0
Tax EIGs (Economic Interest Groups)	0.0	0.0
Provisions for employee benefit obligations	0.4	0.6
Provisions for regulated home savings products	0.8	0.8
Non-deductible impairment in respect of credit risk	10.1	11.6
Other non-deductible provisions	1.5	1.9
Fair value of financial instruments with changes recognised in other retained earnings	(5.9)	(9.5)
Other temporary differences	12.5	14.7
Deferred tax assets and liabilities related to temporary differences	**19.5**	**20.1**
Deferred taxes related to the activation of tax losses carried forward	**0.0**	**4.4**
Deferred tax assets and liabilities on consolidation adjustments and eliminations	**0.3**	**0.4**
Deferred taxes not recognised for the sake of prudence	**0.0**	**0.0**
NET DEFERRED TAXES	**19.7**	**24.9**
Recognised		
As an asset	19.7	24.9
As a liability	0.0	0.0

Note 11 Other information

11.1 Segment information

In line with the standards adopted by Groupe BPCE, the Palatine Group presents information for the following three segments:

- retail banking;
- asset management;
- other activities.

The “Retail banking” segment encompasses all the activities of the Banque Palatine entity.

The “Asset management” segment encompasses all the activities of the “Palatine Asset Management” subsidiary.

These two segments are complemented by the “Other activities” segment encompassing Ariès Assurances and the share in the income of associates (Conservateur Finance).

The geographic analysis of segment results is based on the location where business activities are accounted for, with the Palatine Group's net banking income deriving in full from France.

	Retail banking		Asset management		Other activities		Total Group	
in millions of euros	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020	31/12/2021	31/12/2020
Net banking income	312.7	305.9	16.3	16.7	0.5	0.4	329.5	323.0
Operating expenses	(210.0)	(235.1)	(8.5)	(8.7)	(0.4)	(0.3)	(218.8)	(244.1)
Gross operating income	**102.7**	**70.9**	**7.9**	**8.0**	**0.2**	**0.1**	**110.7**	**78.9**
Cost/income ratio	67.2%	76.8%	51.8%	52.4%	67.4%	83.3%	66.4%	75.6%
Cost of risk	(39.0)	(100.3)	0.0	0.0	0.0	0.0	(39.0)	(100.3)
Share in net income of associates	0.0	0.0	0.0	0.0	0.4	0.3	0.4	0.3
Net gains or losses on other assets	(3.7)	(1.0)	0.0	0.0	0.0	0.0	(3.7)	(1.0)
Changes in the value of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before tax	**60.0**	**(30.4)**	**7.9**	**8.0**	**0.6**	**0.3**	**68.5**	**(22.1)**
Income tax	(17.6)	9.7	(2.1)	(2.3)	0.0	0.0	(19.7)	7.4
Non-controlling interests (minority interests)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**42.4**	**(20.7)**	**5.7**	**5.7**	**0.5**	**0.3**	**48.6**	**(14.7)**
TOTAL ASSETS	**17,205.8**	**17,500.7**	**15.5**	**19.0**	**4.6**	**4.2**	**17,226.0**	**17,524.0**

11.2 Information on leases

11.2.1 Leasing transactions as lessor

Accounting principles

Leases are analysed according to their substance and financial reality and are classified as either operating lease or finance lease transactions.

Finance lease contracts

A finance lease contract is defined as a lease that transfers virtually all the risks and benefits inherent in the ownership of the underlying asset to the lessee.

IFRS 16 on leases contains in particular five examples of situations that, individually or collectively, distinguish a finance lease from a simple operating lease:

- the lease transfers the ownership of the underlying asset to the lessee at the end of the term of the lease;
- the lease gives the lessee the option of purchasing the underlying asset at a price that should be sufficiently lower than its fair value at the date the option is exercised so that, from the start of the lease, one can reasonably assume the option will be exercised;
- the term of the lease covers most of the economic useful life of the underlying asset, even if there is no transfer of ownership;
- at the start of the lease, the present value of the lease payments amounts to at least most of the fair value of the underlying asset;
- the leased assets are of such a specific nature that only the lessee can use them without major changes.

In addition, IFRS 16 also describes three indicators of situations that, individually or collectively, may lead to a finance lease classification:

- if the lessee can terminate the lease, the losses suffered by the lessor relating to the termination are borne by the lessee;
- the gains or losses resulting from the change in the fair value of the residual value are borne by the lessee;
- the lessee has the option of extending the lease at a rent substantially below market price.

At the start of the lease, the assets covered by a finance lease are recorded in the lessor's balance sheet in the form of a receivable equal in value to the net investment in the lease. The net investment corresponds to the discounted value at the implied contract rate of all rate payments to be received from the lessee, plus any unguaranteed residual value of the underlying asset owed to the lessor. The rent payments used to value the net investment include more specifically the fixed payments, after deduction of lease incentives to be paid and the payment rent which varies on the basis of an index or a rate.

In accordance with IFRS 16, unguaranteed residual values are subject to regular review. A reduction in the estimated unguaranteed residual value leads to the modification of the profile for the allocation of income over the entire term of the lease. In this case, a new depreciation plan is drawn up and a charge recorded in order to correct the figure for financial income already recorded.

Potential impairments on the basis of the counterparty risk of receivables relating to finance lease contracts are calculated in accordance with IFRS 9 and using the method adopted for financial assets at amortised cost (Note 5.5). Their impact on the income statement is shown as the "Cost of credit risk".

Income from finance leases are retained as financial income recognised in the income statement under "Interest and similar income". This financial income is recognised on the basis of the implicit interest rate (IIR), which reflects a constant periodic rate of return on the lessor's net investment outstandings. The IIR is the discount rate that makes it possible to make equal:

- the net investment; and
- the starting value of the asset (starting fair value plus starting direct costs comprised of the costs incurred specifically by the lessor in order to set up a lease).

Operating lease contracts

If a contract is not identified as a finance lease it is classified as an operating lease.

Assets under operating leases are presented as property, plant and equipment and intangible assets in the case of movable assets and as investment property when they are buildings. Rents from operating leases are recognised on a straight-line basis over the term of the lease under "Income and expense from other activities".

The Palatine Group does not enter into leasing transactions as lessor.

11.2.2 Leasing transactions as lessee

Accounting principles

IFRS 16 applies to leases which, whatever the legal term used, comply with the definition of a lease as established by the standard. This involves identifying an asset and the lessee's control of the right to use said asset. Control is established where the lessee holds the following two rights throughout the entire term of use:

- the right to obtain almost all of the economic benefits generated by the use of the asset;
- the right to determine the use made of the asset.

The existence of an identified asset is in particular subject to the absence, for the lessor, of substantial rights regarding the substitution of the leased asset, this condition being assessed with regard to those facts and circumstances in existence at the start of the contract. The lessor's option to replace a leased asset without restriction means that the contract is not a lease, the subject thereof being then the provision of a capacity and not of an asset.

The asset may be comprised of one part of a larger asset, such as one floor of a building. In contrast, a part of an asset which is not physically separate within a complex without any precise pre-defined location does not constitute an identified asset.

Except for certain exemptions stipulated by the standard, IFRS 16 requires the tenant to recognise leases in the balance sheet in the form of the right to use the asset leased presented as an asset, among the property, plant and equipment, and a rental liability, among miscellaneous liabilities.

As of the date of the initial statement of accounts, no deferred taxation has been recorded as the value of the assets is equal to the value of the liabilities. Any temporary subsequent net differences resulting from fluctuations in the amounts recorded on the basis of user rights and leasehold liabilities shall lead to the recording of deferred tax.

The leasehold liabilities are assessed on the date on which the lease comes into force, using the discounted value of all payments due to the lessor over the entire term of the lease and which have not already been paid.

These payments include rent which is fixed or fixed in substance, variable rent based on an index or a rate applied on the basis of the latest applicable index or rate, any potential guarantees of residual value as well as, if applicable, all amounts to be paid to the lessor on the basis of the options which are reasonably certain to be exercised.

The rent payments retained to calculate the rental liability exclude any variable payments not based on an index or a rate, tax such as VAT, whether recoverable or not, and French council tax equivalent.

The right of use is recognised as an asset on the date on which the lease comes into force for an amount equal to the rental liabilities at this date, adjusted on the basis of any payments made to the lessor before or on this date and therefore not included in the valuation of the rental liabilities, after deduction of the promotional benefits received. If applicable, this amount is adjusted by the initial direct costs to the lessee and an estimate of the cost of removals and redecoration to the extent required by the terms and conditions of the lease, where the exit of the resource is probable and can be determined on a sufficiently reliable basis.

The right of use will be amortised on a straight-line basis and the lease liability actuarially by using, as the discount rate, the lessees' incremental borrowing rate mid-lease.

The value of the rental liabilities is subsequently re-adjusted to include variations in the indices or rates used to index the rent. As this adjustment has the right of use as its counterparty, there is no impact on the income statement.

For entities which form part of the financial solidarity mechanism which pools their re-financing from Group cash resources, this rate is calculated on a group level and, if applicable, adjusted in the currency applicable to the lessee.

The term of the lease corresponds to the period during which termination is not possible during which the lessee has the right to use the underlying asset plus, if applicable, any periods covered by extension options which the lessee is reasonably certain to exercise and any periods covered by termination options which the lessee is reasonably certain not to exercise.

For French leases known as "3/6/9", the term retained is in general 9 years. The reasonable certainty regarding the exercise or not of the options relating to the term of the lease is assessed on the basis of the real estate management strategy defined by the Group institutions.

At the end of the lease, the contract can no longer be enforced, lessee and lessor having each the right to terminate the lease without permission from the other party and with exposure to a negligible fine only.

The term of contracts not renewed or terminated at this term, known as "tacit extensions", is determined on the basis of an expert judgment as to the prospects for holding these contracts and failing that in the absence of *ad hoc* information over a reasonable period of three years.

For leases recorded in the balance sheet, the expense related to the lease liability is included in the interest margin under net banking income while the amortisation expense of the right of use is recognised as amortisation of property, plant and equipment within gross operating income.

Leases not recorded on the balance sheet, together with variable payments excluded from the calculation of rental liabilities, are presented as charges for the period within the general operating charges.

Impact on leases on the income statement – lessee

in millions of euros	FY 2021	FY 2020
Interest due on rental liabilities	(0.1)	(0.1)
Amortisation of the basis of rights of use	(8.4)	(7.8)
Variable rent payments not included in the valuation of the rental liabilities	0.0	0.0
LEASE EXPENSES RELATED TO LEASES RECOGNISED IN THE BALANCE SHEET	**(8.5)**	**(7.9)**

in millions of euros	FY 2021	FY 2020
Rental expenses on the basis of short-term leases	(1.4)	(1.5)
Rental expenses related to low-value assets	0.0	0.0
LEASE EXPENSES RELATED TO LEASES NOT RECOGNISED IN THE BALANCE SHEET	**(1.4)**	**(1.5)**

Flows related to rental liabilities are allocated to cash flows generated by financing activities, whereas rental payments relating to leases or payments not recognised on the balance sheet (short-term leases, low-value assets and variable payments) are presented with the cash flows relating to operations.

Timetable for rental liabilities

	31/12/2021					31/12/2020				
	Non-discounted future payments					Non-discounted future payments				
in millions of euros	Less than 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	TOTAL	Less than 6 months	6 months to 1 year	1 year to 5 years	Over 5 years	Total
Rental liabilities	3.2	3.2	15.9	3.1	25.3	3.9	3.9	14.5	4.3	26.4

Commitments under leases not yet recognised on the balance sheet

Minimum future payments relating to leases which are binding for the Group but for which the underlying assets are not yet available are not recorded on the balance sheet in accordance with IFRS 16 before the date of their delivery. The Palatine Group has no leases which have not yet been recognised on the balance sheet.

Profit or loss from leaseback operations

in millions of euros	FY 2021	FY 2020
Profits (or losses) from sale and leaseback transactions	0.0	0.0

11.3 Transactions with related companies

The parties related to the Palatine Group are the consolidated companies, including associates, BPCE, IT centres and the Group's main senior executives.

11.3.1 Transactions with consolidated companies

All intercompany transactions entered into in the period and balances outstanding at the end of the period with fully consolidated companies are eliminated in full on consolidation.

In these circumstances, transactions with related parties include reciprocal transactions with:

- Banque Palatine's parent-company, that is the BPCE central body;
- entities over which the Palatine Group exercises significant influence and are recognised using the equity method (associates).

in millions of euros	31/12/2021 BPCE	31/12/2021 Associates	31/12/2020 BPCE	31/12/2020 Associates
Loans	4,248.8	0.0	3,174.9	0.0
Other financial assets	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0
TOTAL ASSETS WITH RELATED ENTITIES	**4,248.8**	**0.0**	**3,174.9**	**0.0**
Liabilities	2,334.1	5.7	2,934.6	6.5
Other financial liabilities	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0
TOTAL LIABILITIES TO RELATED ENTITIES	**2,334.1**	**5.7**	**2,934.6**	**6.5**
Interest and similar income and expenses	22.2	0.0	19.7	0.0
Fees and commission	0.0	0.0	0.0	0.0
Net income from financial transactions	0.0	0.0	0.0	0.0
Net income from other activities	0.0	0.0	0.0	0.0
TOTAL NET REVENUE BEFORE TAX GENERATED WITH RELATED ENTITIES	**22.2**	**0.0**	**19.7**	**0.0**
Commitments given	0.0	0.0	0.0	0.0
Commitments received	0.0	0.0	1.7	0.0
Commitments on forward financial instruments	0.0	0.0	0.0	0.0
TOTAL COMMITMENTS WITH RELATED ENTITIES	**0.0**	**0.0**	**1.7**	**0.0**

A list of fully consolidated subsidiaries is presented in the scope of consolidation section (see Note 13 “Details of the scope of consolidation”).

11.3.2 Transactions with executives

The main senior executives are the members of Banque Palatine’s Executive Management Committee and Board of Directors.

Short-term employee benefits

The short-term benefits paid to senior executives came to €1 million in 2021 (€1.3 million in 2020).

They include remuneration and benefits paid to corporate officers (basic remuneration, remuneration paid in respect of office, benefits in kind, variable portion and Directors’ fees).

Other transactions with corporate officers:

in millions of euros	FY 2021	FY 2020
Overall amount of the loans granted	0.0	0.0
Overall amount of the pledges granted	0.0	0.0

Post-employment benefits, long-term employee benefits and termination benefits

For corporate officers who do not have an employment contract, no provision has been recognised.

11.4 Joint arrangements and associates

Accounting principles: See Note 3 "Consolidation"

11.4.1 Shares in associates

11.4.1.1 Partnerships and other associates

The Group's main investments in joint ventures and associates were as follows:

in millions of euros	31/12/2021	31/12/2020
Conservateur Finance	4.5	4.1
Financial companies	**4.5**	**4.1**
TOTAL INVESTMENTS IN ASSOCIATES	**4.5**	**4.1**

11.4.1.2 Financial data of the main partnerships and associates

The summary financial data for joint ventures and/or companies under significant influence was as follows:

	Associates	
	Conservateur Finance	
in millions of euros	31/12/2021	31/12/2020
Dividends received	**0.0**	**0.0**
MAIN AGGREGATES		
Total assets	**25.3**	**25.7**
Total debt	**2.9**	**5.3**
Income statement		
net revenue before tax	20.4	19.6
Income tax	0.7	0.7
Net income	2.0	1.4
RECONCILIATION WITH THE CARRYING AMOUNT OF THE EQUITY-ACCOUNTED COMPANIES		
Equity of associates	22.3	20.3
Percentage interest	20.00%	20.00%
Value of shares in associates	**4.5**	**4.1**

11.4.1.3 Nature and extent of significant restrictions

The Group did not face any major restrictions on interests held in associates and joint ventures.

11.4.2 Share in net income of associates

in millions of euros	FY 2021	FY 2020
Conservateur Finance	0.4	0.3
Financial companies	**0.4**	**0.3**
SHARE IN NET INCOME OF ASSOCIATES	**0.4**	**0.3**

11.5 Interests in unconsolidated structured entities

11.5.1 Nature of interests in unconsolidated structured entities

An unconsolidated structured entity is a structured entity that is not controlled and is therefore not fully consolidated. As a result, interests held in a joint venture or associate classified as a structured entity fall within the scope of this note.

The same applies to controlled structured entities and not fully consolidated for threshold reasons.

This includes all structured entities in which the Palatine Group holds an interest and acts in one or more of the following roles:

- originator/structurer/arranger;
- placing agent;
- manager;
- any other role that has a major impact on the structuring or management of the transaction (*e.g.* granting of financing, guarantees or structuring derivatives, tax investor, significant investor).

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Palatine Group to variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement, collateral or structured derivatives.

In Note 11.5.2 “Nature of risks relating to interests in unconsolidated structured entities”, the Palatine Group shows all transactions recorded on its balance sheet in respect of interests held in unconsolidated structured entities.

Structured entities may be classified by the Group into four categories: entities involved in asset management, securitisation vehicles, entities created as part of structured financing and entities created for other types of transactions.

Asset management

The management of financial assets (also known as portfolio management or Asset Management) consists in managing the capital or funds entrusted by investors by investing in equities, bonds, cash SICAVs, hedge funds, etc.

The asset management line of business using structured entities is represented by collective management or fund management. It encompasses collective investment vehicles within the meaning of the French Monetary and Financial Code (other than securitisation vehicles) as well as equivalent bodies governed by foreign law. These notably include entities such as UCITS, real estate funds and private equity funds.

Securitisation

Securitisation transactions generally consist of structured entities ring-fencing assets or derivatives representing credit risk.

These entities serve to diversify the underlying credit risks and to split them into various levels of subordination (tranches), in most cases to sell them to investors seeking a certain level of return, according to the degree of risk accepted.

These vehicles’ assets and the liabilities they issue are rated by the rating agencies, which monitor the level of risk associated with each tranche of risk sold in relation to the rating they are given.

The securitisation approaches used, involving structured entities, are as follows:

- transactions in which the Group (or a subsidiary) sells on its own behalf to a dedicated vehicle, in cash or synthetic form, the credit risk associated with one of its asset portfolios;
- securitisation transactions on behalf of third parties. These transactions consist in housing assets belonging to another company in a dedicated structure (generally a special purpose entity – SPE). The SPE issues shares that may, in certain cases, be subscribed for directly by investors or by a multi-seller conduit, which refinances the acquisition of these shares through the issue of short-term notes (commercial paper).

Structured (asset) financing

Structured financing is a term encompassing the range of activities and products set up to provide financing to economic participants, while reducing risks through the use of complex structures. This concerns the financing of movable assets (related to aeronautical, maritime or land transport, telecommunication, etc.) and fixed assets and the acquisition of targeted companies (LBO financing).

Groupe BPCE may be required to create a structured entity in which a specific financing transaction is held on behalf of a client. This involves contractual and structural organisation. The specificities of these financing arrangements are linked to risk management, with recourse to notions such as limited recourse or waiver of recourse, conventional and/or structural subordination and the use of dedicated legal vehicles to in particular bear a single leasing agreement which is representative of the financing granted.

Other activities

This includes all the remaining activities.

11.5.2 Nature of risks relating to interests in unconsolidated structured entities

Assets and liabilities recognised in the Group’s various balance sheet accounts in respect of interests held in unconsolidated structured entities help to determine the risks associated with these entities.

The securities identified under assets, together with financing and guarantee commitments given, less guarantee commitments received, are used to assess maximum exposure to the risk of loss.

The aggregated data is presented below by type of activity.

FY 2021:

Excluding insurance investments in millions of euros	Securitisation	Asset management	Structured financing	Other activities
Financial assets at fair value through profit or loss	**0.0**	**10.2**	**0.0**	**0.0**
Financial instruments classified at fair value (option)	0.0	10.2	0.0	0.0
TOTAL ASSETS	**0.0**	**10.2**	**0.0**	**0.0**
Maximum exposure to the risk of loss	**0.0**	**10.2**	**0.0**	**0.0**
Size of structured entities	**0.0**	**900.1**	**0.0**	**0.0**

FY 2020:

Excluding Investments in insurance activities in millions of euros	Securitisation	Asset management	Structured financing	Other activities
Financial assets at fair value through profit or loss	**0.0**	**14.0**	**0.0**	**0.0**
Financial assets at fair value through profit or loss – Non-standard	0.0	0.2	0.0	0.0
Financial instruments classified at fair value (option)	0.0	13.8	0.0	0.0
TOTAL ASSETS	**0.0**	**14.0**	**0.0**	**0.0**
Maximum exposure to the risk of loss	**0.0**	**14.0**	**0.0**	**0.0**
Size of structured entities	**0.0**	**7,444.6**	**0.0**	**0.0**

11.5.3 Income and carrying amount of assets transferred to sponsored unconsolidated structured entities

A structured entity is sponsored by a Group entity when the following two indicators are both satisfied:

- it is involved in setting up and structuring the structured entity;
- it contributes to the entity's success by transferring assets to it or by managing the relevant activities.

When the Group entity's role is confined to acting as an advisor, arranger, custodian or placement agent, the structured entity is not considered to be sponsored.

11.6 Statutory Auditors' fees

	Deloitte				PricewaterhouseCoopers				KPMG				TOTAL			
	Amount		%		Amount		%		Amount		%		Amount		%	
In thousands of euros	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Role of certification of financial statements	**0**	**0**	**0%**	**0%**	**212**	**240**	**0%**	**76%**	**295**	**204**	**0%**	**73%**	**507**	**444**	**91%**	**57%**
• Issuer	0	0			203	202			263	196			466	398		
• Fully consolidated subsidiaries	0	0			9	38			32	8			41	46		
Services other than the certification of the financial statements	**11**	**181**	**100%**	**100%**	**22**	**77**	**9%**	**24%**	**17**	**77**	**5%**	**27%**	**50**	**335**	**9%**	**43%**
• Issuer	11	181			22	77			17	77			50	335		
• Fully consolidated subsidiaries	0	0			0	0			0	0			0	0		
TOTAL	**11**	**181**	**100%**	**100%**	**234**	**317**	**100%**	**100%**	**312**	**281**	**100%**	**100%**	**557**	**779**	**100%**	**100%**
Change (%)				(94)%				(26)%				11%				(28)%

The total amount of Deloitte's fees recorded in the corporate income statement for the financial year amounted to €11 thousand and corresponds to a specific mission relating to a review of the reconciliation between accounting and management and a mission to certify the Banque Palatine SEU fund.

The total amount of PricewaterhouseCoopers Audit's fees recorded in the consolidated income statement for the financial year amounted to €234 thousand, of which €212 thousand for the audit of the financial statements and €22 thousand for certification of the SRF.

The total amount of KPMG's fees recorded in the consolidated income statement for the financial year amounted to €312 thousand, of which €295 thousand for the certification of the financial statements and €17 thousand for an assignment on the management report and the regulated agreements.

Note 12 Preparation of comparative data

Accounting principles and scope

The accounting principles and methods used to prepare *pro forma* data are those used by the Group to prepare its consolidated financial statements as described in Note 2 "Applicable accounting standards and comparability" and Note 3 "Consolidation" of this appendix.

The *pro forma* scope of consolidation includes the entities consolidated by the Group over 2021. It has been supplemented to take into account the effects of the transactions mentioned above.

Note 13 Details of the scope of consolidation

13.1 Scope of consolidation at 31 December 2021

Entities whose contribution to the consolidated financial statements is not significant are not eligible to enter the scope of consolidation. For entities that meet the definition of financial sector entities of EU Regulation No. 575/2013 of the European Parliament and Council of 26 June 2013 (the "CRR"), the accounting consolidation thresholds are aligned, from 31 December 2017, to those selected for the prudential scope of consolidation. Article 19 of the CRR refers to a €10 million threshold of total balance sheet and off-balance sheet items. For entities in the non-financial sector, materiality is assessed at the level of the consolidated entities. According to the principle of ascending significance, any entity included in a lower-level scope is included in higher-level consolidation scopes, even if it is not significant for them.

For each of the entities in the scope of consolidation, the percentage interest is indicated. The percentage interest expresses the share of capital held by the Group, directly and indirectly, in the companies in the scope of consolidation. The percentage interest makes it possible to determine the Group's share of the net assets of the company held.

	31/12/2021				
	Country of incorporation or residence	Consolidation method	Changes in scope compared with 31 December 2020	Percentage control	Percentage interest
Banque Palatine	**France**	**Full consolidation**			**Consolidating entity**
Palatine Asset Management	France	Full consolidation	-	100.0%	100.0%
Ariès Assurances	France	Full consolidation	-	100.0%	100.0%
Conservateur Finance	France	Equity method	-	20.0%	20.0%

13.2 Non-consolidated companies at 31 December 2021

Regulation No. 2016-09 of 2 December 2016 of the French Accounting Standards Authority (*Autorité des normes comptables* – ANC) requires companies that prepare their consolidated financial statements in accordance with international standards as adopted by the European Union to publish additional information relating to companies not included in their scope of consolidation, as well as investments in unconsolidated subsidiaries of a significant nature.

The companies not consolidated comprise:

- on the one hand, significant investments which are not covered in the scope of consolidation; and
- on the other hand, companies excluded from the scope of consolidation because the stake therein is not significant.
- The following companies were excluded from the scope of consolidation because the stake therein is not significant; in each case, the capital held by the Group, directly and indirectly, is indicated:

Companies	Location	Stake	Reason for not consolidating
GIE GDS GESTION DELEGUEE SOCIALE	France	99.50%	Not significant
STE IMMOBILIERE D'INVESTISSEMENT	France	99.98%	Not significant

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STATUTORY AUDITORS' REPORT

1 Statutory Auditors' report on the annual financial statements

Year ended 31 December 2021

To the General Meeting,

Opinion

Pursuant to the mission entrusted to us by your General Meeting, we conducted an audit of the annual financial statements of Banque Palatine SA for the financial year ended 31 December 2021, as appended to this report.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company, and of the results of its operations for the year ended, in accordance with French accounting principles.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis of opinion

Audit standards

We carried out our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are explained in the section on "Auditor's responsibilities for the Audit of the parent-company financial statements" in this report.

Independence

We conducted our audit in accordance with the applicable standards of independence, as stipulated by the French Commercial Code and by the Professional Code of Conduct of French Statutory Auditors, between 1 January 2021 and the date of issue of our report. In particular, we did not provide any services prohibited under Article 5, paragraph 1, of EU Regulation No. 537-2014.

Justification of our assessments – Key audit matters

The global crisis related to the Covid-19 pandemic created special conditions for the preparation and audit of the financial statements for the year in question. Indeed, this crisis and the exceptional measures taken in the framework of the health emergency entailed multiple consequences for companies, particularly for their activity and financing, as well as increased uncertainties about their future prospects. Some of these measures, such as travel restrictions and teleworking, also affected the internal organisation of companies and the implementation of audits.

It is in this complex and evolving context that, in application of the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most important for the audit of the parent-company financial statements for the year, as well as the responses we have provided to these risks. These assessments are made in the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We have no comment to make on the items of the annual financial statements taken in isolation.

Risk identified	Our response
Banque Palatine is exposed to credit risk and to counterparty risk. The bank constitutes impairments and provisions to cover these risks of losses resulting from the inability of its customers to meet their financial commitments. In particular, these impairments and provisions are recognised as doubtful loans outstanding. Outstanding loans and commitments bearing a proven counterparty risk are subject to impairments determined mainly on an individual basis. These impairments are assessed by your bank's management according to the estimated future recoverable flows, taking into account the guarantees available on each of the loans concerned. Given the importance of judgement in determining these impairments and provisions, we believed that the estimate of expected losses on doubtful loans and commitments was a key point of our audit. In particular, in the context of the crisis linked to the Covid-19 pandemic, we considered that the assessment of the adequacy of the level of credit risk coverage by provisions and the level of the associated cost of risk constituted an area of special attention for the 2021 financial year. At 31 December 2021, outstanding customer loans amounted to €10,647.5 million, and gross doubtful loans to €497.4 million. The impairments and provisions made to cover customer credit risks classified as doubtful amounted to €253.3 million. For further details on accounting principles and exposures, see Notes 3.9 and 4.2 to the financial statements.	We examined the system set up by the risk management department to classify loans (non-doubtful and doubtful) and to assess the amount of expected or established losses on these loans, taking into account, in particular, the crisis linked to the Covid-19 pandemic. We tested the controls implemented by the management to identify doubtful loans and to assess the likelihood of recovery and impairment. We also took note of the main conclusions by the specialised committees responsible for monitoring these loans. For impairment: • We checked the impairment calculations on a portfolio basis, • Furthermore, we carried out control tests on the system for identifying and monitoring doubtful and disputed counterparties, on the credit review process and on the guarantee appraisal system, • On the basis of two samples of credit files compiled statistically and according to expert opinion, we reviewed the level of impairment retained by the bank *via* contradictory analyses of impairment amounts, • We also took note of the main conclusions by the specialised committees responsible for monitoring these loans and checked, on a sample of cases, that they were correctly included in the estimated impairments. We also ensured that the information presented in the notes was appropriate.

Specific verifications

We also performed, in accordance with the professional standards applicable in France, the specific checks required by law and regulations.

Disclosures in the management report and other documents sent to shareholders concerning the financial position and the parent-company financial statements

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the Board of Directors' management report and in the other documents on the financial position and annual financial statements sent to shareholders, with the exception of the observation made above.

The fair presentation and consistency with the annual financial statements of the information relating to payment terms mentioned in Article D. 441-6 of the French Commercial Code call for the following observation:

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

Board of Directors' report on corporate governance

We certify that the Board of Directors' report on corporate governance contains the information required by Articles L. 225-37-4 and L. 22-10-10 of the French Commercial Code.

Other verifications or information required by law and regulations

Format of the parent-company financial statements intended to be included in the annual financial report

In accordance with the professional standards pertaining to the Statutory Auditors' work on annual and consolidated financial statements presented in the single European electronic reporting format, we have also verified the compliance with this format, as defined by EU Delegated Regulation No. 2019-815 of 17 December 2018, in the presentation of the annual financial statements intended to be included in the annual financial report mentioned in section I of Article L. 451-1-2 of the French Monetary and Financial Code, prepared under the responsibility of the Chief Executive Officer.

Based on our work, we conclude that the presentation of the annual financial statements intended to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

It is not our responsibility to verify that the annual financial statements that will be included by your company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of Statutory Auditors

We were appointed as Statutory Auditors of the company Banque Palatine SA by the shareholders at the General Meetings of 20 April 2007, in the case of KPMG Audit FSI, and of 12 April 2001, in the case of PricewaterhouseCoopers Audit.

At 31 December 2021, KPMG Audit FSI had conducted its duties for 15 years without interruption and PricewaterhouseCoopers Audit had done so for 21 years.

Responsibilities of the management and those charged with corporate governance in relation to the parent-company financial statements

Management is responsible for preparing annual financial statements that present a true and fair view in accordance with French accounting principles and for establishing such internal controls as it deems necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent-company financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is a plan either to liquidate the company or to cease its operations.

It is the responsibility of the Audit Committee to monitor the process for preparing financial information and the effectiveness of the internal control and risk management systems, as well as any internal audit, regarding the procedures used to prepare and process accounting and financial information.

The parent-company financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors in relation to the audit of the parent-company financial statements

Audit objectives and procedures

It is our responsibility to draw up a report on the parent-company financial statements. Our objective is to obtain reasonable assurance that the parent-company financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in Article L. 823-10-1 of the French Commercial Code, our audit mission does not require us to guarantee the viability or quality of the management of your company.

The professional standards applicable in France require that Statutory Auditors exercise professional judgement throughout the audit. In addition, they:

- identify and assess the risks of material misstatement in the parent-company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management in the parent-company financial statements;
- assess the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Such conclusions are based on evidence collected up to the date of the report. However, events or conditions arising after this date may threaten the company's continuity as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent-company financial statements or, if such disclosures are missing or inadequate, to issue a certificate with reserves or to refuse certification;
- assess the overall presentation and content of the parent-company financial statements and whether the statements give a true and fair view of the underlying transactions and events.

Report to the Audit Committee

We present to the Audit Committee a report which covers among other matters the audit scope and the programme of work undertaken as well as the conclusions based on this work. We also draw attention, where necessary, to any significant weaknesses identified in internal control as regards the procedures used to prepare and process accounting and financial information.

The items covered in the report to the Audit Committee include the risks of material misstatement that we judge to be the most significant for the audit of the financial statements for the financial year and which therefore constitute one of the key audit matters, which we are obliged to describe in this report.

We also present to the Audit Committee the declaration required by Article 6 of EU Regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as set out notably in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Statutory Auditors' Professional Code of Conduct. Where applicable, we discuss with the Audit Committee any risks to our independence and any safeguards applied.

Paris-La Défense and Bordeaux, 22 April 2022

KPMG Audit FS I	**PricewaterhouseCoopers Audit**
Marie-Christine Jolys	Antoine Priollaud
Partner	*Partner*

2 Statutory Auditors' special report on regulated agreements

(General Meeting held to approve the financial statements for the financial year ended 31 December 2020)

To the Shareholders of Banque Palatine SA,

In our capacity as Statutory Auditors of your company, we hereby present our report on the regulated agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the characteristics, the essential terms and the justifications of the agreements about which we have been informed or that we have discovered during our audit, without commenting on their usefulness or merit or ascertaining the existence of other such agreements. It is your responsibility, under the terms of Article R. 225-31 of the French Commercial Code, to assess the benefits resulting from these agreements prior to their approval.

In addition, we are required to inform you, in accordance with Article R. 225-31 of the French Commercial Code, of the execution, during the past year, of the agreements already approved by the General Meeting.

We have carried out the work we considered necessary to comply with the professional guidelines issued by the French national auditing body *(Compagnie nationale des Commissaires aux comptes)* relating to this type of assignment. Our work consisted of verifying that the information provided to us is consistent with the underlying documents from which it was extracted.

Agreements subject to shareholder approval

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed of the following agreements entered into during the past financial year which were subject to the prior authorisation of your Board of Directors.

Agreements with senior executives:

Amendment of the Chief Executive Officer's unemployment insurance policy for business leaders (*Garantie sociale des chefs d'entreprise* – GSC)

Persons concerned:

Christine Jacglin (Chief Executive Officer of Banque Palatine SA until 31 December 2021)

Nature and purpose:

This agreement was approved by the Board of Directors on 4 March 2021.

This agreement changes the coverage rate of Christine Jacglin's GSC (agreement already approved by the General Meeting – see below) from 55% to 70%. This change was not implemented by the service provider given the departure of Christine Jacglin on 31 December 2021.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Increase in the fixed compensation of the Deputy Chief Executive Officer

Person concerned:

Patrick Ibry (Deputy Chief Executive Officer of Banque Palatine SA)

Nature and purpose:

This agreement was approved by the Board of Directors on 10 December 2021.

Given the widening of the Deputy Chief Executive Officer's duties, his remuneration was increased from €205 thousand to €225 thousand.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Departure benefit for forced termination of the Chief Executive Officer's term of office

Person concerned:

Didier Moaté (Chief Executive Officer of Banque Palatine SA from 1 March 2022)

Nature and purpose:

This agreement was approved by the Board of Directors on 10 December 2021.

The enforced departure benefit is payable to executives and former executives of the Banque Populaire banks and Caisse d'Epargne. Didier Moaté benefits from this benefit because of his professional mobility from within the Group.

The enforced departure benefit is only payable to senior executives without an employment contract whether it is "active" or suspended.

The enforced departure benefit is payable only if the company generated a positive net income for accounting purposes over the most recent financial year preceding the enforced loss of the relevant corporate office (year N-1).

In any event, this benefit is paid less any benefit payable for termination of an employment contract, where applicable.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Retirement benefit for the Chief Executive Officer

Person concerned:

Didier Moaté (Chief Executive Officer of Banque Palatine SA from 1 March 2022)

Nature and purpose:

This agreement was approved by the Board of Directors on 10 December 2021.

If so decided by the Board of Directors, the Chief Executive Officer may be granted a retirement benefit equal to no less than 6 months' and no more than 12 months' remuneration for 10 years of service, without any minimum attendance requirements within Groupe BPCE.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

No employment contract or suspended employment contract – Unemployment insurance for the Chief Executive Officer

Person concerned:

Didier Moaté (Chief Executive Officer of Banque Palatine SA from 1 March 2022)

Nature and purpose:

This agreement was approved by the Board of Directors on 10 December 2021.

The Board of Directors decided that the Chief Executive Officer may benefit from a private unemployment insurance policy (GSC) with the contributions being paid by the company.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Arrangements under which the Chief Executive Officer's remuneration is maintained for 12 months in the event of temporary inability to work

Person concerned:

Didier Moaté (Chief Executive Officer of Banque Palatine SA from 1 March 2022)

Nature and purpose:

This agreement was approved by the Board of Directors on 10 December 2021.

The Board of Directors decided that the Chief Executive Officer will benefit from the arrangements maintaining his remuneration for 24 months in the event that he is temporarily unable to work.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Supplementary pension plan for the Chief Executive Officer

Person concerned:

Didier Moaté (Chief Executive Officer of Banque Palatine SA from 1 March 2022)

Nature and purpose:

The Chief Executive Officer of Banque Palatine SA benefits from:

- the defined-contribution pension plan applicable to unclassified executives (Klésia), subject to the same conditions as Banque Palatine SA's employees;
- the supplementary "Pension scheme for senior executives of Groupe BPCE" under Article L. 317-11 of the French Social Security Code and its regulations.

This agreement was approved by the Board of Directors on 10 December 2021.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Agreements already approved by the General Meeting

Pursuant to Article R. 225-30 of the French Commercial Code, we have been informed that the execution of the following agreements, already approved by the General Meeting in previous financial years, continued during the past year.

1. Agreement with other companies as a result of having common senior executives

Agreement entered into with Natixis SA: Amendment of 22 February 2017 to the compensation protocol entered into on 16 February 2016 as part of the transfer of the custodian business to Natixis Titres and Caceis.

Person concerned:

- BPCE SA (Director and shareholder of Banque Palatine SA and Natixis SA),
- Sylvie Garcelon (Director of Banque Palatine SA from 5 October 2016 and until 26 May 2020 and of Natixis SA from 10 February 2016).

Nature and purpose:

This agreement, approved by the Board of Directors on 9 February 2016, was signed on 16 February 2016. An additional clause to this agreement was signed on 22 February 2017.

Banque Palatine SA relies on a third-party service provider outside Groupe BPCE, and also its competitor, to keep the financial instruments that belong to its customers (in the form of an extended mandate). In 2015, in order to strengthen synergies within Groupe BPCE, Banque Palatine SA decided to modify the organisation of this activity as follows:

- For institutional customers, Banque Palatine SA, in common agreement with its subsidiary Palatine Asset Management SA, has chosen to entrust the custodial services for the financial instruments held by UCITS and customers whose portfolios are managed by Palatine Asset Management SA to a new service provider: Caceis. Caceis is the main custody services provider for Groupe BPCE's entities and is in part owned by Natixis SA.

  Caceis took charge of custodial functions for institutional customers in July 2015.
- For Retail customers, Banque Palatine SA chose to grant custodial functions for financial instruments held by its customers to the Groupe BPCE service provider specialised in these activities, Natixis SA (EuroTitres department).

  The migration of custodial services for Retail customers to Natixis EuroTitres took effect in November 2017.

Following the relinquishment of the previous service providers, Banque Palatine SA must now bear additional costs for new IT developments needed for the IT migration of the custodial services for Banque Palatine SA's Retail customers to Natixis SA (EuroTitres department). Natixis SA agrees to compensate Banque Palatine SA in consideration of this relinquishment in accordance with the following amounts and terms (amounts shown inclusive of VAT, paid by Natixis SA to Banque Palatine SA):

- And, at the end of the migration to Natixis EuroTitres, €345,000 to be paid per year from June 2018 (inclusive) to June 2022 (inclusive).

It is specified that the invoicing for services provided by Natixis EuroTitres is established according to the single rate grid applied to the Groupe BPCE institutions.

Quantity of supplies delivered/amounts paid:

The financial impact on the 2021 financial year was income of €345,000, excluding tax.

2. Agreements with shareholders and their subsidiaries

Invoicing agreement formed with BPCE SA, majority shareholder of Banque Palatine SA

Nature and purpose:

An invoicing agreement was signed on 11 December 2007 with CNCE SA, the central body of the former Groupe Caisse d'Epargne. This agreement remained in effect until 30 June 2010 and was replaced by the invoicing agreement signed on 21 December 2010 with BPCE SA. The purpose of this agreement is to set the amount of fees to be paid for services provided by BPCE SA within the context of the affiliation of Banque Palatine SA:

- guaranteeing Banque Palatine SA's liquidity and solvency;
- exerting administrative, technical and financial control over its organisation and management;
- ensuring compliance with legislative and regulatory provisions.

A new agreement, authorised by the Supervisory Board on 17 February 2012, was concluded on 5 March 2012 and replaced that of 21 December 2010. The new agreement became effective from 1 January 2012.

The new agreement became effective from 1 January 2012.

The latter agreement adjusted the amount of the payment remunerating the work done by BPCE SA on the basis of the actual cost of the public policy assignments carried out on behalf of Banque Palatine SA.

Quantity of supplies delivered/amounts paid:

The financial impact on the financial year ended on 31 December 2021 was an expense of €3,095,000, excluding tax.

3. Agreements with senior executives

Benefit in the event of enforced departure

Persons concerned:

Christine Jacglin (Chief Executive Officer of Banque Palatine SA until 31 December 2021)

Nature and purpose:

This agreement was approved by the Board of Directors on 21 October 2019.

The enforced departure benefit is payable to executives and former executives of the Banque Populaire banks and Caisse d'Epargne. Christine Jacglin is eligible for it due to her transfer within the Group.

The enforced departure benefit is only payable to senior executives without an employment contract whether it is "active" or suspended.

The enforced departure benefit is payable only if the company generated a positive net income for accounting purposes over the most recent financial year preceding the enforced loss of the relevant corporate office (year N-1).

In any event, this benefit is paid less any benefit payable for termination of an employment contract, where applicable.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Retirement benefits

Person concerned:

Christine Jacglin (Chief Executive Officer of Banque Palatine SA until 31 December 2021)

Patrick Ibry (Deputy Chief Executive Officer of Banque Palatine SA)

Nature and purpose:

This agreement was authorised by the Board of Directors on 21 October 2019 for Christine Jacglin and by the Board of Directors on 8 February 2018 for Patrick Ibry.

If so decided by the Board of Directors, the Chief Executive Officer and the Deputy CEO may be granted a retirement benefit equal to no less than 6 months' and no more than 12 months' remuneration for 10 years of service, without any minimum attendance requirements within Groupe BPCE.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

No employment contract or suspended employment contract – Unemployment insurance

Person concerned:

Christine Jacglin (Chief Executive Officer of Banque Palatine SA until 31 December 2021)

Nature and purpose:

This agreement was authorised by the Board of Directors on 21 October 2019 for Christine Jacglin.

The Board of Directors decided that the Chief Executive Officer will benefit from a private unemployment insurance policy (GSC) with the contributions being paid by the company.

Quantity of supplies delivered/amounts paid:

For the financial year ended 31 December 2021, the financial impact of this agreement for the Chief Executive Officer was €22,379.64.

Arrangements under which remuneration is maintained for 12 months in the event of temporary inability to work

Person concerned:

Christine Jacglin (Chief Executive Officer of Banque Palatine SA until 31 December 2021)

Patrick Ibry (Deputy Chief Executive Officer of Banque Palatine SA)

Nature and purpose:

This agreement was authorised by the Board of Directors on 21 October 2019 for Christine Jacglin and by the Board of Directors on 8 February 2018 for Patrick Ibry.

The Board of Directors decided that the Chief Executive Officer will benefit from the arrangements maintaining his or her remuneration for 24 months in the event that he or she is temporarily unable to work.

The Board of Directors decided that the Deputy Chief Executive Officer will benefit from the arrangements maintaining his or her remuneration for 12 months in the event that he or she is temporarily unable to work.

Quantity of supplies delivered/amounts paid:

This commitment did not have any financial impact on the financial statements at 31 December 2021.

Supplementary pension plans for the Chief Executive Officer and the Deputy CEO

Person concerned:

Christine Jacglin (Chief Executive Officer of Banque Palatine SA until 31 December 2021)

Patrick Ibry (Deputy Chief Executive Officer of Banque Palatine SA)

Nature and purpose:

Banque Palatine SA's Chief Executive Officer and Deputy CEO benefit from:

- the defined-contribution pension plan applicable to unclassified executives (Klésia), subject to the same conditions as Banque Palatine SA's employees;
- the supplementary "Pension scheme for senior executives of Groupe BPCE" under Article L. 317-11 of the French Social Security Code and its regulations from 1 July 2014.

Quantity of supplies delivered/amounts paid:

For the financial year ended on 31 December 2020, the amount of Klésia contributions (employee and employer) paid by Banque Palatine SA to the Chief Executive Officer and the Deputy CEO was as follows:

- Christine Jacglin: €15,840.24;
- Patrick Ibry: €15,840,24.

Done in Bordeaux and Paris-La Défense, 22 April 2022

PricewaterhouseCoopers Audit	**KPMG Audit FS I**
Antoine Priollaud	Marie-Christine Jolys
Partner	*Partner*

3 Statutory Auditors' report on the consolidated financial statements

Year ended 31 December 2021

To the General Meeting,

Opinion

Pursuant to the mission entrusted to us by your General Meeting, we conducted an audit of the consolidated financial statements of Banque Palatine SA for the financial year ended on 31 December 2021, as appended to this report.

In our opinion, the consolidated financial statements give a true and fair view of the operating results for the year ended and of the financial position, assets and liabilities of the companies and entities included in the consolidated group in accordance with IFRS standards as adopted in the European Union.

The above opinion is consistent with the content of our report to the Audit Committee.

Basis of opinion

Audit standards

We carried out our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are explained in the section on "Auditor's responsibilities for the Audit of the consolidated financial statements" in this report.

Independence

We conducted our audit in accordance with the applicable standards of independence, as stipulated by the French Commercial Code and by the Professional Code of Conduct of French Statutory Auditors, between 1 January 2021 and the date of issue of our report. In particular, we did not provide any services prohibited under Article 5, paragraph 1, of EU Regulation No. 537-2014.

Justification of our assessments – Key audit matters

The global crisis related to the Covid-19 pandemic created special conditions for the preparation and audit of the financial statements for the year in question. Indeed, this crisis and the exceptional measures taken in the framework of the health emergency entailed multiple consequences for companies, particularly for their activity and financing, as well as increased uncertainties about their future prospects. Some of these measures, such as travel restrictions and teleworking, also affected the internal organisation of companies and the implementation of audits.

It is in this complex and evolving context that, in application of the provisions of Articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatement which, in our professional judgment, were the most significant for the audit of the consolidated financial statements for the year, as well as the responses we have provided to these risks.

These assessments are made in the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We have no comment to make on the items of the consolidated financial statements taken in isolation.

Risk identified	Our response
The Banque Palatine Group is exposed to credit and counterparty risks. The Banque Palatine Group constitutes impairments and provisions to cover these risks of losses arising from the inability of its customers to meet their financial commitments primarily on non-performing loans (Stage 3). Impairment of loans presenting actual counterparty risk (Stage 3) is determined on an individual or collective basis. These individual impairment charges are assessed by the management according to estimates of the recoverable future cash flows taking the available guarantees into account or using IFRS 9 parameters for collective impairments. The assessment of the impairments and provisions requires judgment to be exercised to classify exposures (Stage 3) or to estimate the recoverable future cash flows or recovery times. Given the importance of judgement in determining these impairments and provisions, we believed that the estimate of expected losses on doubtful loans and commitments was a key point of our audit. In particular, in the context of the crisis linked to the Covid-19 pandemic, we considered that the assessment of the adequacy of the level of credit risk coverage by provisions and the level of the associated cost of risk constituted an area of special attention for the 2021 financial year. At 31 December 2021, outstanding customer loans amounted to €10,599.5 million of which €449.5 million of Stage 3 receivables and €43.9 million of assets impaired on origination or acquisition (S3 POCI). The impairments recorded on loans and other receivables outstanding amounted to €244.3 million for Stage 3 and to €4.7 million for Stage 3 POCI. For further details on accounting principles and exposures, see Notes 5.5.3 and 7.1 to the financial statements.	We examined the system set up by the risk management department to classify loans (Stage 3 or not) and to assess the amount of expected or established losses on these loans, taking into account, in particular, the crisis linked to the Covid-19 pandemic. We tested the controls implemented by the management to identify these loans and to assess the likelihood of recovery and impairment. For impairment: • We checked the impairment calculations on a portfolio basis, • Furthermore, we carried out control tests on the system for identifying and monitoring doubtful and disputed counterparties, on the credit review process and on the guarantee appraisal system, • On the basis of two samples of credit files compiled statistically and according to expert opinion, we reviewed the level of impairment retained by the bank *via* contradictory analyses of impairment amounts, • We also took note of the main conclusions by the specialised committees responsible for monitoring these loans and checked, on a sample of cases, that they were correctly included in the estimated impairments. We also ensured that the information presented in the notes was appropriate.

Specific verifications

In accordance with the professional standards applicable in France, we also performed the specific verifications required by law and regulations on the information relating to the Group, provided in the Board of Directors' management report.

We have no comments to report with respect to the fairness of its presentation and consistency with the consolidated financial statements.

Other verifications or information required by law and regulations

Presentation format of the consolidated financial statements intended to be included in the annual financial report

In accordance with the professional standards pertaining to the Statutory Auditors' work on annual and consolidated financial statements presented in the single European electronic reporting format, we have also verified the compliance with this format, as defined by EU Delegated Regulation No. 2019-815 of 17 December 2018, in the presentation of the annual financial statements intended to be included in the annual financial report mentioned in paragraph I of Article L. 451-1-2 of the French Monetary and Financial Code, prepared under the responsibility of the Chief Executive Officer. With regard to consolidated financial statements, our procedures include verifying that the mark-up of these financial statements complies with the format defined by the aforementioned regulation.

Based on our work, we conclude that the presentation of the consolidated financial statements intended to be included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

It is not our responsibility to verify that the consolidated financial statements that will be included by your company in the annual financial report filed with the AMF correspond to those on which we carried out our work.

Appointment of Statutory Auditors

We were appointed as Statutory Auditors of the company Banque Palatine SA by the shareholders at the General Meetings of 20 April 2007, in the case of KPMG Audit FSI, and of 12 April 2001, in the case of PricewaterhouseCoopers Audit.

At 31 December 2021, KPMG Audit FSI had conducted its duties for 15 years without interruption and PricewaterhouseCoopers Audit had done so for 21 years.

Responsibilities of the management and those charged with corporate governance in relation to the consolidated financial statements

It is the management's responsibility to prepare the consolidated financial statements in accordance with IFRS as adopted by the EU and to put in place the internal controls it deems necessary to ensure the consolidated financial statements are free of material misstatement, whether as a result of fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is a plan either to liquidate the company or to cease its operations.

It is the responsibility of the Audit Committee to monitor the process for preparing financial information and the effectiveness of the internal control and risk management systems, as well as any internal audit, regarding the procedures used to prepare and process accounting and financial information.

The consolidated financial statements were approved by the Board of Directors.

Responsibilities of the Statutory Auditors in relation to the audit of the consolidated financial statements

Audit objectives and procedures

It is our responsibility to draw up a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in Article L. 823-10-1 of the French Commercial Code, our audit mission does not require us to guarantee the viability or quality of the management of your company.

The professional standards applicable in France require that Statutory Auditors exercise professional judgement throughout the audit. In addition, they:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management in the consolidated financial statements;
- assess the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Such conclusions are based on evidence collected up to the date of the report. However, events or conditions arising after this date may threaten the company's continuity as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are missing or inadequate, to issue a certificate with reserves or to refuse certification;
- evaluate the overall presentation and content of the consolidated financial statements and whether the consolidated financial statements give a true and fair view of the underlying transactions and events;
- as regards the financial information of persons or entities included in the scope of consolidation, collect information that it considers a sufficient and appropriate basis for its opinion on the consolidated financial statements. As Statutory Auditor, we are responsible for the management, supervision and conduct of the audit of the consolidated financial statements and for reporting our opinion on these financial statements.

Report to the Audit Committee

We present to the Audit Committee a report which covers among other matters the audit scope and the programme of work undertaken as well as the conclusions based on this work. We also draw attention, where necessary, to any significant weaknesses identified in internal control as regards the procedures used to prepare and process accounting and financial information.

The items covered in the report to the Audit Committee include the risks of material misstatement that we judge to be the most significant for the audit of the consolidated financial statements for the year and which constitute one of the key audit matters, which we are obliged to describe in this report.

We also present to the Audit Committee the declaration required by Article 6 of EU Regulation No. 537-2014 confirming our independence, within the meaning of the rules applicable in France as set out notably in Articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Statutory Auditors' Professional Code of Conduct. Where applicable, we discuss with the Audit Committee any risks to our independence and any safeguards applied.

Paris-La Défense and Bordeaux, 22 April 2022

KPMG Audit FS I	**PricewaterhouseCoopers Audit**
Marie-Christine Jolys	Antoine Priollaud
Partner	*Partner*

4

2021 RISK MANAGEMENT

Key figures at 31 December 2021

in %	31/12/2021	31/12/2020
Tier 1 ratio	9.61%	8.56%
CET1 ratio	10.64%	9.51%
Total capital adequacy ratio	12.37%	11.40%

Supplemental indicators

in millions of euros	31/12/2021	31/12/2020
Total assets	17,226.0	17,524.0
Customer loans	10,599.5	11,168.5

IFRS cost of risk

in millions of euros	31/12/2021	31/12/2020
	39.0	100.3

Rate of doubtful loans

	31/12/2021	31/12/2020
Doubtful S3 loans in millions of euros	570	599
Doubtful loans/total loans in %	3.30%	3.40%

LCR

in %	31/12/2021	31/12/2020
	116.7	125.3

1 Risk factors for Groupe BPCE including Banque Palatine

The risk factors presented below concern Groupe BPCE as a whole, including Banque Palatine, and are fully described in Groupe BPCE's annual report.

The banking and financial environment in which Banque Palatine, and more generally Groupe BPCE, operate exposes them to a number of risks and obliges them to implement a policy to control and manage said risks which is increasingly stringent and rigorous.

Some of the risks to which Banque Palatine is exposed are identified below. This is not an exhaustive list of all the risks of Banque Palatine or those of Groupe BPCE (see the Annual Registration Document) taken in the course of its business or in consideration of its environment.

The risks presented below, as well as other risks not identified to date, or currently considered as insignificant by Groupe BPCE, could have a major adverse impact on its business, financial position and/or results.

1.1 Strategic, business and ecosystem risks

The current coronavirus (Covid-19) pandemic and its economic consequences could continue to negatively affect the Group's activities, results and financial position.

The emergence of Covid-19 at the end of 2019 and the rapid spread of the pandemic to the whole planet led to a deterioration in the economic situation of many sectors of activity, a financial deterioration of economic agents, and a strong disruption of financial markets, as the affected countries were required to take health measures to respond to it (border closures, lockdown measures, restrictions on the exercise of certain economic activities, etc.). In particular, the sharp recession experienced by the affected countries and the reduction in global trade have had and will continue to have negative effects on global economic conditions, as long as global production, investments, supply chains and consumer spending will be affected, impacting the Group's business as well as that of its customers and counterparties.

The persistence of the Covid-19 pandemic and the appearance of new strains of the virus have led to new restrictions, even if these were not as drastic as in 2020 (in particular, a new lockdown in France and in a number of European countries, local and national curfews, border closures or severe traffic restrictions) and, after a rebound, the economic environment could deteriorate further.

Despite the favourable development of vaccination, the Covid-19 pandemic still determines the pace of the economic recovery. The spread of new variants such as the "Delta" variant in the second half of 2021 or the "Omicron" variant detected at the end of November 2021 threatens the pace of economic expansion. The epidemic continues to profoundly disrupt international and French economic dynamics. Its duration does not cease to surprise, fuelling both uncertainty and weariness in the face of the lasting nature of the health restrictions. This situation could last several months, and thus adversely affect the Group's business, financial performance and results.

Massive fiscal and monetary policy measures to support activity have been put in place since 2020, in particular by the French government (system of State-guaranteed loans for companies and professionals, partial unemployment measures for individuals, as well as numerous other fiscal, social and bill payment measures) and by the European Central Bank (more abundant and less costly access to very significant funding allocations). In this context, Groupe BPCE, including Banque Palatine, actively participated in the French State-guaranteed loan programme and took special measures to provide its customers with financial support and help them overcome the effects of this crisis on their activities and revenues (*e.g.* automatic deferral of loan maturities by six months for certain professionals and micro-sized companies and SMEs). However, there is no guarantee that such measures will be sufficient to offset the negative effects of the pandemic on the economy or to fully and sustainably stabilise the financial markets.

The lockdown measures or restrictions taken at the beginning of this crisis, particularly in France, where the Group mainly operates, significantly reduced the activity of many economic players. In 2021, the global economy rebounded strongly, but the health crisis continued to specifically affect local services, due to the relative maintenance of health restrictions. The Group's results and financial position are impacted by such measures, due to the decline in revenues and the deterioration in the quality of assets in general and in certain specific sectors, which were particularly affected. Within the Corporate and Professional portfolios, the sectors most likely to be impacted to date are in particular the Wholesale and Retail Trade, Tourism-Hotels-Catering, Consumer Goods excluding Cosmetics and Personal Care and Professional Real Estate excluding residential exposure.

The Group's results and financial position could also be affected by unfavourable changes in the financial markets (extreme volatility, sharp decline in equity and index markets, tensions on spreads, sudden and unexpected drop in dividends, etc.). This was the case in the first half of 2020, the valuation of certain products having been affected by the illiquidity of the markets, in particular the global customers banking activities of Natixis which were exposed to significant remarking effects of certain valuation parameters such as the "dividend" component.

A deterioration in the economic environment and its impact on the Group could increase the risk of seeing its external ratings downgraded. In addition, the ratings of the French State could also be downgraded, due in particular to an increase in its debt and public deficits. These items could have a negative impact on the Group's refinancing cost on the financial markets.

More generally, the Covid-19 epidemic poses a risk to Groupe BPCE, insofar as (i) it causes organisational changes (remote working, for example) that may cause an operational risk; (ii) it causes a slowdown in trade on the money markets and could have an impact on liquidity supply; (iii) it increases customers' liquidity needs and thus the amounts loaned to these customers in order to enable them to withstand the crisis; (iv) it could lead to an increase in business failures, particularly among the most fragile companies or in the most exposed sectors; and (v) it causes sudden changes in the valuation of market assets, which could have an impact on the market activities or investments of institutions.

The evolution of the situation related to Covid-19 (uncertainty as to the duration, extent and future trajectory of the pandemic, the implementation of new lockdown measures or restrictions in the event of additional epidemic waves related to the appearance of new virus strains, the speed of deployment of the vaccination or the effectiveness of vaccines against variants or treatments of this disease) is a major source of uncertainty and makes it difficult to predict the overall impact on the Group's main markets and more generally on the global economy; at the date of filing (publication) of this document, the impact of this situation, taking into account the aforementioned support measures, on Groupe BPCE's business lines (retail banking, insurance, asset management, global customers banking), its results (net banking income and cost of risk in particular) and its financial position (liquidity and solvency) remain difficult to quantify in terms of expected magnitude.

Groupe BPCE may not achieve the objectives of its BPCE 2024 strategic plan.

On 8 July 2021, Groupe BPCE announced its BPCE 2024 strategic plan. It is based on the following three strategic priorities: (i) conquest, by achieving €1.5 billion in additional revenue in five priority areas; (ii) customers, by offering them the highest quality of service with an adapted relationship model; and (iii) climate, by implementing concrete and measurable commitments as part of a Net Zero trajectory. The BPCE 2024 strategic plan is based on the following three key principles: (i) be simple: because Groupe BPCE seeks efficiency and customer satisfaction,

it aims for greater simplicity; (ii) be innovative: because Groupe BPCE is driven by an entrepreneurial spirit and is aware of the reality of the changes underway, it strengthens its capacity for innovation; and (iii) be safe, because Groupe BPCE is committed to a long-term approach, it prioritises the security of its development model with regard to its ambitions. These strategic objectives were established in the context of the Covid-19 crisis, which has acted as an indicator and accelerator of profound trends (in particular, digitisation, hybrid work, energy transition) and marks Groupe BPCE's desire to accelerate its development by supporting its customers in the economic recovery and their projects emerging from the health crisis. The success of the BPCE 2024 strategic plan is based on a very large number of initiatives to be rolled out within the various business lines of Groupe BPCE. Although many of these objectives can be achieved, they may not all be achieved. The BPCE 2024 strategic plan also provides for significant investments, but if the objectives of the plan are not achieved, the return on these investments may be lower than expected, thus having a more or less significant impact on Groupe BPCE's financial position and results.

The physical and transitional aspect of the climate risks and their consequences on economic players could adversely affect Groupe BPCE's activities, results and financial position.

The risks associated with climate change are factors that exacerbate existing risks, including credit risk, operational risk and market risk. BPCE is exposed to physical climate risk and transition climate risk. They potentially carry image and/or reputational risk. The physical risk results in increased economic costs and financial losses resulting from the severity and increased frequency of extreme weather events related to climate change (such as heat waves, landslides, floods, late frosts, fires and storms) as well as long-term gradual changes in climate (such as changes in precipitation, extreme weather variability, and rising sea levels and average temperatures). It can have an impact of considerable scope and magnitude, likely to affect a wide variety of geographical areas and economic sectors concerning Groupe BPCE.

The transition risk is related to the process of adjustment to a low-carbon economy. The process of reducing emissions is likely to have a significant impact on all sectors of the economy by affecting the value of financial assets and the profitability of companies. The increase in costs related to this energy transition for economic players, both companies and individuals, could lead to an increase in defaults and thus significantly increase Groupe BPCE's losses.

An economic environment characterised by persistently low interest rates could have an adverse effect on Groupe BPCE's profitability and financial position.

Groupe BPCE could be vulnerable to political, macroeconomic and financial environments or to specific situations in the countries in which it operates.

A significant change in the political or macroeconomic environment of these countries or regions could result in additional expenses or reduce the profits earned by Groupe BPCE.

In particular, a serious economic disruption, such as the financial crisis of 2008 or the sovereign debt crisis in Europe in 2011, or the development of a new epidemic such as the Coronavirus (whose scale and final duration are still unknown), could have a significant negative impact on all of Groupe BPCE's activities, in particular if the disruption is characterised by an absence of market liquidity making it difficult to finance Groupe BPCE. In particular, certain risks do not fall within the spontaneous cycle due to their exogenous nature, such as the very short-term consequences of Brexit, a deterioration in the quality of corporate debt worldwide (case of the leveraged loans market) or the threat of an even greater amplification of the epidemic, or even in the longer term, of the climate obstacle. During the last two financial crises of 2008 and 2011, the financial markets were subject to high volatility in response to various events, including, among others, the fall in oil and commodity prices, the slowdown and turbulence on the economic and financial markets, which directly or indirectly impacted several of Groupe BPCE's activities, in particular securities transactions and financial services.

Due to its activity and its national presence, Banque Palatine is particularly sensitive to the economic environment in France.

Intense competition, both in France, its main market, and internationally, is likely to weigh on Groupe BPCE's net revenues and profitability.

Groupe BPCE's main business lines are all faced with strong competition, whether in France or in other parts of the world where it has significant activities. Consolidation, whether in the form of mergers and acquisitions or alliances and cooperation, reinforces this competition. Consolidation has created a number of companies that, like Groupe BPCE, have the ability to offer a wide range of products and services, from insurance to loans and deposits, through brokerage, investment banking and asset management. Groupe BPCE, including Banque Palatine, competes with other entities on the basis of a number of factors, including the execution of the products and services offered, innovation, reputation and price. If Groupe BPCE fails to maintain its competitiveness in France or in its other main markets by failing to offer a range of products and services that are both attractive and profitable, it could lose market share in certain important business lines or suffer losses in all or part of its activities.

In addition, any slowdown in the global economy or in the economies in which Groupe BPCE's main markets are located is likely to increase competitive pressure, in particular through increased pressure on prices and a contraction in the business volume of Groupe BPCE and its competitors. New, more competitive competitors may also enter the market, subject to separate or more flexible regulation, or other prudential ratio requirements. These new entrants would thus be able to offer more competitive products and services. Technological advances and the growth of e-commerce have enabled non-custodian institutions to offer products and services that were traditionally banking products, and financial institutions and other companies to provide electronic and financial solutions over the Internet, including electronic securities trading. These new entrants could exert downward pressure on the prices of Groupe BPCE's products and services or affect Groupe BPCE's market share. Technological advances could lead to rapid and unforeseen changes in the markets in which Groupe BPCE operates. Groupe BPCE's competitive position, net income and profitability could be adversely affected if it fails to adapt its activities or strategy adequately to respond to these changes.

The ability of Groupe BPCE, including Banque Palatine, to attract and retain qualified employees is crucial to the success of its activities and any failure in this respect could affect its performance.

1.2 Credit and counterparty risks

Groupe BPCE is exposed to credit and counterparty risks that could have a material adverse effect on the Group's business, financial position and results.

Groupe BPCE is significantly exposed to credit and counterparty risk through its financing or market activities. The Group could thus incur losses in the event of the default of one or more counterparties, in particular if the Group encounters legal or other difficulties in exercising its collateral or if the value of the collateral does not make it possible to fully cover the exposure in the event of a default. Despite the vigilance implemented by the Group, aimed at limiting the effects of concentration of its loan portfolio, it is possible that counterparty defaults are amplified within the same economic sector or region of the world due to the interdependence of the counterparties. The default of one or more major counterparties could have a material adverse effect on the Group's cost of risk, results and financial position.

A substantial increase in impairments or provisions for expected credit losses recognised in respect of Groupe BPCE's portfolio of loans and receivables could have a material adverse effect on its results and financial position.

As part of its lending activities, Groupe BPCE, including Banque Palatine, regularly records asset impairment charges to reflect, if necessary, actual or potential losses on its portfolio of loans and receivables, which are recognised in its income statement under "Cost of risk". The overall level of

Groupe BPCE's asset impairment charges is based on the Group's assessment of the history of loan losses, the volumes and types of loans granted, industry standards, loans in arrears, economic conditions and other factors related to the degree of recovery of various types of loans.

Although Groupe BPCE's entities, including Banque Palatine, strive to establish a sufficient level of asset impairment charges, their lending activities could lead them to increase their loan loss expenses due to an increase in non-performing assets or other reasons, such as deteriorating market conditions or factors affecting certain countries. Any substantial increase in loan loss expenses, or significant change in Groupe BPCE's estimate of the risk of loss inherent to its loan portfolio, or any loss on loans in excess of past expenses in this regard, could have a material adverse effect on Groupe BPCE's results and financial position.

A deterioration in the financial strength and performance of other financial institutions and market participants could have an adverse effect on Groupe BPCE.

Groupe BPCE's ability to carry out its transactions could be affected by a deterioration in the financial strength of other financial institutions and market participants. Financial institutions are closely interconnected due to their trading, clearing, counterparty and financing activities. The default of a player in the sector, or even mere rumours or questions concerning one or more financial institutions or the financial industry more generally, may lead to a general contraction of liquidity in the market and subsequently result in losses or additional failures. Groupe BPCE is directly or indirectly exposed to various financial counterparties, such as investment services providers, commercial or investment banks, clearing houses and central counterparties, mutual funds, hedge funds, as well as other institutional customers with which it routinely enters into transactions, the default or failure of which would have an adverse effect on Groupe BPCE's financial position. In addition, Groupe BPCE could be exposed to the risk related to the growing involvement in its business sector of players with little or no regulation and the emergence of new products with little or no regulation (in particular, crowdfunding or trading platforms). This risk would be exacerbated if the assets held as collateral by Groupe BPCE could not be sold, or if their price did not cover all of Groupe BPCE's exposure in respect of the defaulted loans or derivatives, or in the event of fraud, misappropriation of funds or other wrongdoing committed by players in the financial sector in general to which Groupe BPCE is exposed, or the failure of a significant market player such as a central counterparty.

1.3 Financial risks

Groupe BPCE is dependent on its access to financing and other sources of liquidity, which may be limited for reasons beyond its control, which could have a material adverse effect on its results.

Significant changes in interest rates could have a material adverse effect on Groupe BPCE's net banking income and profitability.

The amount of net interest income received by Banque Palatine during a given period has a significant impact on the net banking income and profitability of that period. In addition, significant changes in credit spreads may have an impact on Groupe BPCE's results. Interest rates are highly sensitive to many factors that may be beyond Groupe BPCE's control. During the last decade, interest rates have been generally low, but they may rise and Groupe BPCE may not be able to immediately pass on this change. Changes in market interest rates may affect the interest rates charged on interest-bearing assets differently from the interest rates paid on interest-bearing liabilities. Any unfavourable change in the yield curve could lead to a decrease in net interest income from the related lending and refinancing activities, and thus have a material adverse effect on the net banking income and profitability of Banque Palatine.

Any period of inflation could affect the revenues of Banque Palatine and Groupe BPCE if it resulted in an increase in regulated savings rates without repercussions on the cost of credit, thus affecting the net interest margin and income.

Groupe BPCE's revenue from brokerage and other commission-related activities could decrease in the event of a market downturn.

A downward trend in credit ratings could have a negative impact on BPCE's cost of funding, profitability and business continuity.

A downward trend in these credit ratings could have a negative impact on the refinancing of BPCE and its affiliates that operate on the financial markets, including Banque Palatine. A rating downgrade could affect Groupe BPCE's liquidity and competitive position, increase its borrowing costs, limit access to financial markets and trigger obligations in certain bilateral trading, derivative and collateralised financing contracts, and consequently have a negative impact on its profitability and the continuation of its activities.

Changes in exchange rates could have an adverse impact on Groupe BPCE's net banking income or net income.

1.4 Non-financial risks

In the event of non-compliance with applicable laws and regulations, Groupe BPCE could be exposed to significant fines and other administrative and criminal penalties that could have a material adverse impact on its financial position, activities and reputation.

The risk of non-compliance is defined as the risk of sanction – judicial, administrative or disciplinary – but also of financial loss, or damage to reputation, resulting from non-compliance with legislative and regulatory provisions, professional standards and ethical practices, specific to banking and insurance activities, whether national or international.

The banking and insurance sectors are subject to increased regulatory oversight, both in France and internationally. The last few years have seen a particularly substantial increase in the volume of new regulations that have introduced significant changes affecting both the financial markets and the relationships between investment services providers and customers or investors (*e.g.* MIFID II, PRIIPS, Insurance Distribution Regulation, Market Abuse Regulation, Fourth Anti-Money Laundering and Terrorism Financing Directive, Personal Data Protection Regulation, Benchmark Regulation, etc.). These new regulations have major impacts on the company's operational processes.

The realisation of the risk of non-compliance could result, for example, in the use of inadequate means to promote and market the bank's products and services, inadequate management of potential conflicts of interest, the disclosure of confidential information, non-compliance with due diligence procedures for entering into relations with suppliers and customers, particularly in terms of financial security (in particular the fight against money laundering and the financing of terrorism, compliance with embargoes, the fight against fraud or corruption).

Banque Palatine implements a system to prevent and manage non-compliance risks. Despite this system, the institution remains exposed to the risk of fines or other significant sanctions from the regulatory and supervisory authorities, as well as to civil or criminal legal proceedings that could have a significant adverse impact on its financial position, activities and reputation.

Any interruption or failure of Groupe BPCE's or third-party IT systems could result in losses, particularly commercial losses, and could have a material adverse effect on Groupe BPCE's results.

Like most of its competitors, Groupe BPCE relies heavily on its communication and information systems, as its activities require it to process a large number of increasingly complex transactions. Any breakdown, interruption or failure in these systems could lead to errors or interruptions in the

customer management, general accounting, deposit, transaction and/or loan processing systems. If, for example, Groupe BPCE were to experience a failure in its information systems, even for a short period, the affected entities would be unable to meet the needs of their customers on time and could thus lose transaction opportunities. Similarly, a temporary failure of Groupe BPCE's information systems, despite backup systems and contingency plans, could result in considerable costs in terms of information retrieval and verification, or even a decrease in its proprietary activities if, for example, such a breakdown occurred when hedging transactions were set up. The inability of Groupe BPCE's systems to adapt to a growing volume of transactions could also limit its ability to develop its activities and result in losses, particularly commercial losses, and could therefore have a material adverse effect on the results of Groupe BPCE.

Groupe BPCE is also exposed to the risk of failure or operational interruption of one of its clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers that it uses to perform or facilitate its transactions in financial securities. As interconnectivity with its customers increases, Groupe BPCE may also be increasingly exposed to the risk of operational failure of its customers' information systems. Groupe BPCE's communication and information systems and those of its customers, service providers and counterparties may also be subject to malfunctions or interruptions as a result of cybercrime or cyber terrorism. Groupe BPCE cannot guarantee that such malfunctions or interruptions in its systems or in those of other parties will not occur or, if they do occur, that they will be adequately resolved.

Reputational and legal risks could have an adverse effect on Groupe BPCE's profitability and business outlook.

Groupe BPCE's reputation is crucial to attracting and retaining its customers. The use of inadequate means to promote and market its products and services, inadequate management of potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, economic sanctions requirements, information security policies and sales and transaction practices could damage Groupe BPCE's reputation. Any inappropriate behaviour by a Groupe BPCE employee, any cybercrime or cyber terrorist act to which Groupe BPCE's communication and information systems may be subject, or any fraud, misappropriation of funds or other wrongdoing by players in the financial sector in general to which Groupe BPCE is exposed, or any potentially unfavourable court decision or regulatory action could also harm its reputation. Any damage to Groupe BPCE's reputation could have an adverse effect on its profitability and business prospects.

Inadequate management of these aspects could also increase Groupe BPCE's legal risk, the number of legal actions and the amount of damages claimed from Groupe BPCE, or expose it to sanctions by the regulatory authorities.

Unforeseen events can cause an interruption of Groupe BPCE's activities and lead to substantial losses as well as additional expenses.

The failure or inadequacy of Groupe BPCE's risk management and hedging policies, procedures and strategies may expose it to unidentified or unanticipated risks and result in unforeseen losses.

Groupe BPCE's risk management and hedging policies, procedures and strategies may not be effective in limiting its exposure to all types of market environment or to all types of risk, and may even be ineffective for certain risks that Groupe BPCE would not have been able to identify or anticipate. The risk management techniques and strategies used by Groupe BPCE may not effectively limit its exposure to risk and may not guarantee an effective reduction in the overall level of risk.

The values ultimately recorded could differ from the accounting estimates used to prepare Groupe BPCE's financial statements, which could expose it to unexpected losses.

In accordance with current IFRS standards and interpretations, Groupe BPCE, including Banque Palatine, must use certain estimates when preparing its financial statements, in particular accounting estimates relating to the determination of provisions for non-performing loans and receivables, provisions for potential litigation, and the fair value of certain assets and liabilities, etc. If the values used by Groupe BPCE for these estimates prove to be materially inaccurate, in particular in the event of significant and/or unforeseen market trends, or if the methods used to determine them were to be modified in the context of future IFRS standards or interpretations, Groupe BPCE could be exposed to unanticipated losses.

1.5 Regulatory risks

Groupe BPCE is subject to significant regulations in France and in several other countries where it operates; regulatory measures and their changes are likely to have a material adverse effect on Groupe BPCE's business and results.

The business and results of Groupe BPCE's entities could be materially affected by the policies and measures taken by regulatory authorities in France, other European Union states, the United States, foreign governments and international organisations.

These constraints could limit the ability of Groupe BPCE's entities, including Banque Palatine, to develop their activities or to carry out some of their activities. The nature and impact of future changes in these policies and regulatory measures are unpredictable and beyond Groupe BPCE's control. In addition, the general political environment has evolved unfavourably for banks and the financial sector, which has resulted in additional pressure for legislative and regulatory bodies to adopt stronger regulatory measures, although these may penalise credit and other financial activities, as well as the economy. Given the ongoing uncertainty related to new legislative and regulatory measures, it is impossible to predict their impact on Groupe BPCE, but it could be materially unfavourable.

These changes could include, but are not limited to, the following:

- monetary, interest rate and other measures of central banks and regulatory authorities;
- general changes in government policies or regulatory authorities likely to significantly influence investor decisions, particularly in the markets in which Groupe BPCE operates;
- general changes in regulatory requirements, in particular prudential rules relating to the capital adequacy framework;
- changes in internal control rules and procedures;
- changes in the competitive environment and prices;
- changes in financial reporting rules;
- expropriation, nationalisation, price controls, exchange controls, confiscation of assets and changes in legislation on rights relating to foreign equity interests;
- and any negative change in the political, military or diplomatic situation leading to social instability or an uncertain legal context that could affect demand for the products and services offered by Groupe BPCE.

Holders of BPCE shares could suffer losses if BPCE were to be subject to resolution procedures.

A resolution procedure may be initiated against Groupe BPCE if (i) the Group's default is proven or foreseeable, (ii) there is no reasonable prospect that another measure could prevent this default within a reasonable time frame, and (iii) a resolution measure is required to achieve the resolution objectives, namely to (a) ensure the continuity of critical functions, (b) avoid significant adverse effects on financial stability, (c) protect the resources of the State by minimising the use of exceptional public financial support, and (d) protect customer funds and assets, particularly those of depositors. An institution is considered to be in default when it does not comply with the conditions of its authorisation, when it is unable to pay its debts or other commitments when they fall due, and when it requests exceptional public financial support (subject to limited exceptions) or when the value of its liabilities exceeds that of its assets.

In addition to the bail-in power, resolution authorities are given expanded powers to implement other resolution measures in respect of failing institutions or, in certain circumstances, their groups, which may include, but are not limited to: selling all or part of the institution's activity to a third party or a bridge institution, the separation of assets, the replacement or substitution of the institution as debtor of the debt instruments, changes in the terms and conditions of the debt instruments (including modification of the maturity and/or amount of interest payable and/or temporary suspension of payments), suspension of admission to trading or official listing of financial instruments, dismissal of executives or the appointment of a provisional Director (special Director) and the issue of capital or equity.

The exercise of the powers described above by the resolution authorities could result in the full or partial write-down or conversion of the capital instruments and receivables issued by BPCE or could significantly affect the resources available to BPCE to carry out the payment of such instruments and, consequently, cause losses to the holders of BPCE securities.

Tax legislation and its application in France and in the countries where Groupe BPCE operates are likely to have an adverse impact on Groupe BPCE's results.

As a multinational banking group with complex and significant international transactions, Groupe BPCE (and Natixis in particular) is subject to the tax laws of a large number of countries around the world, and structures its activity in accordance with the applicable tax rules. Changes in tax regimes by the competent authorities in these countries could have an unfavourable impact on Groupe BPCE's results. Groupe BPCE manages its activities with a view to creating value from the synergies and commercial capabilities of its various entities. It also strives to structure the financial products sold to its customers in a tax-efficient manner. The structures of the intra-group transactions and financial products sold by Groupe BPCE's entities are based on its own interpretations of the applicable tax laws and regulations, generally on the basis of opinions issued by independent tax advisors, and, as needed, of specific requirements, decisions or interpretations of the competent tax authorities. It cannot be ruled out that the tax authorities, in the future, may call into question some of these interpretations, as a result of which the tax positions of Groupe BPCE's entities could be challenged by the tax authorities, which could give rise to tax adjustments, and as a result, could have an unfavourable impact on Groupe BPCE's results.

2 Governance and risk management system

2.1 Groupe BPCE system

The risk management function and the compliance certification function ensure, among other tasks, the permanent control of risks and compliance.

The risk and/or compliance departments ensure the effectiveness of the risk management system. They ensure the assessment and prevention of risks, the development of the risk policy integrated into the management policies of operational activities and the permanent monitoring of risks.

Within BPCE's central body, the risk management department and the General Secretariat in charge of compliance, security and permanent controls ensure the consistency, uniformity, effectiveness and completeness of the measurement, monitoring and management of risks. These departments are responsible for the Group's consolidated risk management.

The missions of the latter are carried out independently of the operational departments. Its operating procedures, particularly in terms of business lines, are set out in the Group's Risk, Compliance and Permanent Control Charter, approved by the Management Board of BPCE on 7 December 2009 and last updated in December 2021, in line with the Decision of 3 November 2014, as amended on 25 February 2021, dedicated to internal control. The risk management and compliance department of our institution is attached to it by a strong functional link.

2.2 Risk management, compliance, permanent control and financial security department

Banque Palatine's risk management and compliance department reports to the Chief Executive Officer and reports functionally to the BPCE risk management department and to the Group General Secretariat in charge of compliance and permanent controls.

The risk management and compliance department covers all risks: credit risks, financial risks, operational risks, non-compliance risks as well as cross-functional risk management and control activities. In accordance with Article 75 of the Decision of 3 November 2014, as amended on 25 February 2021, regarding internal control, it provides for the measurement, monitoring and control of risks.

To ensure its independence, the risk and compliance functions, which are separate from the other internal control functions, are independent of all functions carrying out commercial, financial or accounting transactions.

In risk management, Banque Palatine applies all principles of the Group's Risk, Compliance and Permanent Controls Charter. The risk and compliance department independently controls the correct application of standards and methods of risk measurement, including limits and delegation frameworks. It makes sure the risk policy is respected within the framework of its second-level permanent controls.

The effective managers ensure that the risk management systems put in place are appropriate to the risk profile and the business strategy of the institution, in accordance with the regulations concerning the prudential requirements applicable to credit institutions and investment entities (European directives CRR2 and CRD4).

The risk management and compliance department:

- proposes Banque Palatine's risk policy, in line with the Group's risk policy (limits, caps, etc.);
- identifies risks, establishes a macro-mapping with a list of priority risks and manages the annual process of reviewing the risk appetite system and the annual control plan;
- contributes to the development of systems to control the risks of the management policies regarding operational activities (quantitative limits, framework for delegations of authority, analysis of new products or new activities);
- confirms and ensures second-level control of risks (standards for valuing transactions, provisions, risk control systems);
- contributes to the definition of the first-level permanent control standards for risks and/or compliance and ensures their proper application (the definition of Group standards and methods being the responsibility of the central body);
- ensures the monitoring of all risks, including non-compliance, in particular the reliability of the system for detecting limit breaches and the monitoring and control of their resolution;
- assesses and controls the level of risks (stress scenarios, etc.);
- prepares risk reports for the executive bodies (the effective managers and the Board of Directors), contributes to the legal or regulatory reports and alerts the effective managers and the Board of Directors in the event of a significant incident (Article 98 of the Decision of 3 November 2014, as amended on 25 February 2021, regarding internal control);
- contributes to the dissemination of the risk and compliance culture within the institution.

2.2.1 Dedicated organisation and resources

The risk management and compliance department has 45 employees divided into six departments: the credit risk and prudential management department (RWA and prudential ratios), the operational risk department, the data protection and security department (including information systems security and business continuity), the financial risks department (market risks and ALM risks), the AML/CFT and anti-fraud coordination department, the banking and investment services compliance department, the permanent controls department, and the financial audit department. Thus, its organisation effectively breaks down the three specialised functions by risk area, mainly: credit risks, financial risks, operational risks and non-compliance risks with the support of the cross-functional vision conferred by the coordination of permanent controls and by the financial audit in charge of second-level controls of the Bank's accounting and financial information.

Structuring decisions in terms of risk and compliance are made by the Risk Executive Committee, *i.e.* the Audit and Internal Control Committee (CACI), which meets quarterly and is responsible for managing all risks.

This committee is responsible for defining the institution's major risk guidelines (limits, risk policies, delegated charters, etc.). It regularly reviews the main credit, operational and financial risks of our institution.

2.2.2 Organisation of internal control for consolidated companies of the Banque Palatine Group

The risk management and compliance department covers the entire consolidated scope of Banque Palatine and in particular Palatine Asset Management, a portfolio management company, and Ariès Assurances, an insurance brokerage company operating in the field of collective social protection.

Palatine Asset Management has a Head of Compliance and Internal Control in charge of second-level controls and reporting functionally to the Chief Risk and Compliance Officer of Banque Palatine.

He or she reports back to the Palatine Asset Management Audit Committee which includes, as permanent guests:

- the Chief Risk and Compliance Officer of Banque Palatine;
- Banque Palatine's Head of Internal Audit.

The minutes of the meetings of Palatine Asset Management's Audit and Risk Committee are systematically sent to Banque Palatine's Audit Committee and Risk Committee.

2.2.3 Changes in 2021

The organisation of the risk management and compliance department was slightly modified in 2021 in order to tighten its system and promote a more cross-functional view of risks in order to better monitor border risks.

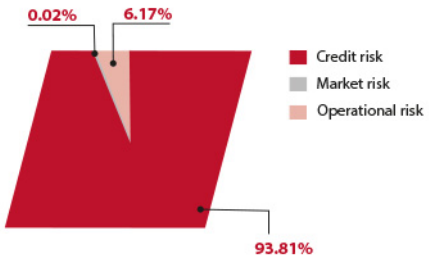
The credit risk department and the prudential management and collective provision management department were grouped into a single department.

The internal fraud control mission was assigned to the AML/CFT and anti-fraud coordination department. The external fraud control and information systems security function has been attached to the operational risk department, as has the Data Protection function for a better identification of the various issues leading to an operational risk and a more efficient coordination of remediation action plans.

2.3 Main risks of 2021

Banque Palatine's overall risk profile corresponds to that of a retail bank but with a strong exposure to the corporate segment, the institution being particularly present in the medium-sized companies market. The risks are mainly concentrated on the credit activity, in order to support and finance the economy.

The breakdown of Banque Palatine's risk-weighted assets at 31 December 2021 was as follows:



Overall, the impacts of the Covid-19 health crisis have not yet been felt on Banque Palatine's balance sheet due to the crisis management and support measures taken for the French economy, which have supported the bank's customers.

As a result, the bank's cost of risk remained moderate in 2021. However, certain business sectors are more affected by the health crisis and are therefore monitored in accordance with Groupe BPCE recommendations.

2.4 Risk and compliance culture

In carrying out their different tasks, Groupe BPCE's entities are guided by the Group's Internal Control Charter and Charter of Risks, Compliance and Permanent Control. The latter specifies in particular that the supervisory body and the effective managers of each institution must promote the risk and compliance culture at all levels of their organisation, and that the risk management and compliance departments must coordinate the dissemination of the risk and compliance culture among all employees, in coordination with all the other functions of Banque Palatine.

Overall, the risk management and compliance department:

- participates in risk management and compliance verification functions days, special moments for discussions on risk issues, presentation of the work carried out by the various functions, training and sharing of best practices between institutions which are also broken down by area, the main ones being: loans, financial, operational, non-compliance involving all Group institutions. Dedicated working groups complete this system;
- enhances its regulatory expertise, in particular through the receipt and distribution of educational regulatory documents;
- sets out the organisations and systems used to manage risks, verify compliance and carry out permanent controls;
- carries out regular interventions in the institution's various functions (sales functions, support functions, etc.) to promote the risk and compliance culture;
- is represented by its Head of Risk and Compliance at audio conferences with the central body or regional meetings bringing together the Heads of Risk and Compliance of Groupe BPCE's networks and subsidiaries on topical issues;

- contributes, through its executives or its Head of Risk and Compliance, to the decisions taken by the committees dedicated to the risk management function at Group level, in particular the Group Credit and Counterparty Committee, the Group Watch List and Provisions Committee and the Validation of Permanent Controls Committee;
- benefits, on behalf of its employees, from an annual training programme distributed by BPCE and supplemented by internal training courses (11 RISK & COMPLIANCE ACADEMY courses were monitored) and rolled out CLIMATE RISK PURSUIT to all employees;
- prepares the macro-risk map for the institution, assessing its risk profile and identifying the main high-priority risks;
- lists the internal models specific to the institution as part of the Group's system for managing model risk;
- manages the annual review of the institution's risk appetite indicators as part of the system put in place by the Group;
- disseminates the risk and compliance culture and shares best practices with the other Groupe BPCE entities.
- measures the level of risk and compliance culture, based on a self-assessment based on a questionnaire of 139 questions on the risk and compliance culture, based on the recommendations of the FSB 2014, AFA 2017 and the EBA 2018 guidelines.

More specifically, to coordinate cross-functional projects, the institution's risk management and compliance department relies on BPCE's risk management department and the Group General Secretariat in charge of compliance and permanent controls at Groupe BPCE, which contribute to the proper coordination of the risk management and compliance certification function and manage the overall monitoring of risks, including those inherent to compliance within the Group.

2.5 Banque Palatine macro-risk map

Banque Palatine's macro-risk mapping complies with the regulations, in particular the Decision of 3 November 2014, as amended on 25 February 2021, dedicated to internal control, which states in its Articles 100, 101 and 102 (repeating the provisions contained in CRBF 97-02) the need for a "risk mapping that identifies and assesses the risks incurred with regard to internal and external factors", as well as with the EBA's "Internal governance guidelines" published on 1 July 2018. Banque Palatine meets this obligation with the "macro-risk mapping" system developed by Groupe BPCE.

This macro-mapping aims to secure the activities of the institutions, to consolidate their financial profitability and their long-term development. This risk-based approach, through a rating of the risk management system enables the implementation and monitoring of targeted action plans.

The macro-risk mapping plays a central role in an institution's overall risk management system: through the identification and rating of its risks, in particular through the assessment of the risk management system, each Group institution has its own risk profile and priority risks. This risk-based approach is used to update the institutions' risk appetite and permanent and periodic control plans each year.

The integration of the macro-risk mapping in the permanent control management tool Priscop makes it possible to automate the risk-control links in the risk management system. Action plans targeting priority risks are put in place to reduce and/or control risks.

The results of the macro-risk mapping contribute to the exercise of the Supervisory Review and Evaluation Process (SREP) of the Group, by identifying the main risks in the risk management and prudential approach and feeding in particular the annual internal control report, the Internal Capital Adequacy Assessment Process (ICAAP) report.

In 2021, a consolidation of the macro-mapping was carried out for each of the networks. Each institution has a comparison of its macro-mapping with that of its network. A consolidation of the action plans put in place by the institutions on their priority risks was also produced.

2.5.1 Risk appetite system

Groupe BPCE's risk appetite corresponds to the level of risk that it is prepared to accept in order to increase its profitability while preserving its solvency. This must be consistent with the institution's operating environment, strategy and business model, while prioritising the interests of its customers. The Group's risk appetite is determined by avoiding major pockets of concentration and by allocating capital in an optimised manner.

The system is based on:

- the definition of the Group's risk profile (or Risk Appetite Statement) which ensures consistency between the Group's DNA, its cost and revenue model, its risk profile and its loss-absorbing capacity as well as its risk management system;
- indicators covering all the main risks to which the bank is exposed and completed by the limits or thresholds triggering the measures and specific governance in the event of overruns;
- governance integrated into the Group's governance bodies for its creation and review as well as in the event of a major incident; as well as a roll-out of all the principles at each Group institution;
- a full operational inclusion with cross-cutting systems for financial planning.

The risk appetite is defined according to five criteria specific to Groupe BPCE:

- its DNA;
- its cost and revenue model;
- its risk profile;
- its capacity to absorb losses; and
- its risk management system.

Groupe BPCE's DNA

As a decentralised and supportive cooperative group, Groupe BPCE organises its business around capital held mainly locally in its regional institutions and centralised market funding optimising the resources provided to the entities. Due to its cooperative nature, Groupe BPCE aims to provide its customers with the best service over the long term, while generating long-term results.

Groupe BPCE:

- must preserve the solvency, liquidity and reputation of each of the Group's entities, a mission for which the central body is responsible through consolidated risk management, a shared risk policy and common tools;
- is made up of regional entities and banks, which own the Group and its subsidiaries. In addition to normal management, in the event of a crisis, solidarity mechanisms between the Group's entities ensure the circulation of capital and prevent the default of an entity or the central body;

- focuses on the structuring risks of its universal banking business model, with a predominant component in retail banking in France, while integrating other business lines necessary to serve all customers;
- diversifies its exposures by developing certain activities in line with its strategic plan:
  - development of bancassurance and asset management,
  - international development (mainly global customers banking and asset management and more targeted retail banking).

In terms of risk profile, Groupe BPCE bears risks that are intrinsically linked to its retail banking businesses and its global customers banking activities.

The institution's DNA

Banque Palatine is a financing bank with a strong activity in the corporate market and a strong presence in the medium-sized companies market. Banque Palatine supports corporate customers in their various needs, in particular the financing of their international and equity financing transactions, as well as the management of their foreign exchange and interest rate risks.

Banque Palatine is also exposed to retail credit risks, but more particularly in the private customer market.

As a wholly-owned subsidiary of BPCE SA, Banque Palatine's priority is to provide the best customer service while preserving solvency and long-term profitability.

2.5.1.1 Business model

Groupe BPCE focuses on the structuring risks of its banking and insurance business model, with a predominant component in retail banking in France, while integrating other business lines required to serve the Group's customers.

It is fundamentally a universal bank in all segments and markets and is present throughout the country through two competing networks whose regional entities have territorial jurisdiction defined by their region of activity. In order to strengthen this franchise and offer a complete range of services to its customers, Groupe BPCE is developing an economic financing activity, mainly for SMEs, professionals and individuals.

Certain activities (in particular specialised financial services, global customers banking, asset management, insurance) are housed in specialised subsidiaries.

Lastly, given the context of changes in interest rates in which Groupe BPCE operates, on the one hand, and the commitment to generate resilient and recurring income, on the other, the Group maintains a balance between the search for profitability and the risks related to its activities.

Banque Palatine has a more specialised customer profile in the medium-sized corporate and wealth management customer segments. It offers all the services of a retail bank and relies on the Group's specialised financial services. An activity dedicated to asset management also meets the more specific needs of its customers and is housed in a subsidiary.

2.5.1.2 Risk profile

The balance between the search for profitability and the level of risk accepted is reflected in Groupe BPCE's risk profile and is reflected in the Group's risk management policies.

Banque Palatine assumes risks intrinsically linked to its retail banking business lines, more specifically for corporate and wealth management customers.

Due to its business model, the following risks are assumed:

- the credit and counterparty risk resulting from the predominant activity of lending to individuals and companies is controlled through Group risk policies, included in its risk policy, concentration limits by counterparty, country and sector and an appropriate delegated system supplemented by portfolio monitoring and a monitoring system;
- the structural interest rate risk is linked in particular to its intermediation and transformation activity, which is closely linked to its lending activity. It is governed by common Group standards and its own limits;
- the liquidity risk is managed at Group level, which allocates liquidity to Banque Palatine to supplement the customer resources raised locally. In addition, Banque Palatine is responsible for managing its liquidity reserve in accordance with Group rules;
- the non-financial risks are governed by standards that cover the risks of non-compliance, fraud, information system security, conduct risks, legal and other operational risks. To this end, are implemented:
  - a common data collection framework for all of the Group's establishments and tools for annual mapping and reporting of losses and incidents over time,
  - monitoring of the major risks and risks to be managed by Banque Palatine,
  - action plans on specific risks and enhanced monitoring of emerging risks.

Lastly, the alignment of the requirements of individual customers and credit investors imposes a very strong aversion to reputational risk.

Banque Palatine focuses on specific market risk scopes that remain limited since the positions taken for customers are systematically hedged.

The evolution of its business model extends its exposure to certain types of risks, in particular risks related to asset management and the development of international activities.

It is prohibited to engage in uncontrolled activities or trading on own account. Activities with high risk profiles and profitability are strictly regulated.

Whatever the activities, entities or regions, Banque Palatine's employees aim to operate at the highest level of ethics and conduct, and according to the highest standards of execution and security of operations.

Risk management is governed by:

- governance with dedicated committees to monitor all risks;
- framework documents (guidelines, policies, standards, etc.) and charters;
- a permanent control system.

2.5.1.3 Loss-absorbing capacity

Groupe BPCE has a high level of liquidity and solvency, reflecting, where applicable, its ability to absorb the occurrence of a risk at the entity or Group level.

In terms of solvency, the Group is able to absorb the risk over the long term through its capital structure.

In terms of liquidity, the Group has a significant reserve composed of: cash and securities to meet regulatory needs, to satisfy stress tests and also to access unconventional financing mechanisms with central banks. It also has good quality assets eligible for market refinancing schemes and those offered by the ECB.

The Group ensures the robustness of this system through the implementation of global stress tests carried out on a regular basis. They are intended to verify the Group's resilience, particularly in the event of a serious crisis.

Banque Palatine's loss-absorbing capacity is closely monitored and relies in particular on the monitoring of the concentration risk of the credit portfolio and the monitoring of liquidity risk and the quality of the assets of the Reserve.

2.5.1.4 Risk management system

The implementation of the risk appetite is based on four essential components: (i) the definition of common benchmarks, (ii) the existence of a set of limits in line with those defined by the regulations, (iii) the distribution of expertise and responsibilities between local and central, and (iv) the functioning of governance within the Group and the various entities, allowing an effective and resilient application of the risk appetite system.

The establishment:

- is primarily responsible for the management of its risks within its scope and has, as such, dedicated permanent control manager(s);
- manages the risk appetite components through a set of standards and guidelines drawn from Internal Control Charters designed at Group level;
- lastly, our institution has adopted a set of limits applicable to the various risks and applied at Group level.

The Group and the institution's risk appetite framework is regularly updated. Any exceeding of the quantitative limits defined in the risk appetite framework is subject to an alert and an appropriate remediation plan that can be approved by the Executive Management Committee and communicated to the Board of Directors if necessary.

2.6 Disclosures by the governing body within the meaning of Article 98 of the Decision of 3 November 2014 on internal control

2.6.1.1 Operational risks

The bank's control processes include the immediate reporting to Executive Management, the Board of Directors, BPCE and the French Prudential and Resolution Supervisory Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) of any provisioned or definitive loss greater than or equal to 0.5% of its Common Equity Tier 1 capital, for operational risks, in accordance with Article 98 of the Order of 3 November 2014 on internal control, and BPCE's decisions.

In this regard, no incidents were reported in 2021.

2.6.1.2 Credit risks

Banque Palatine is subject to the Groupe BPCE standard on credit risks of 2 December 2015, which sets an alert threshold of 2% of capital.

This threshold, calculated on the basis of the equity at 31 December 2021, amounts to €24.1 million.

In this regard, no incidents were reported in 2021.

3 Capital management and capital adequacy

3.1 Regulatory framework

The Basel III agreement, transposed into European Union legislation through the Capital Requirements Regulation (CRR) and the Capital Requirements Directive (CRD), which were passed by the European Parliament on 16 April 2013 and published in the Official Journal of the European Union on 26 June 2013, defined the prudential supervision rules applicable to credit institutions and investment companies. Institutions concerned are required to maintain an overall capital adequacy ratio of at least 8% at all times.

The CRR and CRD IV texts were reviewed on 7 June 2019. The CRR 2 and CRD V texts were published in the Official Journal of the European Union for implementation in June 2021.

This capital adequacy ratio is equal to the ratio between total equity and the sum of:

- assets weighted by credit, counterparty and dilution risk;
- capital requirements with respect to the prudential supervision of market, operational and credit valuation adjustment (CVA) risk multiplied by 12.5.

Article 92 (1) of the CRR sets a minimal Common Equity Tier 1 ratio of 4.5% and a minimal Tier 1 capital ratio of 6%.

Regulatory capital and Basel III capital adequacy ratios

in millions of euros	31/12/2021	31/12/2020
Consolidated equity	1,042.93	1,008.33
Perpetual deeply subordinated notes classified as equity	(100.0)	(100.0)
Consolidated equity excluding perpetual deeply subordinated notes classified as equity	942.93	908.33
Non-controlling interests		
Common Equity Tier 1 (CET1) capital before deductions	937.06	892.66
Deductions from common equity		
• Goodwill		
• Other intangible assets	(4.18)	(7.88)
Other prudential adjustments	2.70	13.19
Common Equity Tier 1 (CET1) capital	935.57	897.97
Deeply subordinated notes		
Other Additional Tier 1 (AT1) capital	100.00	100.00
Tier 1 capital (A)	**1,035.57**	**997.97**
Tier 2 capital	168.11	198.11
Tier 2 capital (B)	**168.11**	**198.11**
TOTAL REGULATORY CAPITAL (A + B)	**1,203.68**	**1,196.08**
Credit risk-weighted assets	9,124.11	9,873.04
Market risk-weighted assets	2.07	3.26
Operational risk-weighted assets	600.58	603.27
CVA risk-weighted assets	7.75	9.74
TOTAL BASEL III RISK-WEIGHTED ASSETS	**9,734.51**	**10,489.31**
Capital adequacy ratio		
Core Tier 1 ratio	9.61%	8.56%
Tier 1 ratio	10.64%	9.51%
Overall solvency ratio	12.37%	11.40%

3.2 Composition of equity

The regulatory capital is determined in accordance with EU Regulation No. 575/2013 ("CRR") of 26 June 2013, as amended by EU Regulation No. 2019/876 ("CRR2"), on the prudential requirements applicable to credit institutions and investment firms.

They are organised into three main categories:

- Common Equity Tier 1 capital (CET1);
- Additional Tier 1 capital (AT1); and
- Tier 2 capital.

The criteria for breakdown by category are defined by the decreasing degree of solidity and stability, the term and the degree of subordination.

3.2.1 Common Equity Tier 1 (CET1) capital

Common equity Tier 1 capital consists of the share capital and related share premiums, reserves, retained earnings, the fund for general banking risks, subject to adjustments and regulatory deductions (*e.g.* elimination of minority interests, deductions of goodwill and intangible assets).

The CET1 equity of €935.6 million includes the following items:

- share capital, reserves, and undistributed profits: €937.1 million;
- prudential restatements (including intangible assets, AVA, OCI): -€1.5 million.

3.2.2 Additional Tier 1 (AT1) capital

Additional Tier 1 capital corresponds to perpetual debt instruments that feature no redemption incentive or obligation. AT1 instruments are subject to a loss-absorption mechanism that is triggered when the CET1 ratio falls below a threshold, which must be at least 7%.

In March 2018, Banque Palatine held a €100 million issue of the most deeply subordinated perpetual debt qualifying for AT1 equity.

3.2.3 Common Equity Tier 2 (CET2) capital

Tier 2 capital corresponds in particular to subordinated instruments issued, meeting the restrictive eligibility criteria according to Article 62 of the CRR2. Banque Palatine's Tier 2 capital consists of two eligible fixed-term subordinated loans for an amount of €200 million:

- €150 million (issued on 7 December 2015 and maturing in 2025);
- €50 million (issued on 22 December 2017 and maturing in 2027).

The €150 million loan has been amortised prudentially since 31 December 2020.

3.3 Capital requirements and risk-weighted assets

The bank calculates its risk-weighted exposures using the standardised approach for credit, market, operational and CVA risk.

Credit, market, operational and CVA risk-weighted assets

in millions of euros	Risk-weighted exposures 31/12/2021	Risk-weighted exposures 31/12/2020
Central governments and central banks	49	66
Public sector entities	0	0
Institutions	37	36
Secured obligations	3	3
Corporates	6,030	6,673
Retail customers	699	544
High-risk exposure	509	566
Exposures guaranteed by a mortgage on a real estate asset	1,292	1,278
Exposures in default	325	459
Collective investment undertakings	15	20
Exposure in the form of equities	8	8
Other items	156	219
Credit risk exposures	9,124	9,873
Market risk exposures	2	3
Operational risk exposures	601	603
CVA risk exposures	8	10
TOTAL AMOUNT OF RISK EXPOSURES	**9,735**	**10,489**
CET1 capital	936	898
CET1 ratio	**9.61%**	**8.56%**
T1 capital	1,036	998
AT1 ratio	**10.64%**	**9.51%**
Total capital	1,204	1,196
Total capital adequacy ratio	**12.37%**	**11.40%**

At 31 December 2021, the risk-weighted assets calculated in accordance with Basel III amounted to €9,735 million.

The "Basel III" calculation methods for the solvency ratio are defined in accordance with the texts passed on 16 April 2013 by the European Parliament and published in the Official Journal of the European Union on 26 June 2013, as amended by Regulation No. 2019/876 (CRR2) as well as the European regulations adopted pursuant to CRR/CRR2. The regulations are also supplemented by technical standards from the European Banking Authority, such as the ratio between overall regulatory capital and the sum of:

- credit risk-weighted exposures calculated by Banque Palatine using the standardised approach;
- capital requirements with respect to the prudential supervision of market, operational and credit valuation adjustment (CVA) risk multiplied by 12.5.

3.4 Leverage ratio

The leverage ratio aims to control the development of the leverage effect on the balance sheets of institutions with regard to their own funds. Its calculation methods are determined by the CRR2 Regulation, EU Regulation No. 2019/976 amending the CRR Regulation, and EU Regulation No. 2013/575 and amended by EU Regulation No. 2020/873. The CRR2 Regulation is applicable from 28 June 2021 in the European Union.

The leverage ratio is Tier 1 capital divided by exposures, which means on- and off-balance sheet assets, restated for derivatives, securities financing transactions and assets deductible from capital. The minimum leverage ratio is currently 3%.

Banque Palatine's leverage ratio, calculated in accordance with the European Commission Delegated Regulation of 10 October 2014, was 7.28% at 31 December 2021, compared with 5.38% for the previous financial year, based on its Tier 1 equity.

in millions of euros	31/12/2021	31/12/2020
TOTAL CONSOLIDATED ASSETS ACCORDING TO PUBLISHED FINANCIAL STATEMENTS	**17,226**	**17,524**
Adjustment for financial derivatives	150	(41)
Adjustment for commitments given (conversion of loan-equivalent amounts of off-balance sheet exposures)	2,103	1,971
Adjustments for capital assets	(4)	(8)
Intra-group deduction(1)	(4,410)	
Deduction of Livret A, LDD and LEP passbook savings accounts(2)	(282)	
Deduction of Central Bank exposures	(563)	(901)
TOTAL LEVERAGE EXPOSURE	**14,220**	**18,545**

(1) This is an exemption for intra-group transactions only for counterparties established in the same Member State as the institution according to Article 429bis1 © "exposures that receive a risk weight of 0% in accordance with the Article 113 § 6 or § 7.

(2) The CRR2 Regulation makes the exemption relating to centralised savings mandatory with Caisse des Dépôts for 100% of the centralised outstandings automatic [429a1(j)].

3.4.1 Quality controls on accounting and financial information

The main functions involved in preparing and publishing accounting and financial information are accounting, management control and communication.

The preparation and processing of accounting and financial information is the responsibility of the finance function, whose head is the Bank Finance Director. Accounting and management control are placed under its responsibility.

3.4.1.1 Accounting

The main duties of the accounting department are:

- preparation of the parent-company financial statements;
- preparation of the consolidated financial statements for the Palatine Group in accordance with the standards governing Groupe BPCE;
- production of regulatory reports and ratios;
- accounting frameworks, ensuring compliance with Group accounting standards and guides;
- identification and quantification of the accounting impacts of company projects;
- contribution of expertise for the development of the accounting IT system;
- responsibility for accounts payable and paying supplier invoices.

3.4.1.1.1 Presentation of the accounting department's internal control system

For Banque Palatine, the accounting function prepares quarterly consolidated financial statements in accordance with IFRS and publishes them half-yearly. Data is consolidated based on the financial statements of each entity in the scope of consolidation.

Data is added to a central database and consolidation adjustments are then made. Accounting uses Groupe BPCE's accounting tool, which ensures the internal consistency of scopes, charts of accounts, processes and analyses for the entire consolidated scope of Banque Palatine and Groupe BPCE.

Banque Palatine's internal control framework plays an instrumental role in risk management and contributes to the quality of its accounting and regulatory information. It is organised in accordance with the legal and regulatory requirements arising from the French Monetary and Financial Code and the order of 3 November 2014 on internal control.

The "Quality control framework for accounting and financial information" was approved by the Group Internal Control Coordination Committee on 9 June 2016. This is a single unified framework and applies to all Groupe BPCE entities in the consolidated supervisory scope, replacing the Group's old Accounting and Regulatory Review Charter.

3.4.1.1.2 Application of the control framework to accounting and financial data

Accounting and regulatory controls are carried out by various internal and external parties to maintain the segregation of tasks in line with a three-level control hierarchy.

3.4.1.1.3 First-level controls

"First-level controls" relate to operational or functional services embedded in accounting processes and controlled by the Head of Accounting.

First-level controls on accounting and regulatory aspects help to verify the compliance of transactions processed with the accounting standards and procedures in force.

As far as possible, they rely on enterprise resource planning systems.

All operational services and/or departments are responsible for the first-level controls on activities within their scope and responsible for maintaining and demonstrating the audit trail, from the original document through to the corresponding entry in the relevant internal accounts. First-level control is completed with the process of justifying internal accounts.

Justification of the internal accounts takes place in Groupe BPCE's Comptabase system. This tool was launched in 2014 and has now reached cruising speed. A group of requests developed based on the tool's data allowed for better steering of the justification of accounts and measuring customer feedback in quantitative and qualitative terms.

Since the migration of Banque Palatine's SAB information system to the i-BP Equinoxe platform, the Comptabase tool was upgraded in 2020 which has been accompanied by new developments for the bank, namely the opening to the accounting production of the tool for entering entries in euros, in the same way as other Group entities.

3.4.1.1.4 Second-level controls

The intermediate stage of the system, called "second-level control" is organised and implemented by a specialist dedicated department: review. Review conducts second-level independent permanent controls to enhance the reliability of processes and reinforce the quality of accounting and regulatory disclosures, in connection with the other permanent control functions.

The role of accounting review is focused predominantly on three general assignments:

- second-level control of the parent-company and consolidated financial statements;
- second-level control of the prudential and regulatory reports;
- organisation of the review framework;

On this last point, the review focuses primarily on:

- updating the mapping of accounting and financial information;
- development of the review plan;
- preparation and communication of summaries;
- implementation of recommendations issued.

Given the nature of its assignments, the review should seek to maintain an elevated level of competency and should in particular have a good understanding of accounting and regulatory statements, audit techniques and information systems, in order to facilitate the required investigations.

2021 was the first full financial year carried out after the migration of Banque Palatine's information system to the i-BP platform, in October 2020, and after moving the accounting revision department to the risk management and compliance department.

Therefore, this retains the strict separation of accounting preparation and review.

The financial review is attached to the department for the coordination of permanent control, which is one of BPCE's four expertise departments. It is still organised as a function and has, as in the past, its own body of standards and governance. Within the central body, it coordinates preparation of standards regarding the accounting and financial information control framework, organisation of the review function within the Group, the visit and testing of entities presenting anomalies or a system to be perfected, steering and reporting allowing analysis of the production system and control of accounting and financial information including the rules defined in the "Framework for controlling the quality of accounting and financial information".

The Head of Financial Review is a member of the Expanded Management Committee of the RCPCD.

In conjunction with the shareholding institutions and Group subsidiaries, the main role of the financial review department is to maintain a strong functional link between the function within the Group entities and that of the central body in order to safeguard the quality of Groupe BPCE's accounting information and regulatory reporting.

3.4.1.1.5 Third-level controls

The top level, or third-level controls, cover:

- periodic controls organised under the authority of the internal audit function or Groupe BPCE's general inspection;
- controls performed by external parties from outside the Group (Statutory Auditors and the *Autorité de contrôle prudentiel et de résolution*);
- controls performed by authorities under government supervision, such as the French Anti-corruption Agency (*Agence française anticorruption* – AFA).

3.4.1.2 Management control

The management control function is responsible for preparing management information. The management control function is governed within Groupe BPCE by an operating charter stating the duties of management control.

Within Banque Palatine, this function is performed by the management control department, the head of which reports to the Bank Finance Director.

Its main duties are as follows:

3.4.1.4.1 Support strategic oversight and earnings management

This task is performed on behalf of Banque Palatine's executive management.

It extends to financial planning, earnings management and the publication of financial information.

It draws on the planning cycle established centrally by BPCE's management control unit, incorporating medium- to long-term projections (strategic plan), a one-year horizon (budget) and mid-year updates (reforecasts/estimates).

It also includes occasional studies to enrich management discussions concerning the merits of setting up new activities or to decide between investment options.

It aims to produce the most relevant information in the form of performance indicators for Executive Management (*e.g.* commercial briefings, financial dashboard).

3.4.1.4.2 Measure, analyse and help optimise performance

This role encompasses shedding light on contributions to Group results made by each business line, product and sales network. It uses valuation and income and expense apportionment methods and techniques deriving from management accounting in line with the agreements in force at Groupe BPCE.

3.4.1.4.3 Design new management standards and systems for the company

Management control has a standard-setting role, devising and implementing management indicators. It is responsible for the reliability of the management data contained in reporting and financial releases. It is involved in the preparation of activity and management reporting used to steer the Group.

3.4.1.3 Firm management and CSR

Since 1 January 2021, financial communication is the responsibility of the firm management and CSR reports directly to the Chief Executive Officer. In conjunction with the institutional affairs and investments department, which manages governance operationally, it is responsible for disseminating the financial information published and made available to financial analysts and institutional investors on Banque Palatine's website and through documents updated annually and registered, if necessary, with the French Financial Markets Authority (*Autorité des marchés financiers* – AMF).

The validation process implemented is geared to the nature of each individual publication.

The communication function's duties in relation to accounting and financial information are to coordinate and prepare presentations of the bank's results and developments concerning it to give third parties an idea of its financial strength, profitability and outlook.

4 Credit and counterparty risks

4.1 Definitions

Credit risk is the risk incurred in the event of default by a debtor or counterparty, or debtors or counterparties considered to be the same group of related customers in accordance with regulations; this risk may also result in the loss of value of securities issued by the defaulting counterparty.

Counterparty risk is defined as the risk that the counterparty of a transaction will default before final settlement of all cash flows related to the transaction.

4.2 Organisation of credit risk management

In the framework of its risk appetite system, the establishment's "credit risk management" function:

- proposes delegation systems to undertake transactions to the effective managers, taking into account the levels of risk as well as the competences and experiences of the teams;
- participates in setting the institution's pricing standards by ensuring that the level of risk is taken into account, in compliance with the Group standard;
- conducts dialectic analyses of credit files, excluding delegation by committee decision;
- analyses concentration, segment and geographic risks;
- periodically monitors ratings and ensures limits are respected;
- alerts the effective managers and notifies the operational managers in the event of a limit being exceeded;
- registers loans that are alarming or deteriorated according to Group criteria on the Watch List;
- controls the implementation of risk reduction plans and participate in defining the level of necessary provisions if applicable.
- implements the permanent second-level control system dedicated to credit risks through the Group's PRISCOP tool;
- contributes to the Group's work.

The Credit Risk Committee, in line with the definition of its risk appetite, validates the institution's credit risk policy in line with Group policies, decides on internal caps and credit limits, validates the institution's delegated manager, examines the significant exposures and the results of the risk measurement.

4.2.1 Caps and limits

At BPCE level, the risk management department and the General Secretariat in charge of Group compliance and permanent control measure and monitor, on behalf of the Group Risk and Compliance Committee, the compliance with the regulatory caps. The system of internal caps for institutions, which is lower than the regulatory ceilings, is applied to all Group entities. A Group limit system is also set for the main asset classes and the main groups of counterparties in each asset class.

The internal caps and Group limits are regularly reported to the bodies.

Lastly, risk monitoring is implemented by sector through systems that translate into recommendations for the Group's institutions in certain sensitive sectors. Several sectoral policies are in place (agri-food, automotive, construction, communication and media, renewable energies, etc.). These policies take into account environmental, social and governance (ESG) risks.

4.2.2 Rating policy

The measurement of credit and counterparty risks is based on rating systems adapted to each type of customer or transaction, for which the risk management department monitors performance through the validation of models and the implementation since 2020 of a Group system dedicated to model risk management.

Rating is a fundamental element of risk assessment.

As part of the permanent control process, BPCE's risk management department has, notably, implemented a centralised monitoring procedure to verify the quality of data and the due application of the Group's standards in terms of segmentation, ratings, guarantees, defaults and losses.

4.2.3 Monitoring and supervision of credit and counterparty risks

The risk management function is independent of the operating functions. In particular, it does not have a credit granting delegation and does not carry out the business line analysis of commitment requests.

It applies the Credit Risk Reference Framework, which is regularly updated and distributed by the BPCE risk management department. This credit risk framework covers the standards and best practices to follow in each of the Groupe BPCE entities and the management and reporting standards established by the BPCE Supervisory Board or Management Board upon the recommendation of the Group Risk Committee. It is a work tool for risk management department participants within the Group and represents an element of the permanent control system of the Group's institutions.

Banque Palatine's risk management and compliance department has strong functional ties with BPCE's risk management department, which is in charge of:

- defining customer risk standards;
- evaluating risks (definition of concepts);
- preparing methodologies, models and risk rating systems (scoring or expert systems);
- developing and deploying monitoring systems, standards and data quality;
- conducting performance tests of the rating systems (back-testing);
- conducting credit risk stress scenarios (which may be completed with complementary scenarios that are defined locally);
- approving evaluation, permanent control and reporting standards.

In addition, BPCE centralises monitoring of the risk management department's control.

The supervision of risks relates to data quality and the quality of exposure. It is steered through indicators for each class of assets.

Groupe BPCE applies IFRS 9 "Financial instruments", which defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for credit risk on financial assets and the treatment of hedging transactions.

Banque Palatine's risk management function ensures that any transaction complies with the Group's standards and procedures in force with regard to authorised counterparties. It proposes to the competent committee that projects of worrying or degraded quality, according to Group standards, be added to the WatchList. This mission is the responsibility of the risk management function of our institution within its own scope and the responsibility of the BPCE risk management department at the consolidated level.

Breakdown of gross exposures by category (credit risk including counterparty risk)

	31/12/2021			31/12/2020
	Standard	IRB	Total	Total
in millions of euros	Exposition	Exposition	Exposition	Exposition
Sovereigns	1,725	0	1,725	1,901
Institutions	4,749	0	4,749	3,637
Corporates	9,095	0	9,095	10,136
Retail customers	1,151	0	1,151	829
Securitisation	0	0	0	0
Equities	8	0	8	8
Other assets	4,713	0	4,713	4,766
TOTAL	**21,441**	**0**	**21,441**	**21,278**

in millions of euros	31/12/2021 Gross exposure	31/12/2021 RWA	31/12/2020 Gross exposure	31/12/2020 RWA	Change Gross exposure	Change RWA
Sovereigns	1,725	49	1,901	66	(176)	(17)
Institutions	4,749	37	3,637	36	1,112	1
Corporates	9,095	6,030	10,136	6,673	(1,041)	(643)
Retail customers	1,151	699	829	544	322	155
Securitisation	0	0	0	0	0	0
Equities	8	8	8	8	(0)	(0)
Other assets	4,713	2,301	4,766	2,545	(53)	(245)
TOTAL	**21,441**	**9,124**	**21,278**	**9,873**	**163**	**(749)**

The "Other assets" category includes, among others, exposures secured by a mortgage on real estate, doubtful exposures and "high risk" exposures.

The "institutions" portfolio was up sharply, partly due to changes in fixed-deposit accounts at BPCE as well as Natixis exposures, with no impact on risk weighted assets. Conversely, Corporate exposures are decreasing, mainly due to a downward volume effect.

The risk weighted assets are decreasing thanks in particular to the RWA optimisation project launched in 2018, such as the better consideration of home loan guarantees, or reliability-enhancing actions in terms of data quality (high risk, assignment of receivables without recourse, etc.).

4.2.3.1 Monitoring of concentration risk by counterparty

The concentration rates are monitored based on on-balance sheet and off-balance sheet outstandings.

	Gross risks (in thousands of euros)
Counterparty 1	70,000
Counterparty 2	50,000
Counterparty 3	45,146
Counterparty 4	41,415
Counterparty 5	41,375
Counterparty 6	40,809
Counterparty 7	38,001
Counterparty 8	35,817
Counterparty 9	35,618
Counterparty 10	35,000
Counterparty 11	34,298
Counterparty 12	30,124
Counterparty 13	30,038
Counterparty 14	30,000
Counterparty 15	29,998
Counterparty 16	29,971
Counterparty 17	29,822
Counterparty 18	28,751
Counterparty 19	28,404
Counterparty 20	26,849

4.2.3.2 Monitoring of geographic risk

The geographical exposure of the outstanding loans mainly relates to the Eurozone and more specifically to France, which represented 93.4% of Banque Palatine's exposures at 31 December 2021.

4.2.3.3 Monitoring of doubtful receivables and commitments

The doubtful receivables and commitments amounted to €570 million compared to €598.7 million in the previous financial year. This decrease is due to the continuation of the programme to sell non-performing loans carried out at the end of the first half of 2021 for an amount of €13 million, the write-off of counterparties and the return to performing loans after their probationary period.

These receivables and commitments are covered by provisions for which the coverage rate (including the SGLs hedged up to 10%) increased slightly to 52% compared to 50% in 2020.

The cost of risk amounted to €39 million, a decrease of €61.3 million compared to 2020. This decrease is due to:

- a decrease in provisions (-€30.9 million) for counterparties in Stage 3;
- and a review of the macroeconomic forecasts for the counterparties allocated in Stages 1 and 2 (-€31.2 million).

IFRS 9 provisioning rate – Stages 1 and 2

	2021			2020		
in millions of euros	Loans	Provisions	Provision rate	Loans	Provisions	Provision rate
Loans and receivables due from credit institutions	4,600.9	0.0		3,507.7	0.3	
Loans and advances due from customers	10,437.5	82.4		11,018.9	87.6	
Debt securities at amortised cost	220.3	1.7		299.6	3.2	
BALANCE SHEET	**15,258.8**	**84.1**	**0.55%**	**14,826.2**	**91.1**	**0.61%**
Guarantee commitments given	1,135.9	3.9		979.9	10.3	
Financing commitments given	2,061.9	7.4		2,113.5	8.6	
Other provisions as liabilities		0.0			0.0	
BALANCE SHEET AND OFF-BALANCE SHEET	**18,456.6**	**95.4**	**0.52%**	**17,919.6**	**110.1**	**0.61%**

IFRS 9 provisioning rate – Stage 3

	2021			2020		
in millions of euros	Loans	Provisions	Provision rate	Loans	Provisions	Provision rate
Loans and advances due from credit institutions in default						
Loans and advances due from customers in default	493.5	249.0		498.3	253.0	
of which outstanding State-guaranteed loans	84.8	8.5		63.5	4.1	
Debt securities at amortised cost in default	23.7	15.0		26.3	18.8	
DOUBTFUL BALANCE SHEET LOANS	**517.1**	**264.0**	**51.1%**	**524.6**	**271.8**	**51.8%**
Doubtful financing commitments given	42.1	32.1		51.4	25.0	
Doubtful guarantees given	10.7	0.0		22.7	2.1	
Other provisions as liabilities		0.7			0.6	
DOUBTFUL EXPOSURES, ON- AND OFF-BALANCE SHEET	**570.0**	**296.8**	**52.1%**	**598.7**	**299.5**	**50.0%**

Performing and non-performing renegotiated exposures

EU CQ1 – Credit quality of renegotiated exposures

	31/12/2021							
	Gross carrying amount/Nominal amount of exposures subject to renegotiation measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received for renegotiated exposures	
		Non-performing renegotiated						
in millions of euros	Performing renegotiated		Of which in default	Of which impaired	On performing renegotiated exposures	On non-performing renegotiated exposures		Of which collateral received and financial guarantees received for non-performing exposures subject to renegotiation measures
Demand accounts with central banks and other demand deposits	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**133**	**83**	**83**	**83**	**(5)**	**(25)**	**148**	**45**
Cash placed with central banks	0	0	0	0	0	0	0	0
Public administrations	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial companies	0	0	0	0	0	0	0	0
Non-financial corporations	131	80	80	80	(5)	(25)	144	43
Households	2	3	3	3	(0)	(0)	4	2
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**133**	**83**	**83**	**83**	**(5)**	**(25)**	**148**	**45**

	31/12/2020							
	Gross carrying amount/Nominal amount of exposures subject to renegotiation measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received for renegotiated exposures	
		Non-performing renegotiated						
in millions of euros	Performing renegotiated		Of which in default	Of which impaired	On performing renegotiated exposures	On non-performing renegotiated exposures		Of which collateral received and financial guarantees received for non-performing exposures subject to renegotiation measures
Demand accounts with central banks and other demand deposits	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**22**	**14**	**14**	**14**	**(0)**	**(6)**	**19**	**2**
Cash placed with central banks	0	0	0	0	0	0	0	0
Public administrations	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other financial companies	0	0	0	0	0	0	0	0
Non-financial corporations	20	13	13	13	(0)	(6)	17	2
Households	2	1	1	1	(0)	(0)	2	0
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**22**	**14**	**14**	**14**	**(0)**	**(6)**	**19**	**2**

EU CR1 – Performing and non-performing exposures and corresponding provisions

	31/12/2021													
	Gross carrying amount/Nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – Accumulated impairment and provisions			Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	On non-performing exposures
in millions of euros		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		
Demand accounts with central banks and other demand deposits	**884**	**884**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**14,721**	**13,163**	**1,557**	**493**	**0**	**450**	**(82)**	**(30)**	**(52)**	**(249)**	**(0)**	**(244)**	**4,479**	**129**
Cash placed with central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public administrations	283	283	0	0	0	0	(0)	(0)	0	0	0	0	0	0
Credit institutions	4,055	4,053	2	0	0	0	(0)	(0)	(0)	0	0	0	0	0
Other financial companies	114	110	4	11	0	11	(0)	(0)	(0)	0	0	0	58	0
Non-financial corporations	8,615	7,201	1,413	452	0	408	(77)	(29)	(48)	(238)	(0)	(233)	3,239	119
Of which SMEs	4,356	3,497	859	167	0	149	(48)	(14)	(34)	(52)	(0)	(50)	2,139	60
Households	1,654	1,516	138	30	0	30	(5)	(1)	(4)	(11)	0	(11)	1,182	10
Debt securities	**1,134**	**1,102**	**19**	**24**	**0**	**22**	**(2)**	**(1)**	**(1)**	**(15)**	**0**	**(14)**	**0**	**0**
Cash placed with central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public administrations	879	879	0	0	0	0	(0)	(0)	(0)	0	0	0	0	0
Credit institutions	45	45	0	0	0	0	(0)	(0)	0	(0)	0	0	0	0
Other financial companies	12	0	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	198	179	19	24	0	22	(2)	(1)	(1)	(15)	0	(14)	0	0
Off-balance sheet exposures	**3,358**	**3,101**	**256**	**53**	**0**	**53**	**(11)**	**(6)**	**(5)**	**(32)**	**0**	**(32)**	**167**	**2**
Cash placed with central banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Public administrations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	230	229	0	0	0	0	(0)	(0)	(0)	(0)	0	0	0	0
Other financial companies	83	83	0	0	0	0	(0)	(0)	(0)	(0)	0	0	20	0
Non-financial corporations	2,942	2,691	251	46	0	46	(10)	(6)	(5)	(32)	0	(32)	101	0
Households	103	97	5	7	0	7	(1)	(0)	(0)	(0)	0	(0)	47	1
TOTAL	**20,096**	**18,251**	**1,833**	**570**	**0**	**524**	**(95)**	**(37)**	**(58)**	**(296)**	**(0)**	**(290)**	**4,646**	**130**

	31/12/2020													
	Gross carrying amount/Nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures – Accumulated impairment and provisions			Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			On performing exposures	On non-performing exposures
in millions of euros		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		
Demand accounts with central banks and other demand deposits[1]	**1,337**	**901**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**
Loans and advances	**14,091**	**13,179**	**911**	**498**	**0**	**498**	**(88)**	**(53)**	**(35)**	**(253)**	**0**	**(253)**		**4,553**
Cash placed with central banks	0	0	0	0	0	0	0	0	0	0	0	0		0
Public administrations	2	2	0	0	0	0	(0)	(0)	0	0	0	0		0
Credit institutions	2,983	2,981	2	0	0	0	(0)	0	(0)	0	0	0		0
Other financial companies	133	133	0	2	0	2	(0)	(0)	(0)	(0)	0	(0)		64
Non-financial corporations	9,497	8,713	784	457	0	457	(83)	(51)	(32)	(237)	0	(237)		3,473
Of which SMEs	3,700	3,372	328	138	0	138	(37)	(22)	(16)	(41)	0	(41)		1,875
Households	1,476	1,351	125	40	0	40	(5)	(2)	(3)	(15)	0	(15)		1,016
Debt securities	**1,352**	**1,307**	**26**	**26**	**0**	**26**	**(3)**	**(2)**	**(1)**	**(19)**	**0**	**(19)**		**0**
Cash placed with central banks	0	0	0	0	0	0	0	0	0	0	0	0		0
Public administrations	963	963	0	0	0	0	(0)	(0)	0	0	0	0		0
Credit institutions	46	46	0	0	0	0	(0)	(0)	0	0	0	0		0

Other financial companies	18	0	0	0	0	0	0	0	0	0	0	0	0
Non-financial corporations	324	298	26	26	0	26	(3)	(2)	(1)	(19)	0	(19)	0
Off-balance sheet exposures	**3,163**	**3,006**	**157**	**74**	**0**	**74**	**(19)**	**(10)**	**(9)**	**(27)**	**0**	**(27)**	**97**
Cash placed with central banks	0	0	0	0	0	0	0	0	0	0	0	0	0
Public administrations	0	0	0	0	0	0	0	0	0	0	0	0	0
Credit institutions	323	322	0	7	0	7	(0)	(0)	(0)	0	0	0	0
Other financial companies	69	69	0	5	0	5	(0)	(0)	0	0	0	0	0
Non-financial corporations	2,736	2,582	154	58	0	58	(19)	(10)	(9)	(27)	0	(27)	79
Households	35	33	3	4	0	4	(0)	(0)	(0)	(0)	0	(0)	19
TOTAL	**19,943**	**18,394**	**1,095**	**599**	**0**	**599**	**(110)**	**(65)**	**(45)**	**(299)**	**0**	**(299)**	**4,650**

(1) At 31/12/2020, the amounts relating to deposits with central banks and other demand deposits were not reported.

EU CQ3 – Credit quality of performing and non-performing exposures by number of days past due

	31/12/2021											
	Gross carrying amount/Nominal amount											
	Performing exposures			Non-performing exposures								
in millions of euros		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Payment unlikely but not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which in default
Demand accounts with central banks and other demand deposits	**884**	**884**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**14,721**	**14,712**	**9**	**493**	**435**	**11**	**31**	**12**	**3**	**0**	**1**	**493**
Cash placed with central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	283	283	-	-	-	-	-	-	-	-	-	-
Credit institutions	4,055	4,055	-	-	-	-	-	-	-	-	-	-
Other financial companies	114	114	-	11	11	-	-	-	-	-	-	11
Non-financial corporations	8,615	8,609	6	452	398	10	31	11	2	-	1	452
Of which SMEs	4,356	4,352	5	167	131	6	21	9	0	-	-	167
Households	1,654	1,651	3	30	26	1	1	1	1	0	-	30
Debt securities	**1,134**	**1,134**	**-**	**24**	**24**	**-**	**-**	**-**	**-**	**-**	**-**	**24**

Cash placed with central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	879	879	-	-	-	-	-	-	-	-	-	-
Credit institutions	45	45	-	-	-	-	-	-	-	-	-	-
Other financial companies	12	12	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	198	198	-	24	24	-	-	-	-	-	-	22
Off-balance sheet exposures	**3,358**			**53**								**53**
Cash placed with central banks	-			-								-
Public administrations	-			-								-
Credit institutions	230			-								-
Other financial companies	83			-								-
Non-financial corporations	2,942			46								46
Households	103			7								7
TOTAL	**20,096**	**16,729**	**9**	**570**	**459**	**11**	**31**	**12**	**3**	**0**	**1**	**570**

	31/12/2020											
	Gross carrying amount/Nominal amount											
	Performing exposures			Non-performing exposures								
in millions of euros		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Payment unlikely but not past due or past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which in default
Demand accounts with central banks and other demand deposits[1]	**1,337**	**1,337**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**14,091**	**14,081**	**9**	**498**	**481**	**7**	**8**	**2**	**0**	**0**	**0**	**498**
Cash placed with central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	2	2	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,983	2,983	-	-	-	-	-	-	-	-	-	-
Other financial companies	133	133	-	2	2	-	-	-	-	-	-	2
Non-financial corporations	9,497	9,490	7	457	444	6	7	1	0	-	0	457
Of which SMEs	3,700	3,696	4	138	130	4	3	0	0	-	0	138
Households	1,476	1,474	2	40	36	1	1	1	0	0	-	40
Debt securities	**1,352**	**1,352**	**-**	**26**	**26**	**-**	**-**	**-**	**-**	**-**	**-**	**26**

Cash placed with central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	963	963	-	0	0	-	-	-	-	-	-	0
Credit institutions	46	46	-	-	-	-	-	-	-	-	-	-
Other financial companies	18	18	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	324	324	-	26	26	-	-	-	-	-	-	26
Off-balance sheet exposures	**3,163**			**74**								**74**
Cash placed with central banks	-			-								-
Public administrations	-			-								-
Credit institutions	323			7								7
Other financial companies	69			5								5
Non-financial corporations	2,736			58								58
Households	35			4								4
TOTAL	**19,943**	**16,770**	**9**	**599**	**508**	**7**	**8**	**2**	**0**	**0**	**0**	**599**

(1) At 31/12/2020, the amounts relating to deposits with central banks and other demand deposits were not reported.

Credit quality by geographical area

EU CQ4 – Quality of exposures by geographical area

in millions of euros	31/12/2021						
	Carrying amount/Gross nominal amount					Provisions for off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing					
			Of which in default	Of which subject to impairment	Accumulated impairment		
Balance sheet exposures	**16,372**	**517**	**517**	**16,359**	**(348)**		**0**
France	15,170	469	469	15,158	(321)		0
Spain	289	1	1	289	(0)		0
Portugal	225	-	-	225	(0)		0
Luxembourg	159	21	21	159	(16)		0
Italy	109	2	2	109	(1)		0
Other countries	420	24	24	420	(10)		0
Off-balance sheet exposures	**3,410**	**53**	**53**			**(43)**	
France	3,316	52	52			(43)	
Luxembourg	41	-	-			(0)	
Switzerland	19	-	-			(0)	
United Kingdom	7	-	-			(0)	
United States	7	-	-			(0)	
Other countries	19	1	1			(0)	
TOTAL	**19,782**	**570**	**570**	**16,359**	**(348)**	**(43)**	**0**

in millions of euros	31/12/2020						
	Carrying amount/Gross nominal amount					Provisions for off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing					
			Of which in default	Of which subject to impairment	Accumulated impairment		
Balance sheet exposures	**17,304**	**525**	**525**	**17,286**	**(363)**		**0**
France	15,857	494	494	15,838	(342)		0
Spain	267	0	0	267	(0)		0
Portugal	232	-	-	232	(0)		0
Luxembourg	211	19	19	211	(10)		0
Belgium	108	1	1	108	(2)		0
Other countries	629	10	10	629	(9)		0
Off-balance sheet exposures	**3,238**	**74**	**74**			**(46)**	
France	3,130	70	70			(46)	
Luxembourg	44	-	-			(0)	
Belgium	13	-	-			(0)	
Switzerland	11	0	0			(0)	
United States	7	-	-			(0)	
Other countries	33	4	4			(0)	
TOTAL	**20,542**	**599**	**599**	**17,286**	**(363)**	**(46)**	**0**

EU CQ5 – Credit quality of loans and advances to non-financial corporations by industry

in millions of euros	31/12/2021					
	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing				
			Of which in default	Of which loans and advances subject to impairment		
Agriculture, forestry and fishing	30	1	1	30	(1)	-
Extractive industries	7	-	-	7	(0)	-
Manufacturing industry	808	93	93	808	(51)	-
Production and distribution of electricity, gas, steam and air conditioning	225	6	6	225	(6)	-
Water production and distribution	36	2	2	36	(1)	-
Construction	327	22	22	327	(15)	-
Retail	946	83	83	946	(45)	-
Transport and storage	160	28	28	160	(15)	-
Accommodation and catering	159	20	20	159	(9)	-
Information and communication	330	16	16	330	(11)	-
Financial and insurance activities	1,279	41	41	1,279	(35)	-
Real estate activities	3,411	69	69	3,411	(67)	-
Professional, scientific and technical activities	834	46	46	834	(38)	-
Administrative and support service activities	349	14	14	349	(8)	-
Public administration and defence, mandatory social security	0	-	-	0	(0)	-
Teaching	1	-	-	1	(0)	-
Human health and social action	57	-	-	57	(0)	-
Arts, entertainment and recreation	10	1	1	10	(0)	-
Other services	100	11	11	100	(14)	-
TOTAL	**9,067**	**452**	**452**	**9,067**	**(315)**	**-**

in millions of euros	31/12/2020					
	Gross carrying amount					Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing				
			Of which in default	Of which loans and advances subject to impairment	Accumulated impairment	
Agriculture, forestry and fishing	30	2	2	30	(1)	-
Extractive industries	8	-	-	8	(0)	-
Manufacturing industry	842	78	78	842	(43)	-
Production and distribution of electricity, gas, steam and air conditioning	212	1	1	212	(4)	-
Water production and distribution	31	3	3	31	(1)	-
Construction	430	24	24	430	(17)	-
Retail	1,023	71	71	1,023	(43)	-
Transport and storage	165	9	9	165	(7)	-
Accommodation and catering	147	5	5	147	(4)	-
Information and communication	337	18	18	337	(11)	-
Financial and insurance activities	1,469	62	62	1,469	(48)	-
Real estate activities	3,464	79	79	3,464	(59)	-
Professional, scientific and technical activities	1,005	59	59	1,005	(57)	-
Administrative and support service activities	366	10	10	366	(6)	-
Public administration and defence, mandatory social security	-	-	-	-	0	-
Teaching	1	0	0	1	(0)	-
Human health and social action	69	-	-	69	(0)	-
Arts, entertainment and recreation	7	0	0	7	(0)	-
Other services	349	36	36	349	(18)	-
TOTAL	**9,954**	**457**	**457**	**9,954**	**(320)**	**-**

Information on loans and advances subject to legislative and non-legislative moratoria

		31/12/2021						
		Gross						
			Performing exposures			Non-performing exposures		
				of which: Exposures subject to forbearance measures	of which: Instruments with a significant increase in credit risk since their initial recognition but not subject to impairment (Stage 2)		of which: Exposures subject to forbearance measures	of which: Unlikely repayment not yet unpaid or unpaid for <= 90 days
1	Loans and advances subject to moratorium	34.15	33.35	0.76	1.29	0.8	0	0
2	*of which: Households*	0.03	0.03	0	0	0	0	0
3	*of which: Secured by residential real estate*	0.03	0.03	0	0	0	0	0
4	*of which: Non-financial corporations*	34.12	33.32	0.76	1.29	0.8	0	0
5	*of which: Small and medium-sized enterprises*	1.32	1.19	0	1.06	0.13	0	0
6	*of which: Secured by commercial real estate*	14.84	14.84	0	0	0	0	0

		31/12/2021							
		Accumulated impairment losses, accumulated negative changes in fair value due to credit risk							Gross
			Performing			Non-performing			Capital inflows on non-performing exposures
				of which: Exposures subject to forbearance measures	of which: Instruments with a significant increase in credit risk since their initial recognition but not subject to impairment (Stage 2)		of which: Exposures subject to forbearance measures	of which: Unlikely repayment not yet unpaid or unpaid for <= 90 days	
1	Loans and advances subject to moratorium	*(1.02)*	*(0.51)*	*(0.02)*	*(0.12)*	*(0.51)*	*0*	*0*	*0*
2	*of which: Households*	0	0	0	0	0	0	0	0
3	*of which: Secured by residential real estate*	0	0	0	0	0	0	0	0
4	*of which: Non-financial corporations*	(1.02)	(0.51)	(0.02)	(0.12)	(0.51)	0	0	0
5	*of which: Small and medium-sized enterprises*	(0.1)	(0.09)	0	(0.09)	(0.01)	0	0	0
6	*of which: Secured by commercial real estate*	(0.16)	(0.16)	0	0	0	0	0	0

Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of the moratorium

		31/12/2021								
			Gross							
						Residual maturity of the moratorium				
		Number of debtors		of which: legislative moratorium	of which: term expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
1	Loans and advances subject to a moratorium offer									
2	Loans and advances subject to moratorium (granted)	50	34.15	1.99	34.15	0	0	0	0	0
3	*of which: Households*		0.03	0.03	0.03	0	0	0	0	0
4	*of which: Secured by residential real estate*		0.03	0.03	0.03	0	0	0	0	0
5	*of which: Non-financial corporations*		34.12	1.96	34.12	0	0	0	0	0
6	*of which: Small and medium-sized enterprises*		1.32	0	1.32	0	0	0	0	0
7	*of which: Secured by commercial real estate*		14.84	0.19	14.84	0	0	0	0	0

Information on new loans and advances provided under public guarantee schemes in response to the Covid-19 crisis

		31/12/2021			
		Gross		Maximum amount of the guarantee that may be considered	Gross
			of which: subject to restructuring measures	Public guarantees received	Capital inflows on non-performing exposures
1	**New loans and advances provided under public guarantee schemes**	**1,196.61**		**1,028.68**	
2	of which: Households				
3	of which: Secured by residential real estate				
4	of which: Non-financial corporations	1,196.61		1,028.68	
5	of which: Small and medium-sized enterprises				
6	of which: Secured by commercial real estate				

Risk mitigation techniques (EU CR3)

in millions of euros	31/12/2021				
	Nor-guaranteed carrying amount	Guaranteed carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	11,490	4,607	3,361	1,246	-
Debt securities	1,158	-	-	-	
TOTAL	**12,648**	**4,607**	**3,361**	**1,246**	**-**
Of which non-performing exposures	389	129	71	58	-
Of which in default	387	129			

in millions of euros	31/12/2020				
	Nor-guaranteed carrying amount	Guaranteed carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	11,262	4,664	3,230	1,434	-
Debt securities	1,378	-	-	-	
TOTAL	**12,640**	**4,664**	**3,230**	**1,434**	**-**
Of which non-performing exposures	411	114	60	54	-
Of which in default	411	114			

In 2021, the recognition of collateral received in respect of guarantees and sureties obtained by the institution as part of its lending activity, and the recognition of purchases of protection, made it possible to reduce the exposure of the institution to credit risk and to, consequently, reduce the capital requirement.

4.2.3.4 Credit risk stress testing

BPCE's risk management department carries out crisis simulations relating to credit risk for all establishments, including Banque Palatine. The goal of the resistance tests is to measure the sensitivity of the various portfolios to a deteriorated situation, in terms of cost of risk, weighted assets and expected losses.

The resistance tests are performed on the basis of Groupe BPCE's consolidated exposures. When calibrating risk parameters, they take into account the specificities of each of the Group's major pools (Natixis, Crédit Foncier de France, Banque Populaire network, Caisse d'Epargne network). They cover all portfolios subject to credit and counterparty risk, regardless of the approach used to calculate risk-weighted assets (standardised approach or IRB). They are carried out on the basis of detailed information framed by the information that feeds into COREP group prudential reporting and the risk analyses of the portfolios.

Three types of stress tests are carried out:

- the EBA stress test aims to test the resilience of credit institutions to simulated shocks and to compare them with each other;
- the annual internal stress test at Groupe BPCE. It includes more scenarios than the EBA stress test and includes the evolution of the entire balance sheet on projections;
- specific stress tests can be carried out on external (supervisor) or internal request.

The EBA stress test confirms the financial strength and quality of Groupe BPCE's risk policy.

In addition, as part of the annual macro-risk mapping, the institutions carry out stress tests on each credit risk identified in the macro-mapping and in their risk appetite.

An exercise was carried out in 2021 to stress the LBO limits as well as those on Banque Palatine's real estate financing transactions. The limits on these scopes could thus be calibrated according to the results of the stress tests.

The institution is responsible for the system to oversee the undertaking of guarantees, their validity, and their registration. The registration of guarantees follows the procedures in force, common to our network. Safe-keeping and archiving of our guarantees is done pursuant to the internal procedures in force.

The departments in charge of back-office commitments are responsible for the first-level controls.

The operational departments (commitments, branches, etc.) carry out first-level controls and the risk management and compliance department carries out second-level controls on the validity and registration of the guarantees.

4.2.4 Work carried out in 2021

As part of the management of the health crisis and its economic consequences, in 2021 the risk management department continued the specific actions started in 2020 to strengthen the monitoring of the loan portfolio and support Groupe BPCE in the deployment of the systems set up by the government.

The implementation of State-guaranteed loans (SGLs) has been extended until 30 June 2022. The support system for the French economy and companies was supplemented in May 2021 by the Participative Recovery Loan (PPR), the objective of which is to enable SMEs and medium-sized companies to strengthen their financial structure and continue to invest.

Government economic support measures, while supporting economic players, can also mask the appearance of fundamental financial difficulties for companies. In order to take these effects on "traditional" risk indicators into account, Groupe BPCE has launched a plan to strengthen credit risk monitoring based on the following measures:

- roll-out of the synthetic risk indicator at the end of 2020. It aims to capture, through a set of indicators, the events likely to reflect the difficulties of our customers and to prioritise the customers to be reviewed in order to qualify the level of risk. This indicator is mainly used by professionals and SMEs;
- qualification of the risk level of professional and corporate customers with formalisation in the information systems to ensure that information is reported centrally;
- development of monthly crisis dashboard with specific reports to monitor the recovery of arrears following the end of moratoria, SGLs and changes in customers with an unfavourable leverage ratio;
- strengthening of sector monitoring in order to identify, month after month, changes in the intensity of the difficulties encountered by customers as a result of the crisis, depending on the business sector;
- strengthening of the detection and qualification of forbearance as well as the detection of unlikeliness to pay situations (situation of probable absence of payment leading to the customer being placed in default). Implementation of qualification assistance grids in order to create a homogeneous base within the Group;
- continued analysis of the forbearance on expert opinion on the most sensitive customers to whom a SGL and/or a deferral of medium- to long-term loans had been granted.

Lastly, the system for overseeing lending practices was reviewed and supplemented on the following topics:

- support for organisational changes in institutions to identify situations of forbearance as close as possible to decision-making;
- deployment of the Suricate tool to monitor consolidated exposures by counterparty group and monitor limits;
- review of the framework on renewable energy financing and Leverage Finance (lending policy, limits, etc.) as well as the Tourism, Hotels, Restaurants and Housing loans risk policies in line with the decision of the High Council for Financial Stability;
- enhancement of the common framework of permanent controls: participative recovery loans, forbearance, New Definition of Default (NDOD).

Several projects have been carried out, in particular Banque Palatine has set a new limit on these LBO exposures and Leverage Finance; in addition, work was carried out to enable the implementation of the new CRR2 Regulation as of 30 June 2021.

A decrease in the stock of IFRS 9 provisions was recorded during 2021 for around -€15 million, mainly impacted by a loss given default (LGD) correction effect, a review of the forward looking (projection according to the economic context which adjusts the amount of IFRS 9 provisions) on Group instruction as well as exits from the scope. An impact of the health crisis on the cost of risk of +€7 million for Banque Palatine was noted.

The main changes and their impacts on credit risk are presented to senior executives at quarterly "COREP" committee meetings.

5 Market risks

5.1 Definition

Market risks are defined as the risk of losses related to changes in market parameters.

Market risks have three main components:

- interest rate risk: risk that a change in interest rates poses to the holder of a receivable or debt security; this risk may be specific to a particular issuer or to a particular category of issuers whose creditworthiness has been downgraded (credit spread risk);
- foreign exchange risk: risk that affects receivables and securities denominated in foreign currencies held in the context of capital market activities, due to changes in the price of these currencies expressed in national currency;
- price change risk: price risk on the position held on a given financial asset, in particular a share.

5.2 Market risk monitoring organisation

The scope concerned by the monitoring of market risks covers all market activities, *i.e.* treasury transactions, financial activities in the trading book as well as medium- or long-term investment transactions on products generating market risks (private equity and non-operating asset transactions including real estate), regardless of their accounting classification.

Activities falling within this scope are not included in the ALM function.

Within this scope, the market risk function carries out the following tasks, defined in the Group Charter of Risks, Compliance and Permanent Controls:

- identifying the various risk factors and mapping and updating financial products and instruments, covering market risks;
- implementing a system to measure market risks;
- examining global and operational limit requests, and the list of authorised market products submitted to the relevant Risk Committee;
- checking the consistency of positions and their allocation in the correct management compartment (Group business line segmentation standards);
- cross-discipline analysis of market risks and their development given the business strategy decided by the governing bodies and policies for managing operating activities;
- checking the implementation of risk-mitigation action plans, if applicable.

These missions are carried out in conjunction with BPCE's risk management department. The latter notably handles:

- the definition of the market risk measurement system (VaR, stress tests, etc.);
- the evaluation of this system's performance (back-testing) notably in the context of reviews of annual limits;
- the reporting standard for monitoring market risks consolidated at the different levels of the Group;
- the examination of the subjects brought to the Group Risk and Compliance Committee.

5.3 Law on the separation and regulation of banking activities

The mapping of Groupe BPCE's market activities is regularly updated. It required the implementation of internal units subject to an exemption within the meaning of Act No. 2013-672 of 26 July 2013 on the separation and regulation of banking activities.

In conjunction with the work on this law, a compliance programme resulting from the Volcker Rule (Section 619 of the US Dodd-Frank Act) was adopted and implemented in July 2015 for BPCE SA and its subsidiaries. In a broader approach than French law, this programme aims to map all of Groupe BPCE's financial and commercial activities, in particular to ensure that they comply with the two major prohibitions imposed by the Volcker Rule namely the prohibition of the activities of proprietary trading and the prohibition of certain transactions in connection with Covered Funds within the meaning of US law. The Volcker Rule was amended in 2020, giving rise to new Volcker 2.0 and 2.1 rules, which streamline the existing system.

As every year since July 2015, the Group has certified its compliance with the Volcker system. As a reminder, since the beginning of 2017, Groupe BPCE has set up a SRAB-Volcker Office guaranteeing, coordinating and securing the systems put in place for the separation of activities.

At 31 December 2021, the annual update of the institution's market activities map revealed five internal units subject to an exception within the meaning of the law on the separation and regulation of banking activities. These units are covered by a mandate that defines healthy and prudent management and risk characteristics.

5.4 Market risk measurement and surveillance

The overall limits of market risk are set and reviewed, as often as necessary and at least once per year, by the effective managers and by the Board of Directors, taking into account the company's equity and, if necessary, consolidated equity and its distribution within the Group adapted to the risks incurred.

The decision-making committees are the Audit and Internal Control Committee and the Finance Committee. The latter, which meets at least every month, is tasked with:

- deciding the specific implementation methods for programmes defined by the ALM Committee for market transactions where it is responsible for execution (timing, level, breakdown, etc.) including transactions in the securities portfolio;
- reviewing the execution of past plans and amending them as necessary, reporting to the Asset-Liability Management Committee;
- examining market conditions and indicators (rates, cash spreads, etc.);
- reviewing major transactions with customers and deciding, where appropriate, to arrange cover;
- monitoring liquidity and rate management risks;
- managing regulatory ratios, BPCE ratios and monitor compliance with internal limits;
- taking allocation decisions for the HQLA securities reserve, creditworthiness reviews, responsibility for creditworthiness having now passed to the Credit Committee;
- managing and monitoring the LBF/Volcker procedures, including reviewing any significant quarter-on-quarter change in indicators with an analysis from the risk management department;
- monitoring trading portfolio business, including calculations of VaR sent by the risk management department and cash monitoring;
- addressing problems in financial management in the framework of Groupe BPCE;
- dealing with any other matters directly or indirectly related to financial activities (accounting treatment, data management, etc.).

The market risk monitoring system is accordingly based on qualitative and quantitative risk indicators. The frequency of monitoring of these indicators varies according to the financial product monitored.

The qualitative indicators include the list of authorised products and the WatchList. The term WatchList is used to name the list of counterparties, funds, securities, etc. under watch.

To complete this qualitative monitoring, market risk monitoring is conducted through the calculation of complementary quantitative indicators.

On the trading book, a parametric VaR and a Monte Carlo at 99% 1 day is calculated on a daily basis in the Scenarisk tool by BPCE's risk management department. Sensitivities, by risk area, are calculated daily by the institution.

Segment	Sub-segment	VaR at 31/12/2020	VaR at 31/03/2021	VaR at 30/06/2021	VaR at 30/09/2021	VaR at 31/12/2021	Change in VaR between 31/12/2020 and 31/12/2021
Capital markets	Currency, interest rates…	41,518	46,876	29,277	22,067	50,936	9,418

The VaR is an overall indicator of market risk which measures maximum potential loss over a given time frame for a defined confidence interval, in accordance with the regulatory requirements related to internal control.

5.5 Simulation of market risk crisis

The stress test consists of simulating on the portfolio large variations in the market parameters in order to calculate the potential loss, in the event of such situations.

Stress tests are calibrated based on the severity and likelihood of occurrence and identified in light of the intentions of the portfolio's management:

Trading book stress tests are calibrated on a 10-day horizon and 10-year likelihood of occurrence. They are based on:	• historical scenarios that mimic changes seen in market parameters during past crises, their impacts on current positions and the resulting profit and loss. They allow managers to gauge the exposure of the scope tested to known stress scenarios. Twelve historical stresses are deployed on the trading book; • hypothetical scenarios that simulate changes in market parameters across all activities, based on plausible assumptions about the spread of an initial shock. The shocks are based in turn on scenarios defined using economic criteria (real estate crisis, economic crisis, etc.), geopolitics (terrorist attacks in Europe, regime overthrown in the Middle East, etc.) and others (avian flu, for example). The Group has run seven hypothetical stress tests since 2010.
Stress tests applied to the banking book calibrated over longer horizons in line with the management horizons of the banking book:	• a fixed-income stress test which uses a mixed hypothetical and historical approach to reproduce a European sovereign crisis, similar to the 2011 crisis, • a fixed-income stress test calibrated using a mixed hypothetical and historical approach to reproduce a corporate issuers crisis similar to the 2008 crisis; • equity stress test calibrated over the historical period of 2011 applied to equity investments as part of the liquidity reserve; • stress test on private equity and real estate, calibrated over the historical period of 2008, applied to the private equity and real estate portfolios.

These stress tests are defined and applied jointly to the entire Group to enable BPCE's risk management department to be able to carry out consolidated monitoring.

In addition, specific stress scenarios complete this system either at Group level or by entity in order to best reflect the specific risk profile of each of the portfolios (private equity or non-operating real estate assets).

5.6 Work carried out in 2021

The financial risk department notably worked on IT and regulatory projects.

5.6.1 IT projects

Lastly, the financial risk department participated in specification and certification work as part of the Banque Palatine information system migration project, including the migration of the dealing room system to the Group ChRome system.

5.6.2 Regulatory projects

Following the indication by the DRG-Financial Risks that the calculation of RWA-Market Risks were to continue to be calculated locally by Banque Palatine, a project was launched to roll out the Standard Approach – Fundamental Review of the Trading Book method. This project also provides for the implementation of the calculation of counterparty risk on derivatives according to the Standard Approach – Credit Counterparty Risk entered into force on 30 June 2021, for steering and/or simulation purposes.

The risk management function carries out specific controls, notably in line with the best practices of the Lagarde report. The monitoring of the points recommended in this report is presented quarterly to the Group Market Risk Committee after consolidation work and action plan monitoring by BPCE's risk management department.

6 Structural balance sheet risks

6.1 Definition

Structural balance sheet risks result in a risk of loss, immediate or future, related to changes in commercial or financial parameters and the structure of the balance sheet on banking book activities, excluding proprietary transactions.

Structural balance sheet risks have three main components:

- Liquidity risk is the risk that the institution will not be able to meet its commitments or not be able to settle or offset a position due to market conditions or idiosyncratic factors, within a specified period and at a reasonable cost (Decision of 3 November 2014, as amended on 25 February 2021, relating to internal control). Liquidity risk is also associated with the inability to transform illiquid assets into liquid assets. Banque Palatine's liquidity is managed closely with Groupe BPCE's central body, which is responsible for the centralised management of refinancing.
- Overall interest rate risk is the risk incurred in the event of a change in interest rates as a result of all balance sheet and off-balance sheet transactions, with the exception, where applicable, of the transactions subject to market risk (Decree of 3 November 2014, as amended on 25 February 2021, relating to internal control).
- Foreign exchange risk is the risk that affects receivables and securities denominated in foreign currencies. It is due to changes in the price of these currencies expressed in national currency.

As Banque Palatine's exposure to structural foreign exchange risk is below regulatory thresholds, there is no specific local monitoring.

6.2 Organisation of ALM risk monitoring

The financial risk function provides second-level control of structural balance sheet risks. As such, it is in charge of the following missions:

- examination of requests for internal ALM limits, in accordance with the limits defined at Group level;
- definition of additional stress scenarios to the Group stress scenarios, where applicable;
- control of indicators calculated in accordance with the standards of the Group's Asset-Liability Management Framework;
- monitoring the compliance with the limits based on prescribed information;
- checking the implementation of return action plans, where applicable.

The controls are formalised in a second-level risk control report. It includes qualitative data on the risk management system, compliance with limits and monitoring of the return within limits, if necessary, as well as the analysis of changes in the balance sheet and risk indicators.

These missions are carried out in conjunction with BPCE's risk management department, which is in charge of the critical review or validation with the Group finance department:

- ALM agreements submitted to the ALM Committee (outflow laws, separate trading/banking books, definition of instruments accepted for hedging balance sheet risks);
- monitoring indicators, rules and reporting intervals to the ALM Committee;
- information reporting agreements and processes;
- control standards relating to the reliability of assessment systems, procedures for setting limits and managing breaches, and monitoring action plans to return to within limits;
- selection of the model used to assess the Group's economic capital requirements with regard to structural balance sheet risks, where applicable.

6.3 Monitoring and measurement of liquidity and interest rate risks

Banque Palatine manages its balance sheet independently within the standardised Group Asset-Liability Management framework, set by the Operational Group ALM Committee and approved by the Group Risk Committee or by the Strategic Group ALM Committee.

Groupe BPCE institutions share the same management indicators, the same risk modelling integrating the specificity of their activities, and the same limits rules, which makes it possible to consolidate their risks. Thus, the limits monitored by our institution are in line with those set out in the Group's asset-liability management framework.

The elaboration of scenarios is necessary to properly evaluate the interest rate and liquidity risks incurred by the establishment, assessed individually, and by the Group as a whole. In order to make it possible to consolidate information on a homogeneous basis, it was agreed that "Group" scenarios would be developed and applied by all the institutions.

6.3.1 Institutional level

The Asset-Liability Management Committee and the Finance Committee deal with liquidity risk. These committees are responsible for monitoring liquidity risk and for taking financing decisions.

Banque Palatine has several funding sources for its customer activity (loans):

- customer savings in non-centralised regulated savings accounts, other savings plans and accounts and term deposits;
- customer deposit accounts;
- issues of negotiable certificates of deposit;
- bonds issued by BPCE;
- where applicable, centralised market refinancing at the Group level optimising the resources provided to it, and in particular Targeted Longer-Term Refinancing Operations (TLTRO).

6.3.2 Monitoring of liquidity risk

Static liquidity risk is measured by the liquidity gap, which aims to measure liquidity needs or surpluses at future dates. The observation of this gap from one period to another makes it possible to assess the distortion (in terms of liquidity) of an institution's balance sheet.

The management of the liquidity gap at the institution level is carried out through the application of limits set at Group level. As a reminder, the principles for calibrating limits on the short-term part aim to ensure the Group's ability to evolve in different contexts:

- in a high stress situation lasting 2 months, with defence of a minimum target level of LCR lasting 1 month;
- in a moderate stress situation lasting 5 months;
- in a normal situation lasting 11 months.

In addition to the short-term limits, a five-year threshold aims to limit the risk of transformation into liquidity in the medium and long term.

During the past financial year, the Institution respected its limits.

The dynamic liquidity risk is measured by the liquidity stress exercise. It aims to measure the Group's resilience to two stress intensities (high/catastrophic) over a period of three months, by comparing the liquidity requirement resulting from this liquidity crisis to the amount of collateral available.

In Group stress, the following are modelled:

- the non-renewal of a portion of deadlines;
- a collection leak;
- additional off-balance sheet drawdowns;
- market impacts (margin calls, rating triggers, repos, etc.).

Groupe BPCE's organisation, through the centralisation of market access and collateral, entails that liquidity stress only makes sense when viewed in a consolidated manner, due to the solidarity mechanism and taking into account BPCE SA's role as lender of last resort.

The regulatory stress indicators are the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), which are monitored and communicated on an ongoing basis as part of internal governance.

6.3.3 Monitoring of interest rate risk

To monitor interest rate risk:

- an internal sensitivity indicator of the economic value of equity is calculated.

  The calibration of the limit on this indicator is based on the following twofold observation: the retail banking model cannot lead to a structural position of de-transformation (major risk on the replacement of demand deposits), nor to display a directional position generating gains in the event of a 200 basis point decrease in interest rates. The system of limits must be independent of interest rate expectations so as to enable the bank to be resilient in the event of an unexpected and large-scale interest rate shock, which is a separate consideration from that of the hedging to be implemented;

  The sensitivity limit of the economic value of shareholders' equity under the internal approach applies to six scenarios.
- a regulatory indicator subject to limits: the Supervisory Outlier Test (SOT) indicator. It is used for the financial communication (benchmark). This indicator was not retained as a management indicator even though the regulatory limit of 20% concerning it must be respected;
- two interest-rate risk indicators with mandatory limits:
  - static fixed rate gap limits,

  The bank's gap position is measured and is subject to limits. Initially, the analysis relates to on- and off-balance sheet transactions existing at the balance-sheet date, as part of a static approach;
  - static inflation gap limits,
  - The inflation gap limits are monitored over four years, year by year. The indicator is monitored without a limit or alert threshold at this stage.

During the 2021 financial year, the limit on the fixed rate gap was structurally exceeded on all accounts due to the bank's de-transformation position. However, some actions have been taken to reduce overruns (investments in sovereign securities).

Work is underway to review the limit models within Groupe BPCE.

6.4 Work carried out in 2021

Banque Palatine took part in the acceptance phases of the CLINT project to redesign the ALM tool. This project has been led by Groupe BPCE (Finance and Risk) for three years and will be completed in mid-2022.

7 Operational risks

7.1 Definition

The definition of operational risk is, according to the regulations, the risk of losses resulting from an inadequacy or failure of processes, personnel and internal systems or external events, including legal risk. Operational risk includes risks related to events with a low probability of occurrence but with a high impact, risks of internal and external fraud defined by regulations, and risks related to the model.

7.2 Organisation of operational risk monitoring

The framework for managing operational risks is part of Groupe BPCE's Risk Assessment Statement (RAS) and Risk Assessment Framework (RAF). These provisions and indicators are broken down for each of Groupe BPCE's establishments and subsidiaries.

Operational risk function covers:

- all entities consolidated or controlled by the establishment or subsidiary (bank, financial firm, insurer, etc.);
- all the activities entailing operational risks, including outsourced activities within the meaning of Articles 10 q) and 10 r) of the Decision of 3 November 2014, as amended on 25 February 2021, "outsourced activities and provision of services or other essential or important operational tasks".

The operational risk department of our institution relies on a decentralised system of correspondents and/or "business line" managers deployed within the institution. They are functionally attached to it. The operational risk department coordinates and trains its operational risk correspondents.

The operational risk department ensures permanent second-level control of the operational risk management function.

The role of the correspondents is to:

- ensure the deployment of the Group's methodologies and tools to users;
- guarantee the quality of the data recorded in the operational risk tool;
- ensure the completeness of the data collected, in particular by carrying out periodic reconciliations between the incidents of the operational risk database and in particular:
  - insurance claims,
  - losses and provisions for human resources disputes, legal disputes, fraud and tax incidents;
- carry out a periodic review, using the operational risk management tool, of the status of incidents, progress of action plans and their recording in the operational risk management tool;
- control the various business lines and functions, the implementation of corrective actions, the formalisation of the corresponding procedures and controls;
- ensure regular updating of the risk indicators and track changes so that they can trigger the necessary actions in the event their worsening;
- periodically update the risk map for presentation to the committee;
- produce reports (available in the operational risk tool or from the Group Head of Operational Risk);
- lead the committee in charge of operational risks;
- participate, as the case may be, in committees involving other cross-functional functions or business lines (quality, electronic payment, etc.).

The operational risk management department of the establishment, by its action and organisation, contributes to financial performance and to the reduction of losses, ensuring that the system for controlling operational risk within the institution is reliable and effective.

Within Banque Palatine, the guidelines and governance rules are defined in the following manner:

- Banque Palatine has opted for a decentralised system;
- the effective managers are informed of major incidents through two channels:
  - the Audit and Internal Control Committee, which reports on the major elements of the Operational Risk and Security Committee,
  - any alerts issued under Article 98 of 3 November 2014.

The Operational Risks and Security Committee of Banque Palatine meets quarterly and is chaired by a member of the Executive Management Committee (Head of Resources and Services). It is composed of seven permanent members, including the Chairwoman.

This committee:

- ensures the implementation of the operational risk management policy and the relevance and effectiveness of the system;
- takes note of major incidents and validates the corrective actions to be taken;
- takes note of the KRI in excess and decides on the corrective actions to be taken;
- monitors the progress of risk reduction actions after serious incidents or risks deemed excessive;
- monitors awareness-raising and training actions;
- examines the permanent controls carried out in respect of the operational risk function and, if necessary, makes decisions to improve the system.

The Head of Operational Risk reports to the Banque Palatine Head of Risk Management. He or she is responsible for the different elements of the operational risk system: mapping, incidents, indicators, action plans, and reporting within the scope concerned. He or she also participates in the internal control framework of Banque Palatine.

In this role, he or she has to:

- ensure the deployment of the Group's methodologies and tools to users;
- guarantee the quality of the data recorded in the operational risk tool;

- ensure the completeness of the data collected, in particular by carrying out periodic reconciliations between incidents in the operational risk database and in particular:
- insurance claims,
- losses and provisions for human resources disputes, legal disputes, fraud and tax incidents;
- carry out a periodic review, using the operational risk management tool, of the status of incidents, progress of action plans and their recording in the operational risk management tool;
- control the various business lines and functions in the implementation of corrective actions;
- ensure regular updating of the risk indicators and track changes so that they can trigger the necessary actions in the event their worsening;
- periodically update the risk map for presentation to the Operational Risk Committee;
- produce reports;
- formalise or update procedures;
- lead the Operational Risk Committee.

The establishment uses the OSIRISK tool to apply the methodologies disseminated by the BPCE risk management department and to collect the information necessary for the proper management of operational risks.

This system makes it possible to:

- identify and evaluate operational risks, making it possible to define Banque Palatine's risk profile;
- the collection and day-to-day management of incidents generating or likely to generate a loss;
- update the rating of risks in the risk map and monitor the action plans.

Banque Palatine also has reporting elements, taken from the datamart fed by this tool, and a quarterly operational risk dashboard.

Lastly, as part of the capital requirement calculation process, Groupe BPCE uses the Basel II standardised approach. COREP regulatory reporting documents are produced in this respect. At 31 December 2021, the capital requirement to be allocated to cover the operational risk was €48,046 thousand.

The missions of the operational risk department are carried out in conjunction with the BPCE risk management department, which monitors the effectiveness of the systems deployed within Groupe BPCE and analyses the main proven and potential risks identified in the establishments, particularly during the Groupe BPCE Non-Financial Risk Committee meeting.

7.3 Operational risk measurement system

In accordance with the Group's Risk, Compliance and Permanent Control Charter, Banque Palatine's operational risk management function is responsible for:

- the development of systems allowing the identification, evaluation, oversight and control of operational risk;
- the definition of policies and procedures for the management and control of operational risk;
- the design and implementation of an operational risk evaluation system;
- the design and implementation of the operational risk reporting system.

and its missions are:

- to identify operational risks;
- to map these risks by process, and update the map, working with the business lines concerned, including compliance;
- to collect and consolidate operational incidents and evaluate their impact, working with the business lines in conjunction with the mapping used by the permanent and periodic control functions;
- to implement warning procedures, and notably inform the operational managers according to the action plans implemented;
- to monitor the corrective action plans defined and implemented by the operational units concerned in the event of a severe or significant incident.

An operational risk incident is considered serious when the potential financial impact at the time of detection is greater than €300 thousand. Any operational risk incident that would have a significant impact on the image and reputation of Groupe BPCE or its subsidiaries is also considered to be serious.

This procedure is supplemented by the procedure dedicated to significant operational risk incidents within the meaning of Article 98 of the Decision of 3 November 2014, as amended on 25 February 2021, for which the minimum threshold is set at 0.5% of Common Equity Tier 1 capital.

7.4 Cost of operational risk for the institution

In 2021, the annual amount of losses recognised amounted to €3,478,363 (Source: COREP Social).

7.5 Work carried out in 2021

During the year 2021, the following work was carried out:

- the post-migration action plans were monitored at each Operational Risk and Security Committee meeting;
- the operational risk mapping has been updated;
- awareness-raising actions were carried out;
- the Risk Appetite Framework indicators and Group/local risk indicators were regularly monitored by the Operational Risk and Safety Committee.

In this context, more than 131 incidents were collected in 2021 (incidents created in 2021). Some incidents (created before 2021 and reassessed in 2021) are still being processed. These were reviewed during the 2021 financial year.

8 Legal risks

The legal affairs department is responsible for preventing and controlling Banque Palatine's legal risks and litigation risks. It also helps to prevent image risks.

8.1.1 Organisation of the legal affairs department

The legal affairs department is made up of five people reporting directly to the Head of Legal and Tax Affairs. Each employee is able to handle legal consultations and projects, and take charge of claims and complaints against the bank.

8.1.2 Duties of the legal affairs department

The main responsibilities of the service are as follows:

- provide legal assistance to Banque Palatine's various units;
- monitor changes in the regulations and case law that may affect Banque Palatine's activities;
- draft legal circulars and master and specific contracts used by Banque Palatine;
- study and negotiate from a legal perspective the contracts proposed by customers or service providers;
- review the new commercial products that the bank envisages circulating to its customers;
- give a legal opinion on complaints made by customers;
- manage complaints brought by lawyers and claims made against the bank;
- participate in cross-functional projects (Brexit, effective interest rate, Eckert law, international desks, mortgages, vulnerable customer offer, unbundling of products, basic banking services, management under mandate, etc.).

8.1.3 Organisation of legal watch activities

Any changes in the legislation, regulations or case law with potential implications for the bank are analysed to determine whether a specific procedure needs to be drafted or whether new documents used by the bank need to be drafted or existing documents amended.

Legal watch findings are disseminated within the bank through the following actions:

- general or targeted information on all legislative, regulatory and case-law developments;
- publication of new or updated procedures when there are changes in the legislative, regulatory or case-law environment;
- alignment with the standards of document frameworks following these changes;
- publication of a monthly legal bulletin covering problems encountered by the bank, jurisprudence of interest for the profession or new regulations;
- participation in function meetings allowing subjects deemed important by regional managers to be raised and any issues encountered in the context of consultations or subpoenas to be flagged up;
- participation in the training of the network through presentations on topics of interest to the network or the back office.

8.1.4 Flow of consultations and assignments

In this role, the legal service provides a legal and regulatory watch, information, assistance and advice for all of the institution's employees.

In conjunction with conducting its legal watch, major projects, telephone consultations and direct conversations with user services, the legal affairs department answered 1,500 written questions in 2021.

In conjunction with the compliance and permanent control department, it also plays a role in ensuring the consistency and effectiveness of controls on non-compliance risks arising from laws and regulations specific to banking and financial activities. Under the aegis of the Products and Services Approval Committee, it is solicited for its opinion on any legal risks potentially arising from new products and services that the bank is considering marketing.

The legal affairs department operates independently of the operational departments.

Within the bank, the inventory of loans in dispute at the end of 2021 was 96 loans broken down between 72 claims totalling €23.7 million, and 24 claims filed by lawyer seeking a total of €580,000.

The new disputes in 2021 amounted to 18 claims for €8.2 million and 12 claims filed by lawyer for €140 thousand (excluding non-quantified cases).

9 Non-compliance risks

9.1 Definition

The risk of non-compliance is defined in Article 10 p) of the Decision of 3 November 2014, as amended on 25 February 2021, as being the risk of legal, administrative or disciplinary sanctions, significant financial loss or harm to reputation, which arises from non-compliance with provisions specific to banking and financial activities, whether legislative or regulatory, national or European directly applicable, or professional and ethical standards, or instructions from the effective managers taken in accordance with the guidelines of the supervisory body.

9.2 Organisation of the compliance function within Groupe BPCE

Within the central body, the compliance function is performed by the compliance department of the General Secretariat of Groupe BPCE. The latter exercises its responsibilities within the framework of a dedicated compliance verification function.

It includes the following sections:

- bancassurance compliance;
- financial savings ethics compliance;
- financial security in charge of Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) with in particular BPCE TRACFIN officers, the fight against corruption, compliance with embargo sanctions and internal fraud;
- management and cross-functional coordination of the compliance functions;
- Eurotitres compliance and permanent control;
- BPCE SA compliance and operational risks and coordination of subsidiaries.

It acts as a guide and stimulus for the heads of the institutions' various compliance departments. The compliance officers appointed in the various affiliates, including its parent companies, Banques Populaires and Caisses d'Epargne, and the direct subsidiaries subject to the regulatory banking and financial supervision system, including Banque Palatine, report to it through a strong functional link.

It conducts all actions to strengthen the compliance of products, services and marketing processes, customer protection, compliance with rules of ethics, the fight against money laundering and the financing of terrorism, the fight against market abuse, monitoring of transactions and compliance with sanctions and embargo measures.

It monitors non-compliance risks throughout the Group.

In this context, it draws up and reviews the standards proposed for Groupe BPCE's governance, shares best practices and leads working groups composed of representatives of the function.

The dissemination of the culture of risk management and consideration of the legitimate interests of customers is also reflected in the training of the employees of the institutions.

As a result, BPCE's compliance department:

- collaborates and validates the content of training materials intended in particular for the compliance function, in conjunction with the Group's human resources department and the risk governance department of the BPCE risk management department, which coordinates the annual plan of the risk and compliance functions;
- contributes to the training of stakeholders in the sectors, in particular through specialised annual seminars (financial security, compliance, ethics, steering of permanent compliance control, etc.);
- coordinates the training of Directors and compliance officers through a dedicated system in conjunction with the Risk Culture and Committee Coordination Section of the BPCE risk management department;
- coordinates and monitors the compliance function of the institutions through national days and a permanent control system coordinated at Group level;
- relies on the compliance function of the institutions through thematic working groups, in particular for the construction and implementation of compliance standards.

Within the central risk management, compliance and permanent control and financial security department, the compliance functions in Banque Palatine are distributed as follows:

- a compliance-ethics department which ensures, in particular, the implementation of systems intended to guarantee the protection of customers and the integrity of the financial markets in compliance with the regulations in force. To this end, this department is in charge of analysing, measuring and monitoring non-compliance risks and monitors action plans designed to better frame them;
- an AML/CFT and anti-fraud coordination department, which works with Groupe BPCE's behavioural vigilance tool integrated into the information system. This service is the main contact for the Tracfin organisation;
- a permanent controls department, which provides second-level control, with the exception of controls in the following areas: IT (which falls within the scope of the HISS), loans, accounting (provided by the accounting audit) and the safety of property and people (EBCP).

In accordance with the Group's directives, a compliance verification officer has been appointed to oversee these activities.

The non-financial risk management department also organises the Product and Partnership Approval Committee, which is responsible for approving the marketing processes for all new products and services to customers.

A Data Protection Officer (DPO), in charge of data reliability and confidentiality and attached to the risk and compliance department, has also been the subject of particular attention, as part of the implementation of the General Data Protection Regulation (GDPR) within the bank.

9.3 Monitoring of non-compliance risks

The risks of non-compliance, in accordance with the Decision of 3 November 2014, as amended on 25 February 2021, are analysed, measured, monitored and controlled by:

- always having an overview of these risks and the system put in place to prevent or reduce them with the updating of their identification as part of the mapping of non-compliance risks;
- ensuring that the most significant risks are subject to controls and action plans aimed at better managing them, as needed.

The management of non-compliance risk within Groupe BPCE is based on the mapping of non-compliance risks and the deployment of mandatory level 1 and 2 compliance controls common to all institutions in Group retail banking.

9.3.1 Product governance and oversight

All new products or services, regardless of their distribution channel, as well as all commercial media, falling within the expertise of the compliance function, are examined in advance by the latter. The latter ensures that the applicable regulatory requirements are complied with and ensures the clarity and fairness of the information provided to the targeted customers and, more broadly, to the public. Particular attention is also paid to the monitoring of products throughout their life cycle.

In addition, the compliance function coordinates the validation of national commercial challenges, ensures that conflicts of interest are managed and that the priority of customer interests is taken into account.

The compliance function ensures that sales procedures and processes, as well as commercial policies, at all times and for all customer segments, ensure compliance with the rules of compliance and ethics, in particular that the advice provided to the customer is adapted to his or her needs.

9.3.2 Customer protection

The compliance of the products and services marketed by Banque Palatine and the quality of the information provided reinforce customer confidence and underpin the Group's reputation. To maintain this trust, the compliance function places the concept of customer protection at the heart of its activities.

To this end, the Group's employees are regularly trained on customer protection issues in order to maintain the required level of service quality. The training courses aim to pass on a culture of compliance and customer protection to new hires and/or employees of the sales force. Ethics training has been set up for all Group employees, entitled "The Essentials of Professional Ethics". In addition, BPCE has implemented a Code of Conduct and Ethics, which is rolled out to all Groupe BPCE institutions.

The new regulations on financial instruments markets (MIF2) and on packaged retail investment and insurance-based products (PRIIPS), to standardise pre-contractual information on packaged financial products, strengthen investor protection and market transparency. They have an impact on the Group as a distributor of financial instruments, by strengthening the quality of customer journeys dedicated to financial savings and insurance:

- adaptation of customer data collection and KYC (customer profile, characteristics of the customer's projects in terms of objectives, risks and investment horizon), update of the KYC knowledge and financial investments experience questionnaire, and of the customer risk appetite and ability to sustain losses questionnaire, thus enabling appropriate advice;
- adaptation of offers related to the financial products and services marketed;
- formalisation of the advice to the customer (statement of adequacy) and its acceptance of the advice (if applicable issuance of alerts informing the customer);
- organisation of the relations between the Group's producers and distributors;
- taking into account the provisions relating to the transparency of fees and charges according to the required granularity;
- preparation of periodic adequacy and value-added reports for customers and on the recording of exchanges in the context of the relationship and advice provided to customers;
- reporting of transactions to regulators and to the market, best execution and best selection obligations;
- participation in the development of employee training and change management related to these new systems.

9.3.3 Financial security

The prevention of money laundering and financing of terrorist activities within Groupe BPCE is based on:

9.3.3.1 A corporate culture

This culture, disseminated at all hierarchical levels, is based on:

- customer relations principles aimed at preventing risks, which are formalised and regularly communicated to staff;
- a harmonised training system for Group employees, held every two years, and specific training for the financial security function.

9.3.3.2 An organisation

In accordance with Groupe BPCE's charters, all institutions have a division or a unit dedicated to financial security. At Banque Palatine, financial security, which reports to the risk management and compliance department, covers anti-money laundering, the prevention of terrorism and internal fraud.

Within BPCE, a dedicated division oversees the prevention of money laundering and terrorism financing, defines the financial security policy for the entire Group, draws up the various standards and guidelines and ensures the consistency of all decisions taken at the level of each project. This division also monitors regulations on the types of transactions concerned, and ensures that money laundering and terrorist financing risks are taken into account during the procedure for approval of new commercial products and services by BPCE.

9.3.3.3 Appropriate treatments

In accordance with regulations, institutions have means of detecting atypical transactions adapted to their risk classification, making it possible to carry out, if necessary, the reinforced examinations and the necessary declarations to the French Office for Action Against Illicit Financial Circuits (*Traitement du renseignement et action contre les circuits financiers clandestins* – TRACFIN) in the shortest possible time.

The Group's risk classification includes the issue of "at-risk" countries, whether in terms of money laundering, terrorism, tax fraud or corruption. This system has also been strengthened with the implementation of a framework and automated scenarios adapted to the specificities of terrorist financing.

With regard to compliance with restrictive measures related to international sanctions, the Group's institutions are equipped with filtering tools that generate alerts on customers (freezing of assets of certain persons or entities) and on international flows (freezing of assets and countries subject to a European and/or American embargo).

Given its significant international financing activity, Banque Palatine has set up a specific tool (Compliance Link) allowing enhanced monitoring of financed goods.

9.3.3.4 Business supervision

The prevention of money laundering and financing of terrorist activities gives rise to internal reporting to senior executives and decision-making bodies and to the central body.

9.3.4 Fight against corruption

Groupe BPCE condemns corruption in all its forms and under all circumstances. In this context, it is a participating member of the United Nations Global Compact whose tenth principle concerns action "against corruption in all its forms, including extortion and bribery".

There are several ways to prevent corruption:

- by means of the corruption risk exposure mapping of the Group's entities, the methodology of which was reviewed in 2021;
- thanks to employees' compliance with the rules of professional conduct and ethics set out in the Code of Conduct and Ethics (prevention of conflicts of interest, policies on gifts, benefits and invitations, principles of confidentiality and professional secrecy). Disciplinary sanctions are provided for failure to comply with the professional rules governing the activities of the Group's companies;
- by managing relations with third parties: standardised contracts within the Group and account agreements with anti-corruption clauses, assessment of suppliers of more than €50 thousand with regard to the risk of corruption, system relating to relations with "politically exposed persons";
- through regulatory training on professional ethics and anti-corruption in the form of e-learning.

A system for collecting and processing professional alerts on serious incidents, including corruption and influence peddling offences, is made available to employees (including external service providers and occasional employees). It was updated in 2021 to strengthen the protection of whistleblowers.

As part of the organisation of the internal control, permanent control plans contribute to the security of the system. In 2021, the elements of this system were explicitly flagged towards the risks of corruption identified by the business lines in the new risk mapping.

BPCE also has accounting standards and procedures that comply with professional standards. The Group's internal control system relating to accounting information aims to verify the conditions for assessing, recording, storing and making available information, in particular by guaranteeing the existence of the audit trail within the meaning of the Decision of 3 November 2014, as amended on 25 February 2021, on internal control. In 2020, a Group framework of controls involved in the prevention and detection of fraud and acts of corruption or influence peddling was formalised. In this context, special attention is paid to donations, sponsorship and patronage.

More generally, these systems are formalised and detailed in the Umbrella Charter relating to the organisation of the Group's internal control and the Group's Risk, Compliance and Permanent Control Charter.

9.4 Work carried out in 2021

Work was carried out to strengthen the non-compliance risk assessment system, with the implementation of a group-wide management system incorporating the regulatory changes.

In this context, the mapping of corruption risks resulted in the referencing of a new aggregate non-compliance risk.

The Group's financial savings compliance function has reviewed and supplemented its permanent control system. Similarly, the Group's financial security function has supplemented its control system relating to enhanced vigilance, beneficial owners, and sanctions and embargoes.

An indicator to measure the reputation risk as part of the Group's risk appetite has been put in place. This indicator makes it possible to assess this risk by considering both internal and external factors that could have an impact on the Group's image (positive or negative).

The Group's ethics system has been thoroughly reviewed.

A new compliance guide has been drawn up on inactive accounts and safes and several other guides have been updated (home loans, bank savings, election campaigns, Alur Act, pricing reference document and complaints processing).

In terms of banking and insurance compliance, two structuring projects were continued in 2021:

- the first concerns regulatory KYC with the continuation of the programme set up in 2019 to strengthen the completeness and compliance of regulatory KYC files;
- the second concerns the strengthening of the support system for financially vulnerable customers in accordance with the new provisions of the Decree of 20 July 2020 and in connection with the missions of the supervisors within the Group.

Banque Palatine has specifically rolled out the Group KYC remediation projects, having been able to join these systems following the migration at the end of 2020 and a recalculation of the completeness of the DRCs on the basis of the documents referenced in the new documentary database (ADEN). Furthermore, the compliance department set up product governance committees in 2021, which made it possible to review a large part of the products distributed to customers.

10 Business continuity

The management of business interruption risks is addressed in its cross-functional dimension, with the analysis of the main critical business lines, in particular liquidity, payment services, securities, loans to individuals and companies, as well as the trustee activity.

10.1 Organisation and steering of business continuity

Groupe BPCE's Emergency Business Continuity Plan (EBCP) is managed by the Group business continuity department within the Group security department of the Group General Secretariat.

The Group Head of Business Continuity (GHBC) is responsible for:

- managing the Group's business continuity and coordinating the Group's business continuity function;
- coordinating the Group's crisis management;
- managing the implementation and maintenance in operational condition of the Group's contingency and business continuity plans;
- ensuring compliance with regulatory provisions on business continuity;
- participating in internal and external bodies of the Group.

The HEBCPs of the Group's institutions report functionally to the Group's HBC and the appointments of the HEBCPs are notified to him.

Banque Palatine's reference framework was reviewed in 2021 and approved by the Internal Control Functions Coordination Committee on 13 December 2021.

The Group's Business Continuity Framework defines the governance of the function, ensured by three levels of bodies, mobilised according to the nature of the decisions to be taken or the approvals to be granted:

- the Group decision-making and steering bodies in which the Group HBC participates to validate the major guidelines and obtain the necessary arbitration;
- the Business Continuity Function Committee, an operational coordination body;
- the Group business continuity plenary, a national plenary body to exchange information and collect issues.

Group Business Continuity defines, implements and changes the Group's business continuity policy as necessary.

10.2 Description of the organisation implemented to ensure business continuity

Since January 2021, Banque Palatine's HEBCP has been part of the operational risk department.

The main governance bodies are:

- the Plenary Meeting of Groupe BPCE HBCPs (every six months);
- the quarterly EBCP Steering Committee (Operational Risk and Security Committee), chaired by a member of Executive Management,

whose missions are:

- validation of the annual maintenance in operational condition plan;
- approval of the appointments of HEBCPs and their alternates;
- validation of all new measures, tools, etc. of Banque Palatine's business continuity;
- the quality of the business recovery plan to ensure the availability of the information systems;
- monitoring the implementation of the bank's EBCP and taking decisions to improve the system;
- restitution of level 2 permanent controls related to the EBCP.

The function is made up of:

- a permanent HEBCP and two alternates;
- a permanent HEBCP and an alternate for the subsidiary Palatine Asset Management;
- six members of the decision-making crisis unit;
- forty members (incumbents and alternates) of the operational crisis units;
- seventy-eight EBCP business line and support correspondents (incumbents and alternates);
- whistleblowing officers:
  - a Head of the Hosting Plan (1 HHP + alternate),
  - a Head of the Resumption of IT Operations Plan (1 HRIOP + alternate),
  - a Head of the Communication Plan (1 HCP + alternate),
  - a Head of the Human Impact Management Plan (1 HHIMP + alternate).

10.3 Work carried out in 2021

The Covid-19 pandemic crisis has entered a "normalised" phase, with the implementation of specific measures in line with those initiated in 2020.

Each year, scenario-based tests and exercises are carried out to test the business continuity plans. In 2021, a user exercise of the "unavailability of premises" scenario took place on 18 March.

It should be noted that crises and incidents related to the pandemic and service provider malfunctions have made it possible to validly test a significant part of Banque Palatine's business continuity system. On these occasions, the key skills were able to mobilise to ensure critical activities without any deterioration other than a slight drop in productivity.

The enhancement of the supplier database (Jurisline) with business continuity data was a flagship project in the second half of this year. It makes it possible to better monitor the emergency plans of critical service providers and to better identify areas of risk.

Banque Palatine's Emergency and Business Continuity Plan covers the scope of some sixty activities, all of which have drawn up a Business Impact Assessment (BIA) in 2021.

11 Information systems security

11.1 Organisation and steering of the information systems security function

Within the risk management system related to information technology, the Group information systems security department is in charge of information systems security (ISS) and the fight against cybercrime. The Group information systems security department reports to the Group General Secretariat.

Groupe BPCE's ISS is organised as a function and is managed by the Group information systems security department. Management defines, implements and develops the Group's ISS policy.

The Group's information systems security department:

- coordinates the ISS function bringing together the HISSs of the affiliated parent companies, subsidiaries and IT GIEs;
- oversees the Level 2 permanent control system and the consolidated control of the ISS function;
- initiates and coordinates Group risk reduction projects; and
- represents the Group when dealing with the competent interbank or public authorities in its field.

Since March 2020, BPCE-IT's governance, risks and second-level controls activity has been transferred to the Group information systems security department:

- the BPCE-IT ISS governance activity is now the responsibility of the Group ISS department;
- the risk and security controls activity is carried out within a new entity reporting to the Group security department.

Banque Palatine's HISS and more generally the HISSs of all affiliates (parent companies, direct subsidiaries and IT EIGs) report functionally to the Group HISS. This functional link notably implies that:

- any HISS appointment is notified to the Group HISS;
- Groupe BPCE's information systems security policy is adopted by the entities and each local ISS policy is submitted for the opinion of the Group HISS, prior to its implementation in the institution;
- reporting in relation to the level of compliance of the entities with Groupe BPCE's ISS policy, the permanent ISS control, the level of ISS risks, the main ISS incidents and the actions undertaken are communicated to the Group HISS.

Banque Palatine's HISS reports to the operational risk department and is supported by a work-study student.

11.2 Monitoring of risks related to information systems security

Groupe BPCE has developed a Group Information Systems Security Policy, backed by the Group Risk, Compliance and Permanent Control Charter. This policy defines the guiding principles for the protection of the information systems and specifies the provisions to be respected, on the one hand, by all the Group's entities in France and abroad and, on the other, by any third-party entity as of the moment it accesses the information systems of one or various Groupe BPCE establishments.

The Group ISS Policy constitutes a minimum base with which each institution must comply. In this respect, Banque Palatine has decided to apply the Group ISS Policy as it stands.

As part of the Group's programme to comply with the requirements of the European Regulation on the protection of personal data (GDPR), a project support system (including digital projects) is in place with an operation adapted to the agile development cycle.

Groupe BPCE is also particularly vigilant in the fight against cybercrime. A unified Group Security Operation Centre (SOC) integrating a Level 1, operating 24 hours a day, seven days a week, is operational.

Several actions were continued in 2021, in order to strengthen the systems to combat cybercrime:

- work to secure websites hosted externally;
- website and application security testing improvements;
- implementation of a responsible vulnerability disclosure programme by Groupe BPCE CERT.

11.2.1 Employee awareness of cybersecurity

In addition to maintaining the Group's common foundation for raising employee awareness of ISS, 2021 was marked by the implementation of a new ISS training/awareness plan and by participation in the "European Cybersecurity Month".

Within BPCE's scope, in addition to the recurring reviews of application authorisations and rights to IS resources (mailing lists, shared mailboxes, shared files, etc.), the monitoring of all websites published on the Internet and the monitoring of vulnerability treatment plans are strengthened as well as the monitoring of the risk of data leaks by email or the use of online storage and exchange services.

New employee awareness and training campaigns were also conducted:

- phishing test, phishing awareness campaign and support for employees in situations of repeated failures;
- participation in induction meetings for new employees.

11.3 Work carried out in 2021

A global management system for security reviews and intrusion tests has been set up to cover 100% of critical information systems over four-year cycles. This system now makes it possible to consolidate all the vulnerabilities identified as part of the security reviews and intrusion tests as well as the related remediation plans for centralised monitoring.

In 2021, the ISS mapping of all of the Group's information systems continued and the bank's teams worked together under the aegis of Groupe BPCE's ISS function. In this respect, each Group institution, in view of its role and context, aims to draw up an ISS map of the IS for which it is operationally responsible, based on the Group's methodology articulating ISS approaches with that of the business lines. In addition, the rules of the Group's ISS policy, which are under the responsibility of Banque Palatine, have also been updated. This action must be validated by the Group HISS in 2022 so that Banque Palatine can apply the N1 and N2 control plan proposed by the Group on the private portion.

A permanent Level 1 control framework has been specified and made available to all institutions.

12 Climate risks

12.1 Organisation and governance

BPCE manages the climate risk strategy at three levels:

- a CSR department, reporting to Executive Management, steers the development and implementation of the climate strategy and is the first line of defence dedicated to environmental risks in particular;
- a climate risks department, attached to the risk management department, was created on 1 September 2021. It measures, monitors and manages climate change risks for the entire Group, in conjunction with the climate risk officers in the risk departments of the institutions and subsidiaries. This department is the second line of defence;
- a Climate Risk Committee, chaired by the Chairman of BPCE's Management Board, monitors the implementation of Groupe BPCE's operational strategy for climate and environmental risk management and prepares issues for the Supervisory Board's Risk Committee.

The climate risk department relies on a network of more than 50 climate correspondents set up in 2020, within the risk departments of the Banque Populaire and Caisse d'Epargne networks, as well as in the Group's subsidiaries, including Banque Palatine. Their main mission is to keep abreast of the work of the climate risk department and regulatory changes in order to be able to report them to the executive of their institution and possibly its governing bodies with the aim of implementing them operationally.

12.2 Awareness and training

The Climate Risk Pursuit is an interactive training tool developed by the risk management department. This tool aims to raise awareness among all Group employees about climate risks, their impacts and environmental, social and governance issues.

13 Emerging risks

Groupe BPCE pays particular attention to anticipating and managing emerging risks, given the ongoing changes in the environment. As such, a forward-looking analysis identifying the risks that could impact the Group is carried out every six months and presented to the Risk and Compliance Committee, then to the Board's Risk Committee.

After a year in 2020 marked by the sudden contraction of the global economy due to the Covid-19 pandemic, the upward revision in June 2021 of growth forecasts, particularly in France, reflects a more vigorous exit from the crisis than expected. This crisis has profoundly changed the environment in which the Group's activities are carried out. It has greatly increased the intensity of the shocks caused by the various types of risks affecting our businesses. While the coverage of the pandemic risk by a massive vaccination campaign was largely carried out, in France in particular, a certain uncertainty remains on the economic environment, in particular on the evolution of certain macroeconomic data (marked slowdown in Chinese growth, increase in inflation, etc.).

The risk of future deterioration of the Group's credit portfolios appears to be a priority point of attention. However, the extent of public support for the economy, as well as the strength of the recovery observed in 2021, make it possible to envisage a stronger-than-expected resilience.

The context of negative rates continues to weigh on the profitability of commercial banking activities, in connection with the significant share of fixed-rate home loans and life insurance activities.

The international geopolitical environment remains an area for attention under vigilance, with various geopolitical tensions continuing to weigh on the global economic context and feeding uncertainty.

The continuing digitalisation of the economy and of financial services is accompanied by constant vigilance on the part of the banks in relation to cyber risks. The sophistication of the attacks and the potential vulnerabilities of banks' IT systems are two major challenges for Groupe BPCE in connection with the expectations of the regulator.

The Group is very attentive to changes in the regulatory environment and to the supervisor's requests, in particular as regards the new provisioning standards, the guidelines on non-performing loans and in particular the new definition of default, including the notion of forbearance in connection with the management of moratoria during the pandemic crisis.

Lastly, the operational risks are the subject of close attention, in particular with the application of crisis management systems when necessary.

5

NOTES TO THE MANAGEMENT REPORT

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A Statement on non-financial performance

1 A CSR approach at the heart of Banque Palatine's strategy

Banque Palatine is part of Groupe BPCE, the second largest banking group in France. A little less than 1,200 employees serving 14,000 corporate customers and 55,700 private customers work closely with natural persons or legal entities, responding in a concrete way to the needs of the real economy.

In 2021, Banque Palatine, a reference partner of medium-sized companies, their managers and private banking, mobilised for the second consecutive year to face the unprecedented Covid-19 crisis.

In this context of crisis, Banque Palatine paid particular attention to the health of its employees, by implementing protective measures for those who had to go to work and by massively promoting teleworking.

Faithful to its local commitments and values, it has carried out societal initiatives, made donations or supported solidarity projects to act against the consequences of this crisis.

The Banque Palatine model presented below has proven its relevance, effectiveness and resilience during this very special year.

1.1 Banque Palatine, a hybrid business model within Groupe BPCE

For over 240 years, Banque Palatine has established a relationship of excellence and partnership with each of its corporate customers, senior executives, and private banking. Its added value: relational proximity, recognised business expertise and tailored solutions based on a unique business model.

1 A REASONABLY SIZED BANK

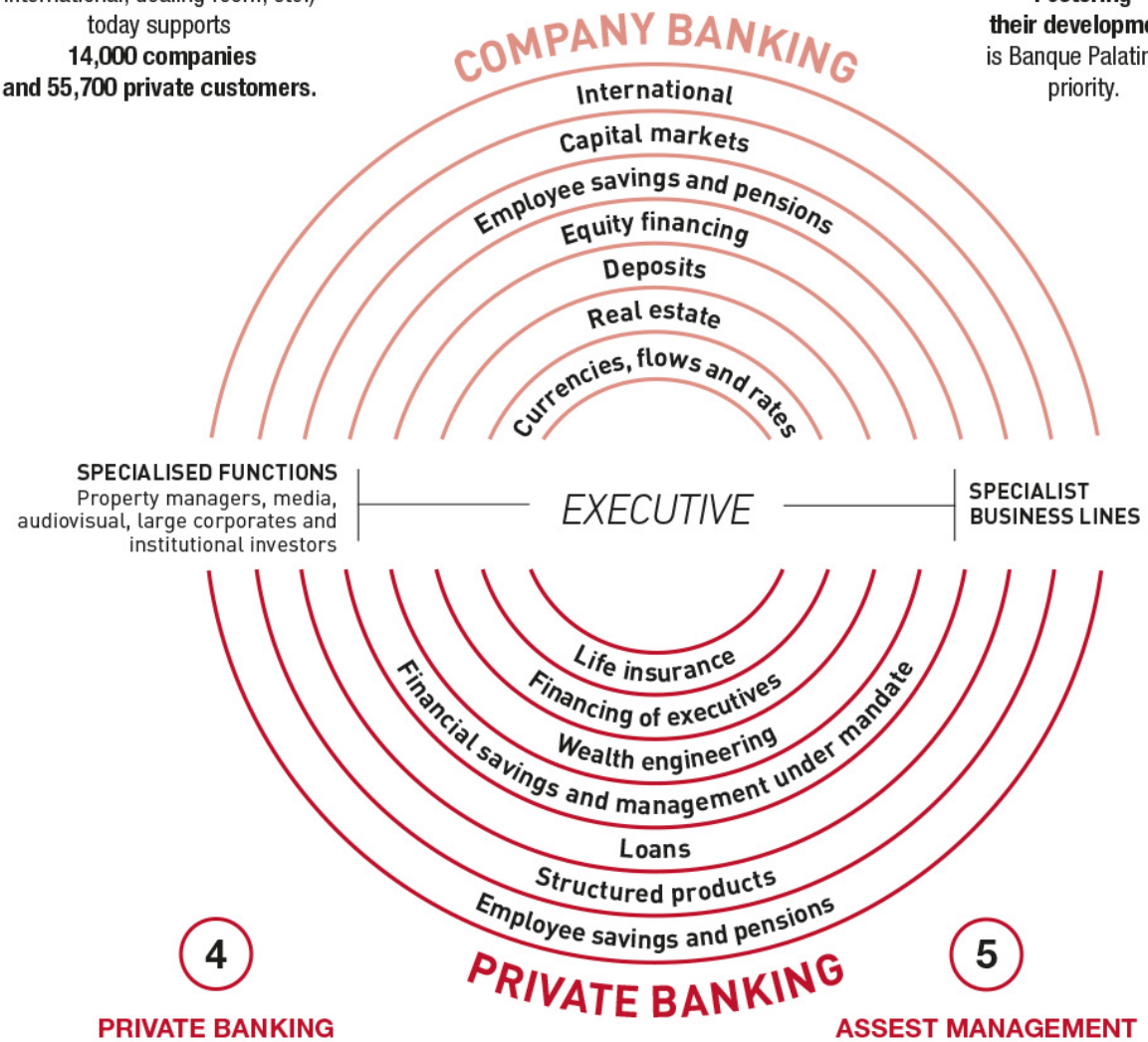
→ A network of **42 branches** in France, working with specialist business lines (private banking, corporate finance, real estate, international, dealing room, etc.) today supports **14,000 companies and 55,700 private customers.**

2 THE STRENGTH OF THE 2ND LARGEST FRENCH BANKING GROUP

→ As a wholly-owned subsidiary of Groupe BPCE, Banque Palatine generates **synergies** in terms of resources and benefits from the Group's **expertise.**

3 CORPORATE BANKING

→ **Mid-sized companies** offer the main growth potential for the French economy. **Fostering their development** is Banque Palatine's priority.



4 PRIVATE BANKING

→ Banque Palatine provides tailored solutions and high value-added advice on **the global approach to private and professional assets.**

5 ASSEST MANAGEMENT

→ Palatine Asset Management offers **its private and institutional customers** management that has proven its strength over the last 30 years. For over 10 years, it has also consolidated its choice of values in view of sustainable development issues.

1.2 Our commitment: supporting sustainable development goals

1.2.1 Introductory remarks

Set on 25 September 2015, the Sustainable Development Goals (SDGs) constitute a call from the United Nations (UN) to all stakeholders in society to deploy means of action to build an inclusive and sustainable future. These objectives cover all development issues such as climate, biodiversity, energy, water, poverty, gender equality, economic prosperity and peace, agriculture, education, etc.

With 17 thematic objectives and 169 targets, they aim to eradicate poverty, strengthen resilience to climate change and ensure prosperity and future prospects for everyone by the year 2030.

These 17 SDGs are now a common reference for many public and private companies around the world.

In addition, the **Principles for Responsible Investment** (PRI) were introduced by the United Nations in 2006. This voluntary commitment, aimed at asset management players, encourages investors to integrate environmental, social and governance (ESG) issues into the management of their portfolios. The PRI are a means for promoting the generalisation of the consideration of non-financial aspects by all financial businesses.

At the end of 2019, Palatine Asset Management (PAM) joined the signatories of the Principles for Responsible Investment.

Lastly, on 23 September 2019, Groupe BPCE signed the **Principles for Responsible Banking** (PRB): another UN initiative as part of its programme for the environment and the financial sector. This involves the transposition to the banking sector of the Principles for Responsible Investment intended for asset management players.

1.2.2 Our contribution to the SDGs according to the actions implemented

The way in which Banque Palatine conducts its business is as important as its primary activity, which consists of offering banking products and services. Banque Palatine is convinced of the importance of its contribution to the SDGs through its core business, its internal operations and its philanthropic activities. The SDGs set up by the UN therefore constitute a reference framework for all the actions carried out as part of Banque Palatine's CSR policy. Banque Palatine is part of this dynamic and wishes to report on it through its Statement of Non-Financial Performance (SNFP).

Banque Palatine is helping to build a sustainable future by 2030 by directly covering 9 of the programme's 17 SDGs through actions with its employees or indirectly through the financing of its customers. The contributions are presented below in the form of a table:

3 GOOD HEALTH AND WELL-BEING	**Empower people to live healthy lives and promote well-being at all ages** • charters and systems (e.g. quality of life at work, agreements on teleworking, etc.) as well as resources (e.g. office equipment) to enhance well-being at work; • systems to limit psychosocial risks; • through the "salary rounding" operation offered to its employees, whose donations are paid to Institut Curie.
4 QUALITY EDUCATION	**Ensure equitable quality education for all and promote lifelong learning opportunities** • commitments to develop employee employability and professional training; commitments to integrate disabled workers into the workplace and guarantee their career paths; measures to promote work-study programmes; • through Fondation Entreprendre and participation in the "Women in the regions" project; the partnership with Sciences Po and the "Nos Quartiers ont des Talents" association; professional and social integration of people made vulnerable by a disability (Disability and Responsible Purchasing policy).
5 GENDER EQUALITY	**Achieve gender equality and empower all women and girls** • implementation of internal measures such as the agreement on gender equality in the workplace, the proposal of personal development workshops for women, the Palatine Pluriel network, percentage of women on the Executive Management Committee: 60%; percentage of women on the Board of Directors: 50%; percentage of women on the Executive Committee: 29%; Gender equality indicator at 97/100; AFNOR label; • through the "salary rounding" operation offered to its employees, whose donations are donated to La Fondation des femmes.
7 AFFORDABLE AND CLEAN ENERGY	**Ensuring universal access to affordable, reliable, sustainable and modern energy services** • financing of renewable energies, financing of real estate professionals on green projects.
8 DECENT WORK AND ECONOMIC GROWTH	**Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all** • by supporting its corporate clients and in particular by setting up loans guaranteed by the French State and financing renewable energies; specific offers to guarantee access to banking services for all; • consideration of ESG criteria to integrate human rights and labour rights into investment decision-making (PAM); • actions to limit the environmental impact of the activity; • mobilisation in favour of employment and non-discrimination in hiring (partnership enabling the integration of high-potential refugees, etc.); • support for women entrepreneurs through the donation made to Fondation Entreprendre for the "Women in the regions" project, "Nos Quartiers ont des Talents"; sponsorship of Fondation pour le Pacte de Performance; membership of the cancer@work network.
10 REDUCED INEQUALITIES	**Reduce inequality within and across countries** • policies in favour of carers and those related to disability.
11 SUSTAINABLE CITIES AND COMMUNITIES	**Making cities and human establishments inclusive, safe, resilient and sustainable** • sponsorship for culture (Directors' fortnight) which takes place during the Cannes Film Festival.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Establish sustainable consumption and production patterns** • inclusion of ESG criteria in investments (PAM); • a responsible purchasing policy, Banque Palatine supports and participates in Groupe BPCE's AGIR approach; • reduced energy consumption; reduction of the environmental footprint (reduced business travel, bicycle parking facilities, etc.); • waste reduction through prevention, recycling and reuse; • improving the energy performance of buildings.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	**Promote peaceful and inclusive societies for sustainable development** • measures to combat fraud and crime; fight against corruption; actions for the transparency and accountability of the bank in its relations with suppliers; transparency in its tax practices.

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1.3 Main pillars of our CSR strategy

Banque Palatine's social responsibility strategy reflects the overhaul of its commitments in 2008. Compliance requirements are strictly applied consistent with the sustainable development policy of BPCE, of which Banque Palatine is a wholly-owned subsidiary.

Apart from compliance, Banque Palatine, a human-scale bank, regards social responsibility as a key issue based on three principles:

- first of all human: maintain a sustainable and bespoke relationship with customers and employees;
- support: to stay close to customers not only as a financier but also as a true partner going beyond the role of banker;
- collective working: favour co-construction and collective intelligence to incite creativity, pro-activity and enrich the solutions offered.

1.3.1 A five-point approach

The CSR process is built around five principles:

- **supporting players in the real economy:**

By engaging alongside medium-sized businesses and encouraging Socially Responsible Investment, to help finance companies with the best social, environmental and governance practices;

- **guaranteeing the ethics and transparency of our practices:**

By ensuring that we act responsibly and by being a bank that keeps its promises;

in order to create the conditions necessary for the development of a relationship of trust with its stakeholders.

- **bringing diversity to life on a daily basis:**

By cultivating its human capital, by ensuring the development of diversity and by committing to disability; to increase creativity and performance.

- **caring for the environment:**

By mobilising to reduce our environmental footprint and by encouraging the transition towards a more sustainable economy, to help reduce greenhouse gas emissions;

- **cultivate our commitments in the city:**

By supporting the arts and literature and strengthening its partnerships for equal opportunities in philanthropy with Fondation Entreprendre and the "Femmes des Territoires" project; in order to reinforce the meaning of its action.

1.3.2 Presentation of the four CSR projects of the new UP 2024 strategic plan

In 2021, Groupe BPCE placed the climate and the "employee experience" at the heart of its new BPCE 2021-2024 strategic plan. Banque Palatine's commitments are also consistent with this strategic project, which highlights a strong environmental strategy combined with ambitious intermediate objectives and a HR strategy promoting quality of life at work and the professional development of all employees. In addition, the Group's CSR policy combines fundamentals that underline the overall consideration of our economic and societal responsibility, and respect for the principles that guide our approach.

Banque Palatine saw the year 2021 mainly marked by the adoption of the new strategic plan, "UP 2024", the aim of which is to affirm its positioning as a benchmark bank alongside medium-sized companies and their managers.

UP 2024 provides for the adaptation of the organisation to the expectations and changes of customers who expect greater agility and efficiency, in the service of a demanding and lasting relationship. With this in mind, UP 2024 provides for a new regional network and the generalisation of the concept of mixed branch. This strategic choice will make it possible to bring together all skills and services within a single branch for the benefit of medium-sized companies and senior executives.

Banque Palatine will strengthen its digital offering with the launch of additional remote private banking branches, Palatine & Vous Premium, a service that will meet the requirements of customers who are waiting for tailored and immediate expert support.

As part of this strategic plan, Banque Palatine's CSR strategy for the next three years has been structured around four major projects:

1/ Support customers in their financing with regard to environmental issues

Groupe BPCE is fully committed to promoting the energy transition and supporting its customers on environmental issues. This commitment is aligned with the recommendations of the regulators who agree to require credit institutions to take into account climate risks at all stages of the loan granting process.

Beyond these expectations, Banque Palatine is convinced of the link between the performance of companies and their commitment to the climate and the environment. Work is therefore being carried out to supplement the credit processes with a non-financial approach, in addition to the usual accounting and financial data. To this end, customer data must be collected to better assess the level of consideration of climate and environmental risks and to inform credit decisions. Hence the project to roll out a "transition questionnaire" from 2022.

In addition, Banque Palatine aims to train all of its sales representatives in ESG (Environmental, Social and Governance) criteria. Not to mention climate risks, which are a growing risk for banks.

New adapted offers will be offered to customers to cover their needs in terms of green mobility, energy efficiency and energy production. We can also mention impact loans for which Banque Palatine wants to become a major player in this new market.

2/ Accelerate the growth of responsible investment assets

The theme of responsible investment will be promising in the coming years (strengthening of regulations, high expectations of society, etc.).

Private Customer Market Advisors will be trained. Customers will be made more aware and tools will be adapted to direct customer savings towards responsible economy products. Again, an evolution of the questionnaire in the investment advisory software, to collect the preferences of customers in terms of ESG before offering them an investment product, is planned from 2022.

Lastly, in asset management, the entire range of funds at Palatine Asset Management will be SRI certified and ESG criteria will be systematically integrated into the Equity/Fixed income/Diversified investment processes.

The objective is to triple SRI assets by 2024.

3/ Reducing Banque Palatine's direct environmental footprint

By signing the Principles for Responsible Banking on 23 September 2019 (a UN initiative), Groupe BPCE committed to respecting the Paris Agreements and thus contributing to limiting the rise in temperatures to a maximum of 2 °C by 2100 and thereby achieve carbon neutrality by 2050. Carbon neutrality involves a balance between carbon emissions and the absorption of carbon from the atmosphere by carbon sinks. The aim is to achieve net zero emissions.

The carbon footprint of a company makes it possible to count the direct or indirect greenhouse gas emissions of an activity or site, from upstream to downstream. Groupe BPCE calculates its emissions using a dedicated tool used by all its institutions and subsidiaries (excluding Scope 3B: indirect emissions related to its financing activity).

In this context, the ambition proposed by Banque Palatine is to reduce its greenhouse gas emissions by 10% over the 2019-2024 period (2019 being the reference year, excluding Covid).

To achieve this ambition, four areas of work have been identified: sustainable mobility, responsible digital technology, real estate and purchasing. Awareness-raising actions will be carried out regularly internally to achieve this.

4/ Continue efforts to achieve gender equality

For several years now, Banque Palatine has implemented an HR policy promoting diversity and gender balance within its teams. This was reflected in the representation figures at the level of its governing bodies such as general balance on the Board of Directors or a rate of 60% of women on the Executive Management Committee as of 31 December 2021, the publication of the gender equality indicator each year (since 2018) greater than or equal to 96/100… In addition, a new agreement on professional equality between men and women was signed at the end of 2020. Although Banque Palatine is already well advanced in terms of gender equality, it intends to continue its commitments to develop gender equality over the coming years.

The ambition is to achieve a rate of 45% of women managers in positions of responsibility by 2024.

1.4 Analysis of CSR issues, risks and opportunities

1.4.1 Methodology: a universe of risks divided into three categories

In order to identify its most strategic CSR challenges, Banque Palatine drew on the work carried out in 2017 as part of its ENVOL strategic plan and on an analysis of its main CSR risks.

The latter was based on the risk analysis methodology proposed by Groupe BPCE, resulting from the work of the risk department and the CSR department. This methodology made it possible to define:

- a universe of 16 CSR risks divided into three types: **products and services, internal operations and governance,** and each risk is precisely defined;
- a rating of these risks, according to their frequency and severity; an assessment of the risk management systems. Each year, non-financial risks and their ratings are reviewed through the prism of:
  - changes in regulations,
  - changes in the Group's macro-risk mapping,
  - the recommendations of the external auditors of the reporting,
  - requests from rating agencies and investors,
  - new reporting standards.

Following the work carried out this year by Groupe BPCE, this mapping was then submitted to Banque Palatine's CSR department, analysed, amended and presented to the Risk Committee on 18 November 2021 and approved by the Board of Directors on 10 December 2021.

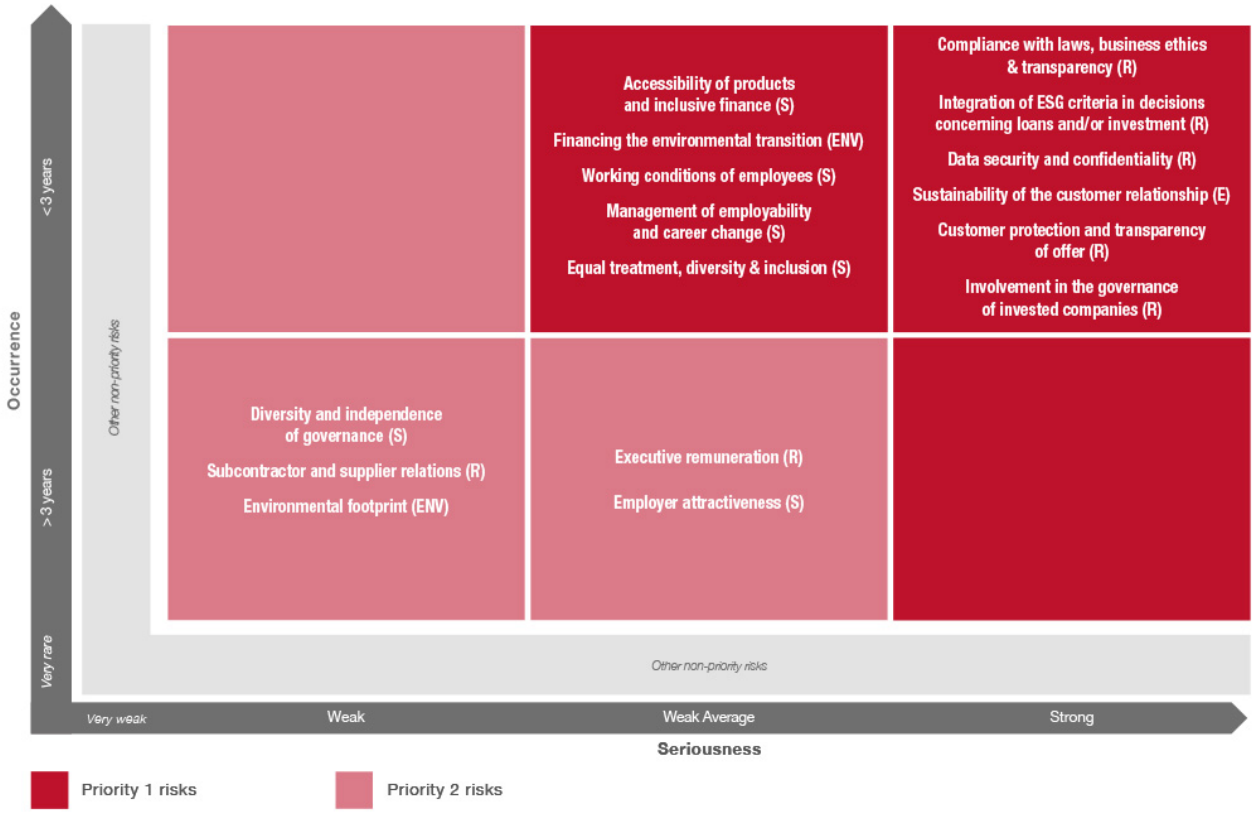
The analysis carried out revealed 11 major risks to which Banque Palatine is exposed: inclusive finance, employee diversity, business ethics, customer protection, data security, sustainable customer relations, financing of the energy and environmental transition, work, employability and business transformation, integration of ESG criteria in credit or investment decisions, and involvement in the governance of the companies involved.

Other changes are also present in the non-financial risk matrix in 2021:

- the "Physical, health and technological climate risk" has been deleted. It was considered as an essentially operational risk, integrated into the Group's operational risks. Maintaining it in the non-financial risk matrix was not considered relevant;
- the taxonomy of the impacts of non-financial risks has been reviewed. The main impacts are now: environmental, social/societal, economic and reputational. The objective was to limit the impacts to the non-financial universe.

Risk category	Non-financial risks	Definition
Products and services	Sustainable customer relationship	Lack of mechanisms to ensure sustainable and satisfactory quality of service to customers.
	Financing the environmental transition	Lack of financing strategy in projects favourable to the environmental transition.
	Customer protection	Lack of transparency of offers, inappropriate sale of financial products and services that do not meet the customer's needs.
	Financial inclusion	Lack of provision of an offer for all audiences both geographically and technologically.
	ESG risks	Non-integration of environmental, social and governance (ESG) criteria in financing and investment decisions.
Internal functioning	Employability and business transformation	Aligning the company's need with those of employees to respond to changes in the business lines.
	Employee diversity	Lack of mechanisms to ensure equal treatment of candidates for employment and employees within the company.
	Working conditions	Lack of mechanisms to ensure respectful working conditions for employees.
	Employer attractiveness	Difficulty in attracting talent in a competitive market.
	Purchases	Unsustainable relationship with suppliers and subcontractors.
	Environmental footprint	Contribution to climate change through the emission of greenhouse gases due to the bank's operations.
Governance	Business ethics	Non-compliance with regulations, lack of measures to combat corruption and fraud or to prevent unethical practices and inaccessibility of information.
	Data security	Lack of systems to protect the bank against cyber threats, to protect the personal data of employees and customers and ensure business continuity.
	Leadership diversity	Lack of independence and diversity and representativeness within governance bodies.
	Voting rights	Absence of participation in the governance of the companies involved/supported.
	Executive remuneration	Non-inclusion of non-financial and long-term criteria in executive remuneration.

1.4.2 Result of the raw risk matrix



Key: risk type
1. Social/Societal (S);
2. Economic (E);
3. Reputational (R);
4. Environmental (ENV).

A few key points emerge:

- the analysis conducted did not reveal any critical CSR risks;
- the priority gross risks for Banque Palatine are mainly issues relating to its core business.

As the presentation of the following approaches confirms, in the social, societal and environmental fields, all these risks were the subject of specific commitment, through the Envol strategic plan, or through the presented business action plans.

The key performance indicators used to track the progress of these projects are included in the Appendix.

2 Proximity to customers

2.1 Support customers taking into account economic, social and environmental issues

2.1.1 State-guaranteed loans continue to be offered to medium-sized customers

Banque Palatine, a reference partner for medium-sized companies in France, responded to the unprecedented Covid-19 crisis: credit extensions for professionals and companies, implementation of loans guaranteed by the French State, listening to and supporting customers in difficulties encountered, concerning financial aspects or the deployment of digital banking tools.

In 2021, Banque Palatine continued to support the economy by generating €140 million in SGL.

2.1.2 Offers in favour of the environmental and social transition

2.1.2.1 Renewable energy financing activity

Groupe BPCE is one of the French leaders in the financing of renewable energies thanks to its regional roots.

Renewable energies are sources of energy whose natural rate of renewal is fast enough to be considered inexhaustible over time. Basically, this means wind, photovoltaic solar and hydroelectric power and biomass- or biogas-fuelled generation. These energies are also known as green energies in contrast to fossil fuels (oil, coal, gas, etc.) and nuclear (due to problems with its waste).

Banque Palatine, as part of Groupe BPCE's commitments, has signalled its commitment to significantly reduce the CO_2 emissions from its activities. The decision to finance renewable energy projects is intended not only to support its customers but also to encourage the design of energies that generate little CO_2 in use. Green offering – Renewable energies are therefore an essential component and consistent with Banque Palatine's CSR policy.

A dedicated section of the corporate market department focuses on the renewable energy sector and analyses the economic, legal and technical characteristics of each project to be financed, and also provides global support, in particular interest rate hedges and documentary credits (for the purchase of equipment), bank guarantees (as part of calls for tenders organised by the Ministry of Sustainable Development).

The majority of financing is granted to wind or solar projects, the best-known technologies to date. The projects financed are located in France, including Corsica and the French overseas departments.

Today, the bank's renewable energy project financing portfolio represents approximately €230 million.

RES financing granted by Banque Palatine	31/12/2021	31/12/2020	31/12/2019
Share of installed capacity			
Wind power in MWp	55.80	158.52	3.04
Photovoltaic in MWp	11.43	7.64	32.15
Investment amount in millions of euros	80.2	91.9	53.9

In addition to this specific activity, Banque Palatine supports its SME and mid-market clients on a daily basis with Capex investment financing, some of which are linked to the energy transition.

2.1.2.2 Supporting customers on environmental issues, with Real Estate partners

The building sector is the largest consumer of energy in France and is therefore naturally a major contributor to greenhouse gas emissions (CO_2). At Banque Palatine, issues related to the energy transition have been taken into account in the offers offered to customers. A partnership signed with Crédit Foncier provides real estate engineering missions with the aim of making an assessment of the technical, legal or tax issues related to the management of a real estate portfolio and offering personalised advice, such as improving the energy performance of buildings.

In 2021, the implementation of a green calculator was generalised for all real estate department files presented to the committee. The score thus assigned is communicated to all customers and the best projects give rise to a bonus in the financial conditions that will be paid in full to associations committed to sustainable development.

2.1.2.3 Corporate customer financing incorporating environmental, social and governance criteria

Banque Palatine wants to enable companies to align their sustainable development policy with their financial policy.

The corporate finance division and the large corporates division thus participated for more than €160 million in "Impact loans", which represented a total amount of debts raised by borrowers of nearly €6.5 billion. This financing is indexed to the company's sustainable performance on the basis of social, environmental and governance criteria.

In 2021, Banque Palatine arranged and coordinated its first syndicated LBO impact loan for a medium-sized company. This financing of €98 million in the agri-food sector was subscribed by a pool of banks and institutional funds, Banque Palatine having been the Agent of this operation.

2.1.2.4 Orienting private customers' savings towards a more responsible economy

In January 2021, Banque Palatine rolled out its new range of model portfolios in open architecture and chose to build them mainly with SRI and ESG funds.

Seven out of nine portfolios are totally dedicated to sustainable finance and have raised more than €45.8 million.

These portfolios will change from March 2022 and will be made up of an average of 80% of Palatine Asset Management and Natixis Investment Managers funds, all SRI.

Banque Palatine will also include its Private Equity offer in this movement by referencing a Mirova fund dedicated to the climate.

Building on its success in marketing EMTN-type structured products[(1)] (more than €80 million in 2021) for which the circular economy and energy transition indices have been appended, Banque Palatine will again offer this type of investment to its customers in 2022.

2.1.2.5 Socially responsible investment offering at Palatine Asset Management

Palatine Asset Management (PAM) has been committed to taking climate risks into account in its investment choices for many years, anticipating the value of investing in sustainable development models (low-carbon) in order to fight against the global warming.

At the same time, the thematic investment and the ESG analysis were combined. Convinced of the ecological and climate emergency, PAM has chosen to invest in companies providing concrete solutions for further growth, and to develop its own SRI expertise in order to better identify the risks and opportunities, linked to a value, and to fight against global warming (management of climate-related risks and contribution to the financing of the green economy).

Today, Palatine Planète has taken over from Palatine Or Bleu, created in 2006, opening up to all global issues and offering a more diversified portfolio.

Palatine Planète's portfolio is made up of companies whose activity is linked to the environment, and particularly those that contribute to the fight against global warming, pollution and the scarcity of resources.

(1) Euro Medium Term notes.

The fund covers five investment themes:

- energies that do not emit greenhouse gas emissions: solar, wind, geothermal, hydraulic;
- energy efficiency: construction, civil engineering, isolation, clean modes of transport, etc.;
- adaptation to climate change: new production technologies;
- treatment, sanitisation, supply of drinking water and waste management;
- safeguarding people and the "common home": health and pharmacy.

The selection focuses on companies that seek to deliver long-term performance in the best interests of customers: the classic fundamental analysis (strategic positioning, financial structure, quality of governance) is supplemented by a rigorous non-financial analysis based on data from Vigeo Iris and Ethifinance, in order to refine the selection process by ensuring that companies implement their strategy by mobilising all their environmental and social resources in a responsible manner.

SRI expertise has spread in depth in the practices of financial managers.

PAM expanded its range of SRI equity funds with the Export Europe and Palatine Entreprises Familiales ISR funds and transformed the Uni-Hoche SICAV into Palatine France Emploi Durable focused on the social theme. While integrating an SRI filter from the outset to reduce the investment universe, the management of this SICAV is active and favours companies that have deployed the most virtuous social policies in terms of employment in France and high quality, with good visibility and at a reasonable price, without sector constraints. To apply this thematic filter, PAM relies on the expertise of a non-financial rating company specialising in employment, Humpact.

Also in 2021, PAM inserted a quantitative investment solution, based on artificial intelligence, into Palatine America's investment process, which uses a model to predict the movement and evolution of share prices. And to be eligible for the portfolio, companies must first prove, through an SRI filter, that they have implemented a satisfactory policy in terms of market behaviour, human rights, the environment, governance and societal commitment.

Lastly, in most money market and bond funds as well as the two small- and mid-cap equity funds, an ESG integration process has been put in place to help managers identify, manage and report on ESG risks and opportunities in their investment decisions and portfolio management.

In accordance with Article 173-VI of the Energy Transition for Green Growth Act, PAM has been communicating in quarterly non-financial reports on the management of climate-related risks and the environmental impacts of its investments:

- measuring the carbon impact of its investments, which includes companies' carbon emissions (Scope 1 + First Tier Indirect). This measure is compared to revenue, in order to compare the operational efficiency of companies in the same sector;
- and the share of investments dedicated to low-carbon solutions (measuring the share of "green" investments *versus* fossil fuel investments).

PAM selects the companies most committed to reducing carbon emissions, not just low-carbon sectors.

Its SRI approach complies with the AFG-FIR Transparency Code and three equity funds (Export Europe, Palatine Planète and Palatine Entreprises Familiales ISR) have the State label: a guarantee of quality and transparency as well as a token of trust for its customers.

SRI management at PAM has been accelerating since 2019, with in particular its adherence to the UN's Principles for Responsible Investment (PRI) to strengthen its asset management commitments. Similarly, a coal policy has been put in place to align its investment strategies with the Paris Agreements.

Socially responsible investing	31/12/2021	31/12/2020	31/12/2019
SRI assets under management in millions of euros	4,661	276	91

2.1.2.6 Voting rights policy (PAM)

For the exercise of its voting rights, since 2015 Palatine Asset Management has been relying on the expertise of Institutional Shareholder Services Europe SA to expand its voting scope.

During the 2021 financial year, Palatine Asset Management exercised its voting rights at General Meetings held throughout Europe (excluding Power of Attorney – POA – countries where the voting procedure requires additional financial costs) and mainly on the companies making up the CAC40 index, on the companies comprising the assets of SRI-certified UCIs, on French companies whose consolidated shareholding threshold is greater than 0.50% of the market capitalisation and finally on foreign companies held with a market capitalisation of more than €100 million.

The objective is to promote best ESG practices within the companies in which the funds managed by Palatine Asset Management are shareholders in order to encourage them to adopt an approach of progress and responsibility. The principles underpinning this voting policy are available at: www.palatine-am.com.

2.2 Ensuring the security of customer data and the integrity of tools

2.2.1 Reliability of information

Banque Palatine created a governance department in 2017 supported by data correspondents in each business line. The comprehensiveness and reliability of data in strict compliance with personal data protection regulations is a major concern for the bank to meet the needs of its customers and legal and regulatory constraints.

2.2.2 Collection and use of personal data

The bank guarantees its customers and employees:

- the security of personal data;
- the respect of choices in terms of solicitation and commercial prospecting;
- transparency regarding the processing of personal data;
- information on data protection rights.

Following the IT migration in October 2020, the integration of Banque Palatine with Groupe BPCE continued throughout 2021. Thus, for community tools, the institution's GDPR compliance is fully embedded in Groupe BPCE's management.

In terms of governance, the Data Protection Officer or Data Protection Officer (DPO) has further evolved during this financial year to be attached to the operational risks department, which makes it possible to streamline synergies with the HISS, who has also been attached to this department.

The DPO coordinates and steers the community of IT and Civil Liberties Officers (RILs), appointed within each department as data protection officers.

For the 2021 financial year, the most significant work resulted from the audit recommendations issued as part of the Group Audit Mission conducted in 2020, namely:

- continuation of awareness-raising actions with various communication actions (*e.g.* creation of a Yammer group), the implementation of training for Civil Liberties Officers and project managers, the dissemination of GDPR fact sheets on the intranet and Yammer;
- compliance of the contractual and commercial supports for customers;
- continuation of the analysis of the GDPR compliance of the bank's private tools;
- for personal data breaches, dissemination of a dedicated procedure and implementation of the register of breaches;
- integration of personal data protection from the design of a project ("Privacy by Design");
- input to the Group "DRIVE" tool to manage the processing register;
- implementation of reporting.

2.2.3 Intrusion in the IT system – cybercrime

Organisation and steering of the ISS function

Within the risk management system related to information and communication technology (ICT), the Group information systems security department is in charge of the information systems security (ISS) and the fight against cybercrime. The Group information systems security department reports to the Group General Secretariat.

Groupe BPCE's information systems security (ISS) is organised as a function and is managed by the Group information systems security department.

Management defines, implements and develops the Group's ISS policy.

The Group's information systems security department:

- coordinates the ISS function bringing together the HISSs of the affiliated parent companies, subsidiaries and IT GIEs;
- oversees the Level 2 permanent control system and the consolidated control of the ISS function;
- initiates and coordinates Group risk reduction projects;
- represents the Group when dealing with the competent interbank or public authorities in its field.

Since March 2020, BPCE-IT's governance, risks and second-level controls activity has been transferred to the Group information systems security department:

- the BPCE-IT ISS governance activity is now the responsibility of the Group ISS department;
- the risk and security control activity is carried out within a new entity reporting to the Group security department.

Banque Palatine's HISS and more generally the HISS of all affiliates (parent companies, direct subsidiaries and IT EIGs) report functionally to the Group HISS. This functional link notably implies that:

- any HISS appointment is notified to the Group HISS;
- Groupe BPCE's information systems security policy is adopted by the entities and each local ISS policy is submitted for the opinion of the Group HISS, prior to its implementation in the institution;
- reporting in relation to the level of compliance of the entities with Groupe BPCE's ISS policy, the permanent ISS control, the level of ISS risks, the main ISS incidents and the actions undertaken are communicated to the Group HISS.

Banque Palatine's HISS reports to the operational risk department and is supported by a work-study student.

Monitoring of risks related to information systems security

Groupe BPCE has developed a Group Information Systems Security Policy, backed by the Group Risk, Compliance and Permanent Control Charter. This policy defines the guiding principles for the protection of the information systems and specifies the provisions to be respected, on the one hand, by all the Group's entities in France and abroad and, on the other, by any third-party entity as of the moment it accesses the information systems of one or various Groupe BPCE establishments.

The Group ISS Policy constitutes a minimum base with which each institution must comply. In this respect, Banque Palatine has decided to apply the Group ISSP Policy as it stands.

As part of the Group's programme to comply with the requirements of the European Regulation on the protection of personal data (GDPR), a GDPR support system for projects (including digital projects) is in place with an operation adapted to the agile development cycle.

Groupe BPCE is also particularly vigilant in the fight against cybercrime. A unified Group Security Operation Centre (SOC) integrating a Level 1, operating 24 hours a day, seven days a week, is operational.

Several actions were continued in 2021, in order to strengthen the systems to combat cybercrime:

- work to secure websites hosted externally;

- improved website and application security testing capabilities;
- implementation of a responsible vulnerability disclosure programme by Groupe BPCE CERT.

Employee awareness of cybersecurity

In addition to maintaining the Group's common foundation for raising employee awareness of ISS, 2021 was marked by participation in the "European Cybersecurity Month".

Within the scope of BPCE SA, in addition to the recurring reviews of application authorisations and rights to IS resources (mailing lists, shared mailboxes, shared files, etc.), the monitoring of all websites published on the Internet and the monitoring of vulnerability treatment plans have been strengthened, as well as the monitoring of the risk of data leaks by email or the use of online storage and exchange services.

New employee awareness-raising and training campaigns were carried out:

- phishing test, phishing awareness campaign and support for employees in situations of repeated failures;
- participation in induction meetings for new employees.

Work done in 2021

A global management system for security reviews and intrusion tests has been set up to cover 100% of critical IT assets over four-year cycles. This system now makes it possible to consolidate all the vulnerabilities identified as part of the security reviews and intrusion tests as well as the related remediation plans in DRIVE for centralised monitoring.

In 2021, the ISS mapping project for all of the Group's information systems continued.

In this respect, each Group institution, in view of its role and context, aims to draw up an ISS map of the IS for which it is operationally responsible, based on the Group's methodology articulating ISS approaches with that of the business lines.

A permanent Level 1 control framework has been specified and made available to all institutions.

Banque Palatine worked on the ISS risk mapping steered by Groupe BPCE's ISS function.

It also worked on updating the rules of the Group ISS Policy for which it is responsible (trimming). This action must be validated by the Group HISS in 2022 so that Banque Palatine can apply the N1 and N2 control plan proposed by the Group on the private portion.

2.3 Demonstrate ethics and business leadership

2.3.1 Corruption

The prevention of corruption is part of a financial security system that reflects the commitment of Groupe BPCE, as a member of the United Nations Global Compact. Since 16 September 2017, the provisions of the Sapin 2 Act provide a regulatory framework for the anti-corruption combat with preventive and repressive tools.

Employees are asked to be extremely vigilant with regard to the demands and pressures to which they may be subjected, or situations where unusually high commissions or overcharging in particular are involved, as well as informal and private meetings with public companies.

As part of the internal control measures and in accordance with Groupe BPCE's Compliance Charter, the compliance and permanent control department has set up several levels of control that fall within the scope of compliance, ethics and financial security.

The measures taken to fight against the risk of corruption are based on the bank's rules of procedure of which one chapter is dedicated to the fight against corruption and influence peddling. Employees must ensure that they behave in accordance with professional ethics and help, in the context of their due diligence and/or reporting of suspicion obligations, prevent money laundering, terrorist financing, and the fight against fraud and corruption. These measures meet the recommendations of the French Anti-corruption Agency (*Agence française anticorruption* – AFA).

These arrangements are reflected in the bank's procedures and documentation, including in the following areas:

- corruption risk mapping;
- financial security: efforts to combat money laundering and terrorist financing and internal and external fraud;
- management of embargoes;
- entering into relations with third parties/intermediaries (knowledge of customers/intermediaries, ethics of commercial practices, transparency of the legal structure, absence of any known interest relationship between the third party and a public official (Politically Exposed Person);
- procurement policy, selection of suppliers, consultants, etc.;
- prevention and management of conflicts of interest;
- policies relating to gifts, benefits, invitations, travel, donations, expense claims;
- selection of intermediaries and financial partners;
- confidentiality and professional secrecy;
- mandatory training for employees on the Code of Conduct and the essentials of professional ethics;
- internal whistleblowing system;
- control systems.

The disciplinary system of the rules of procedure makes it possible to sanction the employees of the company in the event of violation of the Code of Conduct and ethics.

In 2021, Banque Palatine did not receive any penalty for any anti-competitive, anti-trust or monopolistic behaviour.

2.3.2 Money laundering/terrorism financing and training schemes

Efforts to combat money laundering and terrorist financing are based on a mapping of non-compliance risks by process and a risk management system whose financial security component includes:

- procedures for the fight against money laundering and the financing of terrorism and for compliance with international sanctions;
- an AML/CFT training plan as well as interventions and awareness-raising actions;
- a customer knowledge system at the start of a business relationship and during the course of a business relationship that is tending to expand *via* remedial actions and the use of new monitoring tools;
- use of *a priori* and *a posteriori* transaction monitoring tools;
- a system for reporting information to the appropriate administrative authorities, if applicable.

The training system, based on the mapping of non-compliance risks, is based on:

- e-learning courses to combat money laundering and the financing of terrorism provided to new employees;
- an e-learning campaign on anti-money laundering and the financing of terrorism for all employees every two years;
- interventions and awareness-raising actions aimed at those most exposed to the risk of money laundering and the financing of terrorism (branches and head office services).

Banque Palatine Group indicators	2021	2020	2019
% of employees trained in anti-money-laundering (excluding ALD)	85*	91	88

* *The AML/CFT training for the bank's employees takes place in two-year cycles. A significant campaign was carried out in 2020 with 1,055 employees trained. 939 employees out of 1,107 present at 31/12/2021 (excluding long-term illness) completed the training between 2020 and 2021.*

2.3.3 Fraud

The risk, compliance and permanent control department manages the system for preventing and handling cases of fraud within Banque Palatine through a dedicated unit. This same unit is responsible for listing all of the cases of fraud or attempted fraud detected. This system is supplemented by a Fraud Committee which meets twice a year. This committee is made up of representatives of the bank's main business lines to identify and monitor the action plans identified, to respond to fraud or attempted fraud detected. Significant items related to fraud are also presented to the Operational Risk and Security Committee (ORSC) each quarter. This unit is also in charge of prevention actions, notably through training and communication actions.

For internal fraud, fraud prevention and monitoring systems were strengthened following the IT migration in October 2020, with the integration of the entire system deployed by Groupe BPCE. Anomaly detection requests are processed by this dedicated unit.

2.3.4 Conflict of interest

The risk of conflicts of interest in banking, financial and insurance institutions is the subject of stricter European Union Regulations on "Markets in Financial Instruments" (MiFID) and the increasing attention of regulators.

In accordance with regulations, Banque Palatine has formalised and maintains a policy for identifying, preventing and managing conflicts of interest to guarantee the priority of the client's interests in all circumstances. The summary of this policy is available on the bank's corporate website.

This conflict of interest policy describes the system for preventing, detecting and managing conflicts of interest implemented within Banque Palatine. In order to ensure the protection and primacy of the customer's interests in the supply of the products and services offered with regard to the MiFID2 and Insurance Distribution Directive (IDD) Regulations, the rules of procedure and the Code of Conduct of Groupe BPCE, it exhibits in particular:

- circumstances that give rise or may give rise to a conflict of interest that could harm the interests of one or more clients;
- the procedures to be followed and the measures taken by the bank to manage such conflicts and prevent them from harming the interests of the customer.

This policy is based on:

- a normative framework:
  - the rules of procedure of the bank,
  - BPCE's Code of Conduct;
- rules governing the activity based on:
  - principles for defining and governing remuneration rules,
  - a system to manage the personal transactions of the employees concerned and privileged information,
  - a system to regulate gifts and donations,
  - a specific procedure for managing conflicts of interest that may arise at the level of management bodies,
  - a system to specify the rules relating to external interests,
  - a system to specify the rules relating to the marketing of products or services,
  - marketing mechanisms for products and services offered to customers,
  - an "information barrier" system.
- a mapping of potential conflicts of interest in the provision of:
  - investment services,
  - insurance products and services (life and non-life),
  - banking products and services.
- customer information:
  - on the terms of business,
  - on risky potential conflicts of interest.
- the introduction of dedicated training to raise employee awareness of conflict of interest issues and applicable rules and procedures.

The risk, compliance, permanent control and financial security department:

- analyses the situation of potential or actual conflict of interest on the basis of the information communicated to it in order to assess the various impacts likely to affect the interests of clients;
- proposes a solution to avoid or resolve the conflict of interest;
- updates the register of proven conflicts of interest, specifying, where applicable, the provisions and measures implemented.

The control system ensures the efficiency of the system put in place within Banque Palatine. When the control of the conflict of interest systems reveals malfunctions, the risk management, compliance, permanent control and financial security department defines an action plan and takes corrective measures.

2.3.5 Customer protection

The customer protection rules exist to correct the information asymmetry between the customer (not always able to correctly assess the advantages, disadvantages and risks associated with a certain product) and the professional (an employee of a financial institution). For professionals, this means adopting fair commercial behaviours and practices, taking into account the interests of the customers, limiting their risks and preventing conflicts of interests to the prejudice of customers.

The measures already outlined in the preceding points (conflicts of interest, transparency, etc.) and the following points (ethics and governance, etc.) explain the measures in place with regards to customer protection and good commercial practices throughout the commercial process, in particular when dealing with financially vulnerable customers. Nevertheless, the efforts also relate to better customer segmentation, and even their management by dedicated subsidiaries, so that employees can lend their better expertise in specific segments.

Banque Palatine pays particular attention to regulations relating to financial instruments markets, MiFID2 and Packaged Retail Investment and Insurance-Based Products (PRIIPS), which it has deployed and whose provisions particularly enhance market transparency and investor protection. In this respect, Banque Palatine communicates on its website its best execution and best selection policy, describing the means implemented to obtain the best possible result for orders placed for its clients. The RTS 28[(1)] reports provide an overview of the main order execution venues.

Banque Palatine has also implemented a best order execution policy for the service it offers its clients *via* the trading room. This policy is also available on the website as well as the Key Investor Information Documents (KIID).

Banque Palatine provides its clients with investment services offered as part of an advisory process based on the collection of client knowledge data (client profile, characteristics of client projects in terms of objectives, risk acceptance and tolerance, and investment horizon). Investment advice is formalised by a report on the suitability of the client's profile. An annual summary of fees and before each transaction ensures transparency and clear information on fees and their impact on returns.

2.3.6 Inclusive finance

Financial inclusion is an important objective of retail banks. Banque Palatine, a subsidiary of Groupe BPCE, which is itself a major player in inclusive finance, is part of this approach, even if the type of its individual customer base does not appear to be financially vulnerable.

Banque Palatine identifies its individual customers in a financially vulnerable situation based on one of the three criteria below:

- over-indebtedness;
- check payment incidents;
- incidents and irregularities in the operation of the account.

Identified vulnerable customers are offered by mail to subscribe to the Fragile Customer Offer. At 31 December 2021, 11 customers were equipped with this offer.

Groupe BPCE's recommendation to set up a unit dedicated to vulnerable customers led Banque Palatine to work with a Group entity (BPCE Solutions Crédit) specialising in these inclusion topics.

2.3.7 Ethics and governance

The Board of Directors, at its meeting of 26 May 2020, adopted a new governance framework, comprising:

- a corporate governance framework: an umbrella document that formalises the organisation, operating methods and responsibilities of the management bodies by reference to the various policies and texts applicable in the establishment;
- framework rules of procedure of the Board of Directors resulting from the merger of the rules of procedure of the Board of Directors and the rules of procedure of the Board of Directors in order to obtain more precise rules regarding the composition, the functioning and duties of the Board Committees;
- an Appointment and succession policy: the role of the Appointments Committee in terms of selection (effective managers/Directors) is strengthened, as the members of the management body must be selected from among several candidates (have at least one person of each gender among the candidates – Pacte Act). The policy established takes into account the system put in place by the Group human resources department;
- a policy for assessing the suitability of effective managers and Directors: the assessment methods are specified as closely as possible to the ACPR/BCE "Fit and Proper" file. The role of the Appointments Committee in assessing suitability is strengthened;
- a policy for the prevention and management of conflicts of interest for effective managers and Directors and a charter for the prevention and management of conflicts of interest for effective managers have been drawn up;
- a Director's Code of Ethics, updated on conflicts of interest.

Directors' obligations

The actions of the Directors must be based solely on the interests of Banque Palatine.

Directors must consider themselves to be the representative of all shareholders and behave as such in the performance of their duties. They must not expose themselves to conflicts of interest in relation to their business relations with the company.

They must be mindful of their contribution to the exercise of their powers by the Board of Directors.

The Directors ensure compliance with the legal rules relating to the holding of several corporate offices and incompatibilities, as well as those applicable to credit institutions.

(1) RTS: Regulatory Technical Standards.

The Directors, including the Directors representing the employees, and all persons present, are bound by an obligation of confidentiality with regard to the proceedings of the Board and the specialised committees, without prejudice to the professional secrecy to which they are subject, under criminal law, in relation to certain information pertaining to this secrecy.

The Chairman of the meeting may declare the proceedings of a meeting to be confidential whenever regulations or Banque Palatine's interests so require. He or she may require all individuals taking part in a meeting to sign a confidentiality undertaking. He does the same within the Board's specialised committees. This statement is placed on record in the minutes of the meeting.

If a Director fails to comply with one of his or her obligations, in particular the obligation to keep matters confidential, the Chairman of the Board of Directors refers the matter to the Board with a view to issuing a formal warning to said member, independently of any measures taken under the applicable provisions of the law, regulations or Articles of Association.

The Board of Directors may, if so proposed by its Chairman, request the dismissal of the Director by the relevant body or authority. In the case of a committee member, the Board of Directors may, on the proposal of its Chairman, terminate his or her duties as a member of the committee.

The member concerned will be informed in advance of the proposed penalties and will be given the opportunity to present observations.

All Directors are required to inform the Board of any conflict of interest, even potential, and must refrain from voting on the corresponding deliberation.

A conflict of interest situation is defined as a situation in which a member of the Board of Directors has a personal interest that diverges, or is likely to diverge, from the interests of all the bank's shareholders.

Unless authorised by BPCE, taken in agreement with the Chairman of the Board, the office of Director of the bank is incompatible with a position of Chief Executive Officer, member of the Management Board, Director or member of the Board within a company another credit institution or another investment services company that is not part of Groupe BPCE.

Directors are expected to participate regularly in the meetings of the Board of Directors and its committees and to attend General Meetings.

Those who are unable to comply with this attendance rule undertake, in accordance with the responsibilities attached to the position of Director, to hand over their office to the Board at the request of the Chairman.

More generally, a Director who considers him- or herself unable to perform his or her duties on the Board, or on the committees of which he or she is a member, must resign.

All newly appointed Directors undertake to participate in at least one training session that is offered to them within one year of their appointment.

Insider trading

When taking office, the Directors sign the Code of Ethics for Directors of Banque Palatine appended to the framework regulations of the Board of Directors.

This Code of Ethics for the Directors of Banque Palatine specifically specifies:

- the management of inside information (Articles 621-1 and 622-1 of the AMF General Regulation);
- transactions on financial instruments issued by Banque Palatine (Article 19-1 of Regulation No. 596/2014);
- black-out periods on the financial instruments of Groupe BPCE's companies;
- conflicts of interest;
- prevention of insider trading.

Diversity

The Directors of Banque Palatine appointed by the central body of the Banques Populaires and Caisses d'Epargne BPCE network are among the Group's senior executives and have a wealth of experience in leadership and strategy development.

Their diversity in terms of skills, experience, geographical representation and gender is an essential asset for the Board.

Parity

Parity is an important indicator for Banque Palatine's Executive Management. It is monitored not only for the Board of Directors but also for Executive Management, the Executive Management Committee and the Executive Committee. It is one of the indicators of the UP 2024 strategic plan *via* the percentage of female managers, which in 2021 reached 39.5% of managers.

At 31 December 2021:

- the percentage of female Directors on the Board of Directors was 50% and thus complied with the Copé Zimmermann Act;
- the Executive Management Committee had 60% of women managers;
- the Executive Committee was made up of 29% women managers;
- among the 10% of positions with high responsibility, this rate reached 31.6%.

2.4 Serving customers over the long term

2.4.1 Quality of customer relations

Banque Palatine has placed the improvement of service and customer satisfaction at the heart of its strategy and its strategic plan, Envol, which was completed in 2020.

Its quality policy enacts a permanent focus on customer satisfaction and translates internally as a constant drive for continuous improvement of its processes. Its Envol strategic plan reflects two strong ambitions, the ramp-up of customer service and acceleration of customer process improvements.

Banque Palatine's quality process is designed to work across the Group and involves all of the bank's employees. It is a process which encourages the commitment of employees by investing in their expertise and relational qualities and by remunerating performance related to customer satisfaction.

Listening to customers both in qualitative and quantitative terms is one of the founding principles which allows Banque Palatine to better understand its customers and better serve their interests. Its customer listening system enables it to measure customer satisfaction and the effectiveness of the actions undertaken to improve its quality of service.

The Net Promoter Score (NPS) remains a key indicator for Groupe BPCE and Banque Palatine because it enables the recommendation and customer experience to be compared with other banking players and other types of service companies. This indicator is internationally recognised and, in addition to measuring customer satisfaction, it gauges the likelihood of their recommending the bank to their friends and family.

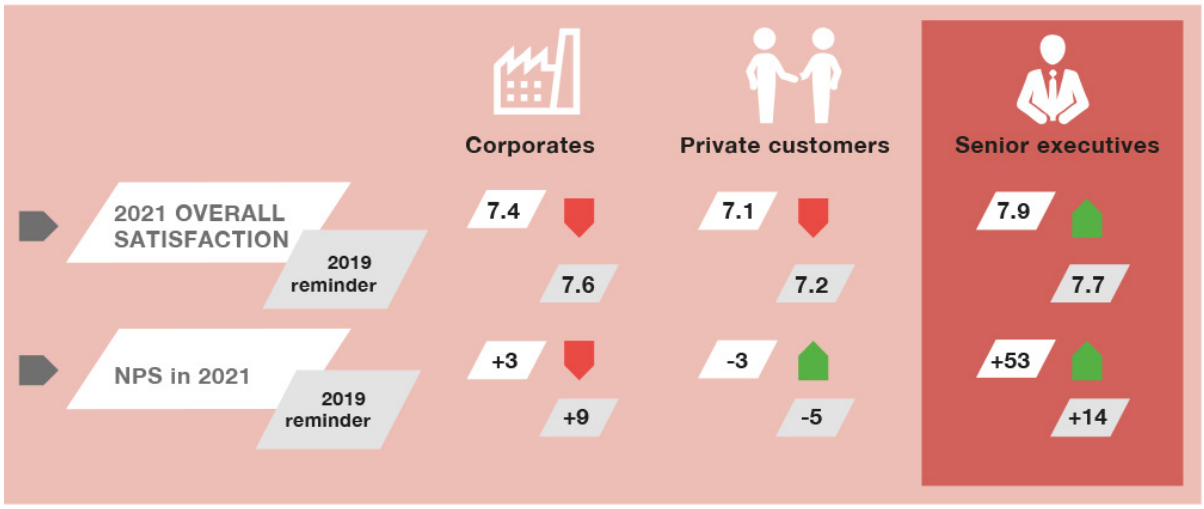
2.4.2 Net Promoter Score (NPS)

In May 2021, the quality department (now the customer experience – customer relations department) conducted quantitative satisfaction surveys on customers in its two markets (private and corporate customers), in order to measure change in the perception of the bank by its customers but also to consider changes in the customer relationship in a complex health context.

The levels of the NPS obtained in 2021 (-3 for private customers and +3 for business customers) are marked by the impact of the recent IT migration (October 2020) but confirm the relationship of excellence and partnership that Banque Palatine maintains with its customers.

In December 2021, the customer experience department commissioned a new survey on its priority clientele of corporate executives. With an overall NPS of +53, a historic level, Banque Palatine's relational model demonstrates its effectiveness and uniqueness.

Annual indicators (2021 surveys)



3 From human capital to employee commitment

3.1 Issues

The year 2021 was again strongly marked by the health crisis and its impacts in terms of work organisation. The launch of the "UP 2024" strategic plan in line with that of Groupe BPCE was then postponed to the second half of 2021.

One of the strategic pillars of this new strategic plan is based on the continuity of the previous promises and choices, namely "the commitment of employees to support the commercial development, transformation and strengthening of quality of service".

The human resource challenges are to:

- **Strengthen cohesion and cultivate meaning:**
  - strengthen exchanges between employees and the "managers/human resources" duo through an objective of continuous improvement of the **HR journey** starting with onboarding (mapping of key moments),
  - strengthen employee involvement in projects, in order to promote entrepreneurial freedom and autonomy. This will involve:
    - breaking down silos and leaving room for empowerment,
    - setting up **challenges** (*e.g.* the "idea of the quarter") to highlight daring employees, and thus providing room for creativity and participation,
    - promoting, in the interest of all, a culture of long-term performance in order to strengthen the alignment of employees with shareholders: new incentives linked to the achievement of the Plan's objectives;
- **Develop new ways of working:**
  - work on the current teleworking agreement, with a view to better reconciliation between private and professional life,
  - pay particular attention to managers in a context of transformation that will require changes in management practices: manager coach, managerial organisation, recognition;
- **Modernise and digitise uses:**
  - capitalise on new tools and equipment to develop new ways of working (*e.g.* a mix of face-to-face and remote interaction),
  - digitise certain administrative tasks (*e.g.* onboarding and offboarding…) in order to increase efficiency and ensure legal compliance,
  - better manage HR data in order to better support employees and therefore better retain them;
- **Secure the skills of tomorrow through individualised pathways:**
  - attract and recruit through extensive partnerships with certain schools in order to become a key player for them;
  - continue to develop our **employer brand by:**
    - strengthening our career page and social media presence,
    - making commitments on the transformation of work-study students into permanent contracts,
    - standing out through Labels that underpin our HR policy;
  - retain and grow Talents through **proactive management of skills** and individualised professional career paths in order to align our skills with business needs, particularly in terms of moving upmarket to demonstrate that the company is thinking about the future of its teams.

This support for professionalism and skills development should make it possible to retain and develop all employees in order to increase the bank's performance and support future transformations, which, in the digital age and with a new data system, will accelerate productivity processes, and thus modify the business lines.

3.2 Analysing the workforce structure

As of 31 December 2021, the bank's headcount comprised 1,146 employees, of whom 91% were on permanent contracts, compared with 92% in 2020. The large proportion of permanent contracts in the total workforce reflects the bank's desire to promote long-term and non-precarious employment.

Women represent 52% of the total workforce, a proportion that has remained stable over the last three years. The proportion of managers was 68.9% in 2021, up by more than one point in one year. Within this professional category of managers, the proportion of women increased from 45% in 2020 to 46% in 2021.

The recruitment policy for work-study contracts is continuing with 45 young employees in apprenticeship or professional training contracts within the Palatine teams.

3.2.1 Breakdown of workforce by contract type, status and gender

Banque Palatine has employees in mainland France; the geographical distribution is therefore not indicated.

n/c: not concerned – n/a: not available

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Total permanent and fixed-term staff including those on work-study programmes	1,146	27	1	1,218	24	1	1,320	30	1
Total permanent and fixed-term staff (not including work-study and internship programmes)	1,101	25	1	1,168	24	1	1,273	29	1
Number of permanent employees	1,043	25	1	1,117	24	1	1,129	29	1
permanent employees as a % of the total workforce	91.01%	92.59%	100.00%	91.71%	100.00%	100.00%	85.53%	96.67%	100.00%
Fixed-term employees, including those on work-study programmes	103	2	0	101	0	0	191	1	0
Fixed-term employees as a % of the total workforce	8.99%	7.41%	0.00%	8.29%	0.00%	0	14.47%	3.33%	0
Total managers	789	24	0	825	24	0	840	30	0
Managers as a % of the total workforce	68.85%	88.89%	0.00%	67.73%	100.00%	0	63.64%	100.00%	0
Total non-managerial employees	357	3	1	393		1	480	0	1
Non-managerial employees as a % of the total workforce	31.15%	11.11%	100.00%	32.27%	0.00%	100%	36.36%	0.00%	100%
TOTAL FEMALE WORKFORCE BREAKDOWN BY AGE CATEGORY:	**594**	**11**	**1**	**630**	**8**	**1**	**688**	**10**	**1**
18-<26 years old	37	2	0	49	0	0	58	2	0
26-< 31 years of age	66	2	0	73	1	0	93	0	0
31-<36 years of age	92	0	0	101	0	0	109	0	0
36-<41 years of age	84	0	1	96	0	1	104	0	1
41-<46 years of age	76	1	0	65	1	0	69	1	0
46-<51 years of age	62	0	0	64	0	0	59	0	0
51-<56 years of age	53	1	0	56	2	0	83	3	0
56-<61 years of age	103	3	0	107	3	0	98	4	0
61 years of age and older	21	2	0	19	1	0	15	0	0
Female employees as a % of the total workforce	51.83%	40.74%	100.00%	51.72%	33.33%	100%	52.12%	33.33%	100%
TOTAL MALE WORKFORCE BREAKDOWN BY AGE CATEGORY:	**552**	**16**	**0**	**588**	**16**	**0**	**632**	**20**	**0**
18-<26 years old	35	0	nc	43	0	nc	60	0	nc
26-< 31 years of age	71	3	nc	74	2	nc	84	6	nc
31-<36 years of age	79	3	nc	92	3	nc	98	0	nc
36-<41 years of age	75	1	nc	76	1	nc	83	1	nc
41-<46 years of age	67	1	nc	71	0	nc	69	0	nc
46-<51 years of age	65	1	nc	71	2	nc	69	4	nc
51-<56 years of age	53	2	nc	53	3	nc	61	2	nc
56-<61 years of age	77	5	nc	78	5	nc	85	6	nc
61 years of age and older	30	0	nc	30	0	nc	23	1	nc
Male employees as a % of the total workforce	48.17%	59.26%	0.00%	48.28%	66.67%	nc	47.88%	66.67%	nc

For the 2021 financial year, the total number of hires on permanent contracts was 58 employees and 109 on fixed-term contracts excluding work-study contracts. The total number of new hires decreased by 15% compared to 2020. This decrease is linked to less systematic recruitment and replacement of departures than in previous years in connection with the IT migration carried out in the last quarter of 2020, which makes it possible to adapt the workforce structure to the new processes and new tools available, thus enabling productivity gains.

The majority of those hired on permanent contracts were managers (71% of permanent hires in 2021 compared to 65% in 2020). For fixed-term contracts, the proportion of hires with managerial status is also increasing, from 19% in 2020 to 26% in 2021.

The proportion of women recruited under permanent contracts declined compared to 2020. In 2021, women accounted for 38% of permanent hires, whereas they represented 43% of permanent hires in 2020. This change in the proportion of women hired does not, however, affect their share of the overall workforce or their representation in the management workforce.

The breakdown of permanent hires by age group is close to that of 2020. Those under the age of 35 represent 71% of permanent hires, compared with 70% in 2020.

In 2021, five new positions were created to support the development of the company and its subsidiary Palatine Asset Management. This figure, down compared to 2020 (seven creations), is explained by two factors: (i) the year 2021 was marked by the continuation of the health crisis, and (ii) the announcement in September of a new strategic plan including a new network organisation. In this dual context, the period was not conducive to job creation.

At the same time, on the employer brand component, Banque Palatine strengthened its presence strategy on social networks (increase in the number of views and subscribers on the LinkedIn and Twitter accounts) thanks to its ambassadors and regular bank news relayed (renewal of the AFNOR Label, CSR news, interviews with members of Executive Management promoting the bank's values).

In terms of recruitment, in view of the context and in line with the strategic plan, the visibility was high on fixed-term contracts but down on the overall offer part with the freezing of permanent positions.

In addition, despite a decrease in the number of new hires in 2021, co-option continued and strengthened the feelings of commitment and belonging of our employees: nine co-options were carried out with a conversion rate of 100%, which reflects the good quality of the sponsored profiles.

In terms of the publication of job offers, ads are successful *via* Indeed and especially LinkedIn (increase in direct approaches): 22 new hires were made in 2021 *via* this channel.

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Total number of managers hired on permanent contracts	41	4	0	45	0	0	104	6	0
Total number of managers hired on fixed-term contracts	28	0	0	24	1	0	29	0	0
Total number of non-managerial employees hired on permanent contracts	17	1	0	24	0	0	50	0	0
Total number of non-managerial employees hired on fixed-term contracts	81	0	0	103	0	0	136	0	0
Total number of women hired on permanent contracts	22	2	0	30	0	0	75	1	0
Total number of women hired on fixed-term contracts	69	0	0	80	0	0	93	0	0
Total number of men hired on permanent contracts	36	3	0	39	0	0	79	5	0
Total number of men hired on fixed-term contracts	40	0	0	47	1	0	72	0	0

3.2.2 Breakdown of departures by contract, reason and gender

The number of departures on fixed-term contracts in 2021 was down significantly compared to the 2020 financial year, in line with the end of our IT migration: 102 departures on fixed-term contracts were recorded in 2021 compared to 220 in 2020, a decrease of 54%.

With regard to permanent contracts, there were 132 departures in 2021 compared to 81 in 2020, an increase of 61%, but given the health context there were fewer departures in 2020.

Banque Palatine records departures mainly due to resignations, in connection with the recovery in the job market in 2021, then in respect of retirements and mobility within Groupe BPCE. As the bank belongs to Groupe BPCE, it offers both the possibility of working in a company with a human dimension and the possibility of benefiting from the career and mobility opportunities of a large group.

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Number of employees on permanent contracts leaving the entity	132	4	0	81	5	0	123	3	0
of which number of people retiring	24	0	0	22	2	0	22	0	0
People retiring as a proportion of total permanent staff	2.30%	0.00%	0.0%	2.11%	8.00%	0.0%	1.97%	0.00%	0.0%
of which redundancies	7	1	0	8	1	0	14	0	0
Redundancies as % of total permanent employees	0.67%	4.00%	0.0%	0.77%	4.00%	0.0%	1.25%	0.00%	0.0%
Average length of service of permanent employees leaving the entity	13.28	7.93	0	13.41	17.44	0	11.40	5.24	0
DEPARTURES AMONG WOMEN WITH PERMANENT CONTRACTS BY REASON	**56**	**1**	**0**	**46**	**1**	**0**	**63**	**1**	**0**
Resignation	22	0	0	22	1	0	30	0	0
Termination	4	0	0	4	0	0	5	0	0
Transfer within the Group	6	0	0	5	0	0	4	0	0
Retirement	15	0	0	12	0	0	12	0	0
Voluntary redundancy	8	0	0	0	0	0	7	1	0
End of probation period	1	1	0	3	0	0	4	0	0
Other reason	0	0	0	0	0	0	1	0	0
DEPARTURES AMONG MEN WITH PERMANENT CONTRACTS BY REASON	**76**	**3**	**0**	**35**	**4**	**0**	**60**	**2**	**0**
Resignation	36	2	0	12	1	0	26	0	0
Termination	3	1	0	4	1	0	9	0	0
Transfer within the Group	16	0	0	2	0	0	4	0	0
Retirement	9	0	0	10	2	0	10	0	0
Voluntary redundancy	8	0	0	5	0	0	2	1	0
End of probation period	2	0	0	2	0	0	9	1	0
Other reason	2	0	0	0	0	0	0	0	0

3.3 Promoting quality of life at work and employee well-being

3.3.1 Quality of life in the workplace (QLW)

The bank signed its first agreement on quality of life at work in November 2017 and renewed the measures with a new agreement signed on 1 December 2020. It should be noted that numerous existing systems within the bank contribute to the improvement of working conditions, the reconciliation of time and the development of the quality of life at work: teleworking agreement, flexible working hours arrangements, on-call agreement, social worker, psychological counselling unit, jobs and skills management planning agreement, etc.

The bank has perpetuated the main measures resulting from the initial agreement and broken down below:

- **measure 1:** strengthen communication on the various QLW systems and measures;
- **measure 3:** manage an annual QLW survey: administered at the end of June *via* a digital tool that assesses two indicators: job satisfaction and stress. The job satisfaction indicator is evaluated at 5.4/10 on average and 65% of respondents do not express dissatisfaction with their level of stress at work;

  The main strengths are the atmosphere and managerial support and work-life balance.

  The margins for progress are linked to the organisation of work and recognition. The relationship between workload and autonomy is balanced. There is therefore a relatively high load but a sufficient degree of autonomy to cope with it.
- **measure 4:** share the strategy and develop roadmaps by department;
- **measure 26:** allocate a conviviality budget by department;
- **measure 27:** contribute to solidarity projects.

Seven major chapters structure the agreement, which focuses on:

- **support for family caregivers** with the provision of a specific guide, hotlines to the social worker, dedicated conferences and workshops, and the implementation of authorised absences (9.5 days asked for 5 employees);
- **the donation of days** with the creation of a solidarity fund matched by the bank (funded by 41.5 days at the end of 2021);
- **the integration and retention of people with disabilities** with the appointment of a disability officer, the launch of the Cancer@work challenge with the financial support of the bank to promote the actions of the association in favour of the inclusion and retention in employment of people directly or indirectly affected by a serious or chronic illness;
- **support for change,** particularly in anticipating its impacts in terms of working conditions and workload with the involvement of stakeholders (upstream and downstream questionnaire, working group, etc.), the deployment of training on better coping with changes), a change management guide distributed on the bank's intranet, the dissemination of a webinar on the project culture, training for organisers on the analysis of workload and impacts on working conditions;
- **the right to disconnect** with the provision of a practical guide on the subject recalling best practices and a dedicated questioning in the annual interview making it possible to report that 86% of employees are satisfied with their right to disconnect;
- **spaces for expression** with the update and distribution to employees of the practical guide on Law & Spaces for expression – bearing in mind that the pandemic context did not allow the new format to be rolled out in 2021;
- **the prevention of health risks at work** with the regular updating of the DUER, the deployment of remote QLW workshops for all employees on various themes (fatigue and recovery, maintaining vitality, nutrition, sleep, etc.) and the organisation of conferences on the subject of working on screens.

As an extension of the teleworking agreement signed in July 2020, the bank signed a new agreement on 15 December 2021. It perpetuates the possibility of teleworking for all employees on permanent contracts, whether from their main or secondary residence. From one to three days of teleworking per week are possible at the request of employees and depending on their activities. The bank pays a contribution to the acquisition of office equipment so that employees can settle into their homes better.

3.3.2 Work-life balance

The weekly working hours, for employees working on the basis of a collective working hours system, are 39 hours. The allocation of working time reduction days brings the average length of work down to 35 hours over the year. The working time of managers is calculated in days, and they are required to work 206 days per year.

Employees may also choose to work on a part-time basis.

At the end of 2021, 52 employees on permanent contracts had adjusted working hours in the form of part-time work, making up 5% of all employees on permanent contracts, of which 90% were women. The number of part-time employees increased in 2021, both in terms of number of people and as a percentage of the bank's total workforce.

Within the framework of the agreements on QLW and jobs and skills management planning (*Gestion prévisionnelle des emplois et des compétences* – GPEC), Banque Palatine initiated new ways of organising working time: the 4-day week and end-of-career leave set up in 2018 continued in 2021. This last end-of-career leave concerned 17 employees for all or part of 2021.

These methods of organising working time are in addition to the variable working hours system already in place for non-managerial employees at head offices.

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Breakdown of female permanent employees on the payroll at 31/12 by working hours	47	2	0	48	2	nc	53	3	nc
20%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
30%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
40%	*0*	*0*	*0*	*0*	*0*	*nc*	*1*	*0*	*nc*
50%	*12*	*0*	*0*	*11*	*0*	*nc*	*10*	*0*	*nc*
60%	*1*	*1*	*0*	*0*	*1*	*nc*	*3*	*0*	*nc*
70%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
80%	*29*	*1*	*0*	*33*	*1*	*nc*	*33*	*1*	*nc*
85%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
90%	*5*	*0*	*0*	*4*	*0*	*nc*	*6*	*2*	*nc*
Breakdown of male permanent employees on the payroll at 31/12 by working hours	5	1	0	3	1	nc	2	1	nc
20%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
30%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
40%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
50%	*1*	*0*	*0*	*1*	*0*	*nc*	*1*	*0*	*nc*
60%	*1*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
70%	*0*	*0*	*0*	*0*	*0*	*nc*	*0*	*0*	*nc*
80%	*3*	*0*	*0*	*2*	*0*	*nc*	*1*	*0*	*nc*
90%	*0*	*1*	*0*	*0*	*1*	*nc*	*0*	*1*	*nc*
Number of women on part-time permanent contracts for the non-managerial population	27	0	0	27	0	nc	30	0	nc
Number of women on part-time permanent contracts for the managerial population	20	2	0	21	2	nc	25	3	nc
Number of men on part-time permanent contracts for the non-managerial population	2	0	0	0	0	nc	0	0	nc
Number of men on part-time permanent contracts for the managerial population	3	1	0	3	1	nc	4	1	nc

Since 2018, Banque Palatine has been a signatory of The Life-Time Balance Charter, thereby recognising the fundamental importance of work-life balance. This priority was reaffirmed in the QLW agreement of 1 December 2020.

In particular, the bank:

- implements information campaigns on best practices to adopt in terms of digital tools;
- makes managers aware of the right to disconnect and in particular of:
  - exemplarity,
  - the need to discuss the right to disconnect at least once a year (during open discussion meetings),
  - work requests and deadlines forcing employees to work evenings or weekends,
  - workload compatible with compliance with the provisions relating to rest periods;
- includes a section on the right to disconnect in the annual staff interview and in the annual QLW survey.

3.3.3 Psychosocial risks (PSR)

Given the complexity of the phenomenon of stress at work, the multiplicity of individual reactions to the same factors, the interpenetration of stress arising outside any professional activity, it is established that the main psychosocial risk factors are as follows:

- organisation of the activity: change of position, organisational changes and support, difficulties in personal organisation, workload and, in particular, occasional increased activity, time pressure;
- the modes of management and level of personal responsibility: low autonomy or excessive autonomy and little control or excessive control, risk of error, uncertainty, quality and pace of directives;

- internal relations: manager/employee relations, relations between colleagues;
- customer relations: incivility;
- sexual harassment and sexist behaviour;
- work-life balance: family constraints;
- health and environmental factors: physical environment.

Numerous systems exist within the bank for these different factors, including:

- an external "Qualisocial" support unit;
- development of managerial skills;
- a training offer dedicated to quality of life at work and the prevention of PSR;
- an awareness campaign on well-being at work;
- provision of massages/lectures on movements and postures related to occupational health services;
- the development of teleworking;
- the appointment of sexual harassment and sexist behaviour officers within the bank.

As part of its prevention policy, the bank has put in place a procedure (tertiary prevention) for handling situations of violence at work and PSR.

This operating method is based on three procedural guarantees:

- confidentiality of exchanges;
- individual interviews conducted by a maximum of two people;
- the drafting of a confidential report strictly reporting the comments made, dated and signed by all participants.

This procedure includes several steps:

- **alert and referral:** Any employee who considers him- or herself to be in a potential situation of violence at work, harassment or PSR can directly contact his or her manager, human resources manager (HR Manager), the contacts (from the human resources department or the Social and Economic Committee) in the fight against sexual harassment and sexist behaviour or a member of the Health, Safety and Working Conditions Commission (*Commission de santé, sécurité et conditions de travail* – CSSCT);
- **interviews:** Alerted directly or *via* the manager or a member of the CSSCT or the SEC officer in matters of sexual harassment and sexist behaviour, the HR Manager or the HR officer acknowledges receipt of the alert within 48 hours and receives the employee as soon as possible, for an interview, in order to qualify and identify the alert and collect the factual elements while respecting confidentiality;
- **investigation:** Following this interview, the HR officer or the HR Advisor continues with the investigation of the file, with the preparation of a report submitted to the employees for approval. The HR Manager or the HR officer reviews the situation at each stage of the process with the CSSCT member or the CSE officer who received the alert if he or she is not present at the interviews. The HR Manager or the HR officer and the CSSCT Member or the CSE officer present at the interviews draw up a report with the necessary corrective actions and recommendations in terms of prevention, with the help of external prevention stakeholders if needed. The objectives of this investigation are to collect the facts and evidence in a precise manner, to interview any witnesses, to meet the persons involved in an impartial manner and to ensure fair treatment;
- **conclusions and recommendations:** The conclusions of the PSR procedure are presented by their authors in a meeting of the CSSCT in respect of the confidentiality of individuals. In support of the recommendations, the bank determines the appropriate measures to be implemented.

All new hires at the bank also benefit from an awareness-raising session on "Prevention of psychosocial risks".

Finally, employees affected by a change (in organisation and/or process and/or tool) can also complete training on "wellbeing at work in a changing environment". This training course entitled "Living better with change" began in the last quarter of 2021 and will continue in the first quarter of 2022. It takes place over two non-consecutive days and was carried out in person with strict compliance with barrier measures. Designed as experiential and fun workshops, this training enables employees to:

- understand their own responses (physiological, emotional and mental) to change;
- know their possible reactions in a working group;
- acquire tools for managing emotions and regulating the body.

As 2021 was once again marked by the health crisis and the need to adapt its work organisation to the risks of Covid-19, the bank renewed the following measures, depending on the requirements of the successive health protocols:

- dissemination of recommendations relating to "barrier gestures" and physical social distancing measures by email and postings in the premises;
- closure of inter-company restaurants during lockdown periods in order to limit the grouping of employees in confined spaces and, in a derogatory manner from the provisions of the rules of procedure, authorisation to lunch at workstations and with rotation in the meeting rooms available by respecting the distancing instructions;
- restriction of business travel;
- provision of plexiglass, masks and hydro-alcoholic gel with an internal replenishment procedure;
- distribution of teams across the two administrative sites;
- change in work organisation with open/closed or rotation within teams, adjustment of arrival and departure times; massive development of teleworking;
- regular communications with customers to limit traffic in branches and only for transactions that cannot be carried out remotely;
- appointment of a Covid contact person and regular information points with the representative bodies (in bi-weekly Teams format at the height of the crisis).

As part of the management of this health crisis, the bank has regularly updated its annual risk assessment document and has adopted a prevention sheet for PSRs linked to the intensification of teleworking inherent in the pandemic situation.

The year 2021 corresponds to the launch of the new UP 2024 strategic plan. This ambitious plan in terms of commercial development involves a transformation of the branch network and the wealth management sector. In order to support employees in this structuring change, the bank has undertaken to set up a system dedicated to stress management in a context of restructuring. The annual risk assessment document was enriched and brought to the attention of the social body.

3.3.4 Compliance with labour law and professional ethics

Like all responsible employers, the bank complies with the requirements of the labour law. No collective disputes were mounted and a number of differences of interpretation were dealt with by dialogue with the unions.

The bank also signed 9 collective agreements and amendments for the year 2021:

- 2 agreement on the provisional management of retirements;
- 2 agreements extending the agreement on forward management of jobs and skills (*Gestion prévisionnelle des emplois et des compétences* – GPEC); GPEC agreement;
- 1 incentive agreement (for the year 2021 only);
- 1 profit-sharing agreement (with the SEC);
- 2 technical amendments relating to the PEG, PEE and PERCOL;
- 1 agreement on the development of teleworking.

In addition, as part of the network transformation project, two agreements were signed, a method agreement and a voluntary redundancy plan for the wealth management function.

3.3.5 Compliance with the International Labour Organization (ILO) conventions

In relation to its activities in France and internationally, Banque Palatine is committed to complying with the provisions of the ILO conventions:

- respect for freedom of association and right to collective bargaining;
- elimination of discrimination in employment and occupation.

In accordance with the signature and the commitments undertaken under the Global Compact, Banque Palatine will not use forced labour, compulsory labour or child labour within the meaning of the International Labour Organisation, even when this is permitted by local regulations.

Further, under its procurement policy, Groupe BPCE refers to its Sustainable Development policy and its membership of the Global Compact as well as the founding texts, *i.e.* the Universal Declaration of Human Rights and the international conventions of the International Labour Organization (ILO). Suppliers agree to comply with these texts in the countries in which they operate, by signing contracts containing a specific clause in this respect.

3.3.6 Accidents at work, occupational health and safety

The number of workplace accidents continued to decrease. This decrease is consistent with the significant teleworking activity in 2021 and the significant reduction in travel (both home-work and business).

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Number of accidents at work recorded during the year with and without time off	5	0	0	9	0	0	13	0	0
Number of fatal accidents recorded during the year	0	0	0	0	0	0	0	0	0
Number of working days lost*	54	0	0	14	0	0	324	0	0
Severity rate	0.026	0	0	0.006	0	0	0.149	0	0
Frequency rate	2.40	0	0	2.59	0	0	5.99	0	0

** The number of workdays lost is stated as the number of calendar days. It relates solely to workplace accidents, and excludes travel accidents.*

3.3.7 Absenteeism

After an increase in 2020 (6.37% of absenteeism) in a very disrupted health context, in 2021 the absenteeism rate of Banque Palatine returned to a more usual level of 4.19%, a rate that is even a slightly below what we could see in 2018/2019 (Editor's note: 4.83%).

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
% of absenteeism:									
days of absence/(business days * employees registered at 31/12)	4.2%	1.4%	0	6.37%	1.57%	nc	4.83%	2.46%	nc

3.3.8 Overtime

Regular awareness training for managers since 2015 and research into new ways of organising working time have resulted in a reduction in the number of overtime hours worked for the fifth consecutive year.

After a decrease of more than 60% between 2015 and 2018, the number of paid overtime hours began to increase in 2019 in connection with the IT migration. In 2020, due to work related to the migration, but also due to specific working conditions related to the lockdowns and teleworking, the bank noted a significant increase in the number of overtime hours.

For the 2021 financial year, the bank continued its monitoring and awareness-raising on the subject and after the episodes of IT migration and lockdown, the volume of paid overtime returned to a more controlled and usual level.

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Overtime (hours)	5,292	0	0	13,086	4	nc	5,972	0	nc
Number of persons concerned	117	0	0	396	1	nc	175	0	nc

3.3.9 Work environment

The bank continues, with the refurbishment of its premises, to increase work comfort with better lighting, the availability of a meeting room and redesigned spaces.

The delivery of organic dried fruit continued to the branches. However, it was suspended after the summer due to the health crisis and the need for barrier gestures.

In terms of the working environment, the new branch office model continues to be rolled out according to renovations or new leases. The new concept has a dual purpose: more user-friendly spaces to refocus on consulting and showcase new technologies. The Banque Palatine branch must allow the customer to take his or her own banking in hand (using digital technology), while also offering personalised support, retaining the human touch. Comfortable enclosed private spaces will be created where clients can talk easily with their advisor (*via* video-conferencing if necessary), reception rooms made available to employees and individual offices for advisers are eliminated. The working space for all employees is open plan, encouraging synergies and collaborative working.

In 2021, the Saint-Germain-en-Laye branch was relocated to new premises, configured in NFA2 format, to meet QLW challenges and new working methods. In the same way, but in a larger format, the Neuilly and Courbevoie branches were grouped together on the new site at 86, rue de Courcelles, knowing that this site also hosts the Headquarters departments such as the Customer Desk, Corporate Finance and the Advisory Bankers and the Differentiating Offer reporting to the corporate market department.

At the same time, Banque Palatine carried out a major action to reduce the real estate footprint, namely:

- closure of the Anjou site covering 4,622 m^2;
- closure of two sites in Val de Fontenay covering 2,000 m^2;
- renovation of the Val de Fontenay site (Building I and Vecteur Est) to adapt the premises to new working methods, in a strengthened QLW environment and to accommodate all of the headquarters teams.

3.3.10 Office automation and teleworking

In the wake of 2020, Banque Palatine adapted the working conditions of its employees and continued to equip them with IT and office equipment, in order to allow teleworking under the best possible conditions.

- **Laptop computer:**

As a reminder, since September 2020, all employees have been equipped with laptop computers.

- **Telephony:**

As a reminder, since September 2020, all the bank's permanent employees have been equipped with a professional smartphone.

- **Communication tools**

Taking advantage of the health crisis, the bank has rolled out videoconferencing tools and shared documents.

At the end of 2021, the bank also made available to its employees a new IT solution (Beemyflex) allowing simpler and faster declaration of working methods (working on site/teleworking) thus providing a global and real-time view of the working situation of employees.

3.4 Ensuring the employability and inclusion of employees

3.4.1 Our employer brand, an asset to recruit and retain talent

The Banque Palatine employer brand, launched in 2018, reinforces the bank's appeal through a dynamic visual identity and slogans.

It promotes its differentiating assets in terms of values, corporate culture and human resources policy: opportunities for functional and geographical development, tailor-made support and training, etc.

After deployment in several phases (internal and external distribution; press, posters in branches and major cities; distribution of the video "the seven good reasons to join Banque Palatine" on social networks), communication campaigns targeted at the bank's potential candidates (2019: partnerships with Indeed and Golden Bees, programmatic marketing specialists and intelligent candidate targeting). This has made it possible to improve the visibility of job offers and significantly reduce the cost per candidate in 2020 and 2021 *via* these supports.

In 2021, the partnership continued with Indeed and, in a once again unfavourable health context, there was a significant increase in the number of applications. This attractiveness was confirmed by the increase in the number of visitors to the company page in 2021.

The human resources department continued this work, aimed at attracting new talent from well-known establishments.

Thanks to its local career management, individual support and an ambitious training plan, Banque Palatine offers its employees training and development paths that promote their loyalty.

The effectiveness of its actions is reflected in the figures over the last three years:

- in a context of highly competitive recruitment and a recovery in the job market, the resignation rate at Banque Palatine, although up after three years of decline, remained moderate at 5.56%;
- all job offers were filled thanks to this external notoriety and internal mechanisms: loyalty (Circle of Excellence system, strengthening of job links *via* training) and co-optation (employees are our best ambassadors).

3.4.1.1 Integration of new employees

In 2021, the implementation of the policy for the integration of new employees continued in its different forms:

- the creation of a new welcome guide allows users to familiarise themselves with practical information about the company and the documents to be returned before the new employee arrives;
- five remote induction days: four for new employees on permanent contracts and one for new work-study students in October. These days make it possible to create links and promote knowledge of the challenges facing the bank and those involved;
- business immersions, after a slowdown in 2020 (related to the protection of employees during the health crisis), have resumed sharply in 2021 with all the necessary precautions. They promote cross-functionality and employee interaction. The new UP 2024 strategic plan and the associated HR policy will be a strong vector of these immersions in the context of internal mobility;
- access to "Welcom'In". This partnership with Furetcompany allows new employees to benefit from this application every year. It enables employees to be supported very early on in their physical integration, in their discovery of the company and thus to be quickly operational upon arrival. Through a series of mini-challenges, the app helps new employees learn about their new environment. All the candidates recruited who follow this digital integration application consider it differentiating.

Banque Palatine has also strengthened its resources to better control brand risks by carrying out three specific actions:

- the continuation of the partnership with MEDEF, AFB, CFPB and WERO relating to the integration of high-potential refugees *via* work-study. In 2021, the bank took part in an AFB & FBF round table on the theme of "Company integration & values" and recruited two candidates *via* this system;
- participation in the jobdating of Cancer@work on 18 November;
- strengthening of the partnership with our target schools (IAE + Grandes Ecoles). In 2021, IAE accounted for 46% of work-study hires in the corporate market.

The Onboarding project aiming to move towards a digital interface allowing the exchange of documents between the future employee and the bank was postponed due to Groupe BPCE's discussions on the evolution of the tool currently in place.

3.4.1.2 Career management and mobility

The year 2021 began with the continuation of the necessary support for managers and employees in the pandemic context. In concrete terms, close proximity has been maintained to support them in their respective needs; namely:

- guide employees in their professional projects in line with the opportunities present within the bank; in particular the new development prospects related to the transformation of the network and presented in the UP 2024 strategic plan for the last quarter of 2021;
- dare to move towards managerial functions, new professions or new regions in order to boost everyone's professional momentum;
- support managers in their needs with tailored advice; particularly in a context of major changes within the network.

The team of human resources managers remained highly mobilised to participate in the management of the crisis unit, particularly in the first half of 2021 during the third lockdown. They played a key role in conjunction with management and teams to ensure the proper implementation of actions related to the health protocol, particularly in terms of work organisation (teleworking, shifting teams, etc.).

The team of human resources managers joined the Covid-19 crisis unit in mid-March 2020 and continued this support in 2021 with skills rapidly developed in several specific areas such as:

- support employees in uncertain areas with active and empathetic listening while being able to convince quickly *via* numerous reassurance and follow-up telephone calls;
- coordinate the deployment of the first teleworking agreement signed in July 2020 and implemented from 18 October 2021;
- consolidate each individual situation in the light of new government decisions and in connection with the implementation of orders/decrees on the ground;
- support employees in new situations: teleworking, work stoppages according to specific cases, on-site resumption, adherence to turnover in branches and monitoring over time of compliance with barrier measures and social distancing;
- find solutions to new situations.

This specific mission required the development of a new, more precise form of communication based on regular and numerous exchanges by telephone to respond to individual situations that are sometimes complex. A rapid understanding of the issues was essential to have a more subtle and effective approach to better support the expectations and needs expressed by all.

At the same time, the human resources team maintained operational activity in the core business throughout 2021; including:

- mobility interviews linked to internal applications for positions to be filled. This allowed for continuity in the processing of internal applications in accordance with the HR strategy of internal mobility, which gives priority to vacant positions;
- support for managers on HR issues that have resurfaced in an even more significant way in light of the two lockdown periods experienced;
- a personalised and tailor-made approach for employees planning to resign with proposed Palatine trajectories, which have been successfully implemented.

Lastly, the jobs and skills management planning agreement remains the guiding principle of the HR Managers; agreement that they implement on a daily basis in the field with employees and management according to the needs expressed both in terms of activity and the profiles expected for the positions to be filled.

Functional mobility experienced a strong recovery in 2021, with more mobility than in 2020. More than ever, the internal mobility focus was developed in 2021 with the aim of supporting employees internally and retaining them. In addition, a new dynamic was put in place with the establishment of a weekly reflection meeting between HR and recruiters in order to discuss the bank's needs, particularly on available positions and the profiles of employees wishing to evolve on new professional challenges. More than ever, the internal mobility card is a real asset to retain identified potentials, offer tailor-made HR support and provide concrete development prospects. On this subject, in 2021, we rolled out video interviews allowing employees who have carried out internal mobility to talk about their experience of successful mobility.

	31/12/2021	31/12/2020	31/12/2019
of which geographical	47	14	44
of which functional	155	53	102
of which transfers within the Group	21	7	8
TOTAL TRANSFERS	**223**	**74**	**154**

In summary, the human support provided has made it possible to fine-tune individual monitoring to provide a better understanding of everyone and their needs, while remaining aligned with the needs of the bank and its strategy. These numerous local exchanges make it possible to cultivate a quality of relationship with all our internal customers regardless of the context and the sensitivity of certain subjects.

3.4.1.3 Retention and recognition

In order to take stock of the necessary retention of the sales forces, which generate results, in the summer of 2019 the bank introduced an innovative policy of recognition and retention for the sales teams in private banking and corporate banking markets.

The Circle of Excellence award recognises and promotes, internally, the 10 best sales representatives in each market. These employees are recognised not only for their commercial achievements, but also for their know-how by observing eight soft skills adopted by the bank (efficiency, sense of responsibility, autonomy, commitment, exemplary manner, solidarity, courage, listening skills).

In 2021, 20 employees were recognised and received financial rewards in addition to their variable remuneration, but also non-financial measures.

3.4.1.4 Training: supporting skills development and employability

The training policy fully supports Groupe BPCE's ambitions for the training and skills development of its employees.

In a changing and demanding banking sector, with a desire to move upmarket accentuated by the new UP 2024 strategic plan.

The bank has made significant investments in training to develop the skills of its employees.

The volume of training hours provided amounted to 46,498 hours in 2021 compared to 35,009 hours in 2020.

During the year 2021, the pandemic continued with a persistent impact on the organisation methods and the pace of training.

Private Client Market and Enterprise Market

Due to the continuing unstable health situation, the planned business line training was mainly held remotely. It should be noted that the educational methods proposed by the training organisations have been adapted to this context, allowing to carry out remedial operations on training initially planned for 2020, such as: sales interviews, telephone prospecting, Level 1 and Level 2 financial analysis.

In 2021: the "Box Palatine" was set up for the employees of the private customers sector. Based on an adaptive learning model, business line content is made available to employees. A final test is carried out at the end of the course so that employees can measure their progress curve.

Cross-functional training

New training methods were also put in place in 2021, to promote the involvement and autonomy of employees in their training needs.

For example, the solution offered by ICEDAP (click & clear file) was rolled out to offer all Banque Palatine employees an open-access banking knowledge base.

The start of the deployment of the self-training solution offered by Openclassrooms was tested during the year; the convincing results make it possible to extend this system to more employees.

A new individual coaching format was tested (MyPersoCoach) with testers, who confirmed the relevance and quality of this model. This system will be extended in 2022.

Regulatory training

The banking activity is particularly regulated in particular on the subject of mandatory training. The completion and proper monitoring of these training courses by employees has been a key issue for the Training Section for several years, in conjunction with the compliance department.

Indeed, it is a question of ensuring the proper completion of these mandatory training courses in connection with the activities carried out. Despite the ongoing health context in 2021, 8,080 hours of regulatory training were provided during the year.

The synergy developed in 2020 between the Training Section and the compliance department increased in 2021 to optimise the mandatory regulatory training system. For example, in 2021 the automation of regulatory training courses according to defined business groups was implemented for all new positions.

It should also be noted that the training on the Insurance Distribution Directive (DDA) was rolled out significantly for the employees concerned in the corporate sector.

Support for teleworking

In connection with the massive recourse to teleworking imposed by the pandemic, over the period from 19 May to 16 June 2021, two web conferences were offered to all bank employees over 20 dates with two specific topics covering teleworking and remote communication:

"Being effective and efficient in teleworking" and "Communicating well remotely".

Support for managers

Given the persistent health context in 2021, the "Leadership" programme, dedicated to managers, was mainly carried out remotely *via* virtual classes.

This programme is composed of two major themes:

- staying the course in a context of change thanks to the DISC model;
- emotional intelligence.

In addition, at the end of this programme, the emotional quotient test was offered (on a voluntary basis), on which a virtual class was designed to discuss the results of the test.

As part of the UP 2024 strategic plan and the transformation of the network, specific training was set up for branch managers from the fourth quarter of 2021. This system was renewed in the first quarter of 2022. It takes the form of co-development workshops to support and manage change.

With regard to the other training actions put in place, on-the-job coaching for new managers is continuing.

In summary, several major areas continued to guide the training activity throughout the year:

- strengthening the expertise of the business lines in order to transform themselves;
- compliance with regulatory obligations;
- desire to make employees co-players in their professional development with "tailor-made" training support;
- support for the operational efficiency ambition.

Training hours

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Average hours of training per employee, "managers"	31.05	12.46	0	25.65	3.15	17	31.49	8.54	nc
Average hours of training, "non-managerial" staff	22.01	10.92	17	22.34	0	17	22.22	0	0
Average number of hours of training per employee	28.27	12.29	17	24.39	3.15	17	28.19	8.54	0
Average number of hours of training by gender									
Men	30.91	14.26	0	29	9.82	nc	nc	9.7	nc
Women	23.12	9.43	17	23.27	3.72	17	27.44	5.87	0

3.4.1.5 Business continuity and key know-how

Banque Palatine has created an organisation to ensure the continuity of its business lines in the event of a crisis, the Emergency and Business Continuity Plan (EBCP), which applies to all of the company's business lines. There is a specific action plan for human resources: the Human Impacts Management Plan (HIMP). The purpose of this plan is to define the system for managing human impacts, which will be implemented in the event of the EBCP being triggered.

The responses are based on how a specific crisis affects the availability of human resources according to a set of crisis scenarios, predefined in the Banque Palatine business continuity plan.

The plan is updated by a business continuity manager, who leads a team of correspondents charged with putting it into practice and passing on the information if it needs to be activated.

3.4.2 Gender balance, diversity

3.4.2.1 Gender balance

On 16 December 2020, the human resources department signed a new agreement on gender equality. This agreement, as an extension of previous agreements, sets out the actions and objectives for growth in the following areas:

- recruitment;
- vocational training;
- professional development and career path;
- link between professional activity and personal life and in particular parenthood;
- awareness-raising and communication actions;
- actual remuneration and elimination of remuneration gaps.

It renews the provisions of previous agreements and introduces a new method for identifying pay gaps. This method, the result of joint work, is based on four steps:

- **step 1:** preparation of a summary table by Palatine jobs, Palatine job groupings or AFB benchmark business lines measuring the pay differential, restated for structural effects;
- **step 2:** allocation of points according to the median salary of the AFB employment/groupings/business lines and according to age, length of service in the job and bank seniority;
- **step 3:** addition of all the points to obtain a total and to rank the employees in a decreasing manner and to identify the situations to be analysed;
- **step 4:** individual qualitative analysis carried out by the human resources department based on professional situations.

In 2021, the €100,000 budget allocated to professional equality made it possible to upgrade 63 employees:

- 19 men and 44 women;
- 25 employees from the branch network and 38 from head offices or specialised functions;
- 21 technicians and 42 managers.

In addition, the following measures are maintained:

- long-term sustainability of the agreement by the body examining individual situations;
- maintaining employees' remuneration when on paternity leave;
- developing so-called employee development training programmes and setting up training specific to the return from maternity leave;
- a partnership with a network of nationwide day-care centres to facilitate employees' access to this type of care (the "Les Petits Chaperons Rouges" system);
- CESU vouchers.

The Universal Employment Services Cheque (*Chèque emploi service universel* – CESU), set up through a collective agreement on 25 November 2016, is paid by the employer up to 90% of the exemption cap authorised by the French Social Security and Family Allowance Contribution Collection Offices (*Union de recouvrement des cotisations de sécurité sociale et d'allocations familiales offices* – URSSAF).

It enables participation in the financing of the following services:

- childcare for children under eight in the home and outside the home (day-care centre, day nursery, kindergarten, extra-curricular child-minding, outdoor centre for children under six);
- assistance services for disabled employees.

In 2021, the scheme benefited 248 employees, *i.e.* a decrease of 7% in the number of beneficiaries, in line with the decrease in the workforce since as a percentage of the workforce this still represents nearly 24% of the employees on permanent contracts. Payments are down slightly (-3.3%) as in 2020.

	31/12/2021	31/12/2020	31/12/2019
Number of beneficiaries	248	267	268
Average amount of the provision paid	€1,382	€1,328	€1,371
Total amount paid	€342,761	€354,618	€367,422

3.4.2.2 Gender equality indicator

Mandatory since 1 March 2019, the index published in March 2022 for the 2021 financial year gives a result of 97 points out of 100, proof of Banque Palatine's commitment to ensuring gender equality in the workplace.

	Index for 2021	Index for 2020	Index for 2019	Maximum number of points for the indicator
Pay gap	37	36	37	40
Gaps in individual salary increases	20	20	20	20
Promotions gap	15	15	15	15
% of female employees receiving an increase on return from maternity leave	15	15	15	15
Male/female breakdown among the 10 highest earners	10	10	10	10
TOTALS	**97**	**96**	**97**	**100**

3.4.2.3 Organisation of the gender balance policy

The gender equality label was obtained in 2016, recognising actions in relation to gender balance: management practices favouring gender equality, reduction in the payment gap, balance between private and professional life, etc.

The interim audit in 2018 confirmed that the label had been maintained.

In 2021, a new audit was carried out and the bank obtained the renewal of its professional equality label. Several key points were highlighted during the AFNOR commission which took place on 14 October 2021:

- the pro equality index, which fluctuates between 96/100 and 97/100 over the last three years;
- a committed Chief Executive Officer who participates in conferences on this topic and communicates regularly on the subject;
- six "Yes we are" personal development workshops offered to women on disruptive themes such as: "Yes we are at home", "Yes we are bold", "Yes we are intuitive", etc.;
- an engineering of training programmes adapted to professional equality topics such as the "The art of being a leader" course;
- the corporate network with Palatine PlurieL (mixed Palatine network) composed of around 110 members at 31 December 2021, one third of whom were men. Its mission is to promote parity, equality, creativity, solidarity, business, trust, excellence. Monthly lunches with the Chief Executive Officer were organised, as well as testimonials from inspiring personalities, workshops on various topics (how to use LinkedIn, the climate fresco, etc.), participation in the 2021 Gender Equality Conference.

But we must also rely on the ESSENTIEL's network (Groupe BPCE network).

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Permanent contract male/female ratio, non-managerial (average male salary/average female salary)	1.00	nc	nc	1.02	nc	nc	1.02	nc	nc
Permanent contract male/female ratio, managerial (average male salary/average female salary)	1.09	1.13	nc	1.11	1.04	nc	1.12	0.98	nc
Number of female employees taking parental leave in the last year	10	0	0	14	0	nc	8	0	nc
Number of male employees taking parental leave in the last year	0	0	nc	0	0	nc	0	0	nc
Number of female employees returning to work after parental leave	7	0	0	2	0	nc	4	0	nc
Number of male employees returning to work after parental leave	0	0	nc	0	0	nc	0	0	nc

3.4.2.4 Disability

In 2021, the provisions relating to the obligation to employ workers with disabilities resulted in a revamped offering of services, intended to ensure employment for workers with disabilities.

Banque Palatine is involved in the employment of disabled people. It provides local confidential support to meet the demands of employees. In 2021, four new declarations of recognition of the status of disabled worker were registered (a number similar to the previous year).

Banque Palatine enables a large number of employees to benefit from individualised working time and/or shift arrangements in order to maintain them in employment. The Quality of Life at Work agreement signed in December 2020 strengthened the measures directly or indirectly related to disability (donation of days, caregiver guide, caregiver label, etc.). Banque Palatine provides practical support to employees faced with difficult situations.

It is important to recall the existence of a human resources policy committed to diversity, inclusion and the fight against discrimination. To this end, the "Recruit without discrimination" training offered by the Defender of Rights was attended by all Human Resources Managers and recruiters in order to raise awareness of this topic. In direct connection with this awareness, it is recalled that when job offers are published on the Groupe BPCE website, *via* the job boards, advertisements are sent to the Handibanque, Handiemploi and Capemploi websites, which generates applications from people with disabilities.

In the midst of the Covid-19 crisis, Banque Palatine continued its HR policy with regard to all forms of diversity (gender, age, disability, etc.) *via* concrete actions in the area of recruitment and support for employees in their career plans.

In 2021, three employees who informed us of their disability were recruited on fixed-term contracts within the sales and banking services network.

In 2021, Banque Palatine, which joined the Cancer@Work network in 2020, took part in the first multi-company connected challenge "Tous ensemble pour Cancer@Work". It was a resounding success and this financial support for this challenge (two thirds of the amount of which were paid in full to the association), will make it possible to concretely finance the realisation of job dating and the support of some 40 patients in their maintenance in employment, after having lived the life experience of cancer or a chronic disease. In line with this challenge, the bank also took part in the job dating of 18 November 2021.

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Number of employees with disabilities excluding ESAT	31	2	0	32	2	0	31	2	0
% of employees reported as disabled excluding ESAT/total workforce (permanent)	2.97%	8.00%	0	2.86%	8.33%	0	2.49	7.02	0

Indicators	31/12/2021*			31/12/2020			31/12/2019		
	BP	PAM	ARIÈS	BP	PAM	ARIÈS	BP	PAM	ARIÈS
Employment rate of employees with disabilities with reduction + ESAT/total workforce (DOETH (mandatory declaration of the employment of disabled workers) figures)			0	2.8%	11.5%	nc	3.6%	7.0%	nc

* *Since last year, the calculations have changed and the data to be taken into account are provided by URSSAF; to date the data have not been communicated.*

3.4.2.5 Anti-discrimination policy

Policy for carers

On 4 October 2019, Banque Palatine obtained the Caregiving Employees Label co-created with Klésia and Handéo following an audit of its practices conducted in May 2019. This label recognises the policy to support carers who have been employed for several years. It also represents a commitment for the future and an incentive to continue to make progress in this area.

On the strength of this label, the bank decided to reinforce the measures in favour of carers in the QLW agreement of December 2020 with in particular:

- special attention paid to the requests for part-time work, geographical mobility and teleworking from caregivers;
- the granting of three days of paid leave per year to caregiver employees, enabling the support of a loved one in the event of medical appointments or hospitalisation;
- a priority in the provision of paid holidays and RTT;
- the granting of caregiver CESU vouchers with a face value of €300 and financed by the employer (up to 60%);
- the possibility of identifying non-professional skills mobilised as helpers in the context of professional assessments;
- the setting up of a solidarity fund for donations of days supplemented by 20 days by the bank.

3.4.2.6 Equal opportunities

At the end of 2017, Banque Palatine embarked on a flagship job integration programme for highly qualified people who have obtained refugee status. The bank wanted to be part of it because its HR policy has always been driven by the social responsibility component.

The AFB programme carried out with the association Each One/Wero has enabled many learners to access banking jobs *via* a work-study training cycle that includes an initial adaptation period followed by a one-year professionalisation contract.

At the bank, since 2018, five employees have been supported in four departments (international, information systems, banking services, accounting). The results are positive: two people have found a permanent contract, one has continued his studies and two are on work-study contracts within the bank.

In this context, on 21 September 2021 FBF and AFB organised, in partnership with Appels and Each One/Wero, in the presence of Nadia Hai, Minister Delegate to the Minister of Cities and Territorial Cohesion, an event to allow testimonials and experience sharing, mark the profession's commitment (four banks are partners in this system) and identify how to extend it to more institutions. Discussions with banks and highly qualified refugees highlighted their feedback and clarified all the challenges of these actions in favour of integration and diversity.

Our involvement as a responsible bank and the participation of our teams give the impetus to these concrete actions marking the commitment of Banque Palatine to the best interests of all: the refugees joining professional life, on the one hand, and the employees, tutors or future colleagues who benefit from this diversity, on the other hand.

3.5 A comprehensive and competitive remuneration system aligned with the interests of the bank and its customers

3.5.1 Basic pay

The 2021 financial year saw a significant increase in the basic pay; this increase has a double explanation.

First, the bank's support employees have had their variable portions included in the basic salary. In practice, this generates a change in the basic pay of some employees. The second explanation comes from the wage dynamic with, in 2021, a larger budget for annual increases than in previous years in the absence of collective measures.

The increase in basic pay is almost identical for male and female managers: +4.4%. For technicians, the increase was greater for women (+3.7%) than for men (+2.5%).

The salaries of the employees present are constantly increasing, due to the measures put in place by the bank in terms of salary increases and professional support.

3.5.2 Additional remuneration

In 2021, the variable portion set up in 2015 was profoundly modified: For support functions, which do not have a commercial focus, the variable portion was included in the basic salary. Commercial-oriented functions retain the benefit of the variable remuneration scheme.

Consistency, homogeneity and transparency. These are three qualifiers that can be used to qualify this system which, through the induced payments, supplements the basic salary and contributes to the recognition of the performance, both individual and collective, of the sales teams, specialised functions (Real Estate, Regulated real estate professions, trading room, corporate finance) and the Executive Committee.

To complete this system, and to measure the necessary loyalty of the sales forces that generate results, the bank set up in the summer of 2019 an innovative system for the recognition and retention of commercial populations in the private customer markets and corporate customers: the "Circle of Excellence", which aims to recognise and promote internally the top 10 sales representatives in each market.

These individual remuneration components are supplemented by a collective remuneration package consisting of a profit-sharing agreement and a profit-sharing agreement.

The payments made in 2021 in respect of 2020 are down from those recorded for previous years due to a year of IT migration and a health and economic crisis, elements that affected the bank's results.

in thousands of euros	31/12/2021 BP	31/12/2020 BP	31/12/2019 BP
Incentive plans, profit sharing and employer's contribution (paid in respect of the year indicated)	3,150	7,710	10,096
Variable remuneration (excluding the Executive Management Committee)	5,919	7,357	6,279

In 2021, employees working the full year once again received their individual employee statement. The statement lays out all direct or indirect components of remuneration received by each employee:

- summary of the training undertaken by the employee during year N-1;
- direct and additional remuneration;
- deferred remuneration;
- employer contribution to the financing of the various social protection schemes.

Moreover, the individual employee statement also included information on the "Apetiz" digital lunch voucher system, benefits in the form of CESU vouchers for employees providing personal services, and a list of useful contacts (mutual insurance, personal protection, works council, housing promotion scheme, etc.). The change in remuneration between 2017 and 2020 is also given, in this way showing a four-year trend.

As in 2020, this document was sent digitally, *via* the digital safe set up to also accommodate the dematerialised payslip, a system adopted by more than 80% of employees.

	31/12/2021			31/12/2020			31/12/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Average basic salary of men on permanent contracts for the managerial population (in thousands of euros)	61	68	-	59	66	nc	59	68	nc
Average basic salary for men on permanent contracts for the non-managerial population (in thousands of euros)	36	nc	-	35	0	nc	34	0	nc
Average basic salary of women on permanent contracts for the managerial population (in thousands of euros)	55	67	-	53	64	nc	53	69	nc
Average basic salary of women on permanent contracts for the non-managerial population (in thousands of euros)	36	0	44	34	0	44	34	0	43
Median basic salary of men on permanent contracts for the managerial population (in thousands of euros)	57	62	-	55	59	nc	56	59	nc
Median basic salary for men on permanent contracts for the non-managerial population (in thousands of euros)	37	nc	-	35	0	nc	35	0	nc
Median basic salary of women on permanent contracts for the managerial population (in thousands of euros)	51	53	-	50	57	nc	50	61	nc
Median basic salary of women on permanent contracts for the non-managerial population (in thousands of euros)	36	0	44	34	0	44	34	0	43
Change in the median basic salary N/N-1 of men on permanent contracts for the managerial population.	3.3%	3.5%	-	-0.7%	0	nc	4.7%	-6.0%	nc
Change in median basic salary N/N-1 of men on permanent contracts for the non-managerial population.	3.9%	nc	-	1.8%	NC	nc	4.5%	nc	nc
Change in the median basic salary N/N-1 of women on permanent contracts for the managerial population	0.5%	-3.5%	-	-0.4%	0	nc	4.1%	3.1%	nc
Change in the median basic salary N/N-1 of women on permanent contracts for the non-managerial population	3.0%	nc	-	2.9%	NC	1.02%	1.5%	nc	1.00%

3.5.3 Executive remuneration

With regard to the executive remuneration, the methods for determining and changing them are not identical to those of employees and are not the responsibility of the human resources department.

The Remuneration Committee is responsible for making proposals to the Board of Directors concerning:

- the remuneration, allowances and benefits of any kind granted to the Chief Executive Officer and the Deputy CEO;
- the criteria included in the variable portion for the Chief Executive Officer and the Deputy CEO, which take into account, for example, the gender equality indicator.

4 Banque Palatine's national footprint

4.1 Developing responsible purchasing: a socio-economic footprint as a buyer

4.1.1 Ethics and suppliers, subcontractors, service providers

The procurement unit undertook to respect an Ethical Charter by fulfilling nine commitments since 2018:

- select the best suppliers through a transparent and equitable process based on clear selection criteria;
- treat suppliers fairly and never consider personal interests to prevent any risk of conflict of interest or corruption arising;
- to contribute to the company's commitment by paying special attention to suppliers with strong CSR programmes;
- to maintain an atmosphere of mutual respect with suppliers and inform suppliers who have not been selected;
- to promote loyalty among strategic and local suppliers and foster partnerships;
- to respect the confidentiality of the commercial and technical information provided by suppliers;
- to listen to the market to identify innovative companies (in social or technological areas);
- to actively promote ways to improve performance;
- to limit business lunches/dinners when these are wholly paid for by the supplier.

This ensures a sustainable and equitable relationship with suppliers and prevents conflicts of interests.

The purchasing function also relies on a charter defined in the "Expenditure commitments" procedure, which was updated and distributed in March 2020.

The main changes concerning this charter are as follows:

- implementation of consultation processes or calls for tenders;
- introduction of a summary sheet for purchasing and changes in thresholds;
- changes in the Purchasing Committee (new frequency, exceptional committees, etc.).

In 2021, the compliance risk department and the purchasing department drafted a procedure setting out the policy for defining the general principles applicable to simplified supplier due diligence (Know Your Supplier – KYS for purchases between €5 thousand and €50 thousand). This is intended to ensure the quality of the supplier with which the entity has signed a contract or is preparing to enter into a relationship, particularly with regard to the risks of corruption.

This procedure is in line with the new obligations arising from the Sapin II Act that are imposed on Banque Palatine as a legal entity governed by French private law.

At each call for tenders, the procurement unit sends candidates a questionnaire to identify all their shareholders and their shareholdings so as to limit conflicts of interest and if applicable identify the source of their funds. It requires that suppliers sign a confidentiality agreement or include a confidentiality commitment into the tender file. The procurement unit also validates their legal compliance by automating the collection, verification and monitoring of supplier's documents.

The procurement unit also commissions a survey on the positioning of bidding candidates on their environment in the form of a Banque de France or Groupe BPCE rating. Groupe BPCE ratings take account of the candidate's reputations as well as their financial positioning.

When signing contracts, the purchasing function supports the business lines and integrates all contractual clauses in connection with the various areas of expertise such as the GDPR, anti-corruption, the HISS policy, etc.

In order to monitor all these procedures, the purchasing function has also set up a bimonthly control file to verify, with the departments, the compliance of suppliers, to control the commitment of expenditure with the latter and to validate the proper implementation of contracts and integration into the tool listing contracts.

Also, during each call for tenders, Banque Palatine includes the social policy that the bank wants the candidate to follow.

During the consultation process, candidates and therefore future service providers are encouraged to comply with the various standards and regulations in force in terms of social responsibility. The tender file specifies the actions that Banque Palatine wishes each candidate to take and commit to continuing throughout the lifetime of the partnership. A questionnaire evaluating the CSR performance of each supplier and their offerings is sent to bidders to identify CSR risks and opportunities in a pro-active way and incorporate this performance into the overall ranking of suppliers. All these points are considered during bid presentations and candidate selection. The CSR criterion is therefore used to choose between bidders in calls for tenders.

4.1.2 Procurement unit and the PHARE process

After having experienced a year 2020 in which the number of projects decreased, Banque Palatine maintained the same scope of so-called ordinary activities entrusted to the adapted and protected sector (cleaning of ATMs, shuttles, meal trays, video coding, waste collection at central sites). Through the calls for tenders carried out in 2021, Banque Palatine has entrusted new missions to the adapted sector such as waste collection throughout its branch network *via* the establishment of the voluntary drop-in centre and the management of a concierge service that employs people from RQTH to carry out the face-to-face portion on the Fontenay-sous-Bois site.

4.1.3 Payment terms

In 2021, BPCE Achats continued the group-wide surveys to measure payment terms. The monthly dashboard was posted on PowerBI, as part of the Group's purchasing activity monitoring report.

A working group led by BPCE Achats, made up of buyers and accountants from BPCE SA, four Caisses d'Epargne and three Banques Populaires, led to the drafting of a White Paper on best practices (in particular on legal and organisational aspects), which was presented and then distributed to all institutions.

In addition, Banque Palatine also makes every effort to limit the payment terms of its suppliers. This period was equal to 41 days in 2021.

	2021	2020	2019
Payment terms	41	39.43	43.56

4.2 Committing to a better life: a societal footprint as a sponsor

4.2.1 Foundation

The Palatine Foundation for medium-sized companies ended in July 2021 due to the termination of its founding agreement.

In 2021, Banque Palatine allocated the same endowment to Fondation Entreprendre to support the "Women in the regions" project. Through its proximity to local entrepreneurs, the bank fully supports Fondation Entreprendre's strong conviction that entrepreneurship is a tremendous lever for equal opportunities.

This is why, thanks to the support of Banque Palatine, the foundation contributes to strengthening the French non-profit ecosystem at the service of all those who undertake to guide them on the path to success, whatever their age, gender, training or geographical location.

This support was specifically allocated to the support of the Femmes de Territoires association, a physical and digital support network for women.

It joined the Fondation Entreprendre accelerator in 2021 for a support period of three years to achieve its ambitions: to reach 15 thousand female members by the end of 2023 and to triple its local presence. Key milestones for this development have been set with Fondation Entreprendre as part of its support:

- a network deployed so that all women entrepreneurs can have support and mutual assistance close to where they live;
- coverage of the entire French territory (mainland and overseas), including in small towns and semi-rural or isolated areas;
- an organisation adapted in terms of number and skills;
- a sustainable business model.

Key figures for 2021:

- 7,200 registrations on the Platform;
- 400 workshops and meetings, and 5,000 participants;
- 40 cities and 80 volunteers to lead the workshops.

4.2.2 Other partnerships and sponsorship

4.2.2.1 Social actions

Eager to encourage social and geographic diversity within higher educational institutions, since 2010 Banque Palatine has forged a **partnership with Institut d'études politiques (Sciences Po) within the framework of priority education agreements.**

The two institutions are committed to diversified recruitment taking social and geographic criteria into account. Banque Palatine provides assistance in the form of grants and tutorials to deserving pupils.

It also proposes:

- having several of the bank's managers serve on the panels selecting pupils from priority education areas;
- tutoring by bank managers of pupils identified under the priority education agreements;
- internships; organisation of career presentations for students.

As part of the tutoring, two bank employees mentored one Sciences Po student each. Their support consisted in defining and refining the student's course of study in the perspective of his or her professional project and standard occupations. They were asked for advice as part of the internship search for the next two years, on the analysis of internship offers corresponding to the study and professional project, and later on the drafting of appropriate CVs and cover letters.

In addition, Banque Palatine joined the Cancer@Work network in 2020 and renewed its partnership in 2021. This is the first network of companies, created in 2012, committed to the subject of cancer and work and which proposes to its members to take action to promote the integration of sick people into the world of work.

Lastly, Banque Palatine offers its employees the opportunity to supplement their salary each month, by making micro-donations of their net payables, in favour of associations that plead the cause of women. Every month, Banque Palatine employees can make a donation on their payslip to Fondation des Femmes or to Institut Curie. Banque Palatine matches all donations, all of which goes to the two beneficiary associations. In 2021, 62 employees of the bank took part in this operation.

4.2.2.2 Sports

A premium partner of the Paris 2024 Olympic and Paralympic Games, Banque Palatine would like to work more with sportsmen and women. Thus, since September 2019, it has supported four French athletes likely to participate in the 2024 Olympic or Paralympic Games.

In this respect, the financial support provided to Fondation Pacte de performance offers sportsmen and women with insufficient resources the chance of receiving an annual grant. This would thus allow them to fully concentrate on their sport.

Banque Palatine is therefore pleased to support four athletes (with a double parity principle: gender parity by supporting two women and two men, athlete and para-athlete parity by supporting two Olympic and two Paralympics sportspeople), thus contributing to the performance of the French teams in four disciplines.

Elodie Clouvel, in modern pentathlon

Gaëlle Edon, shooting

Camille Jaguelin, riding

Nicolas Muller, in golf

In 2021, Banque Palatine's commitment to sports was strengthened: it became the first sponsor of Fondation Alice Milliat, under the aegis of Fondation du Sport Français. Through a multi-year sponsorship agreement, Banque Palatine undertakes to support the development of the actions of Fondation Alice Milliat, whose aim is to contribute to the recognition of the place of women in sports and that of women athletes in national and international media.

4.2.2.3 Support for the arts

Since 2011, Banque Palatine has been a sponsor of the **"Directors' Fortnight"** organised by Société des Réalisateurs de Films (SRF), during the Cannes Film Festival.

Among the various films selected by the Cannes Film Festival, the Quinzaine des Réalisateurs, since it was set up in 1969, stands out for its freedom of spirit, its non-competitive nature and its focus on being open to the public.

For Banque Palatine, this is a new way of contributing to encouraging talent and diversity in film.

In addition, Banque Palatine supports French cinema indirectly through **SOFICA Palatine Etoile,** co-founded with CINE NOMINE, or directly through its recognised expertise in the **financing of film and audiovisual professionals.** Despite the health conditions that led to the closure of cinemas for several months and resulted in the postponement of many shootings, the 46th César Awards were held on 12 March 2021 to reward the films, directors, actors, actresses and technicians who made their mark on the year 2020. 70 nominations were obtained by films supported by Banque Palatine. Of the 23 awards, 19 were awarded to films supported directly or indirectly by Banque Palatine.

4.2.2.4 Groupe BPCE's "Team Imagine 2024" engagement platform

"Team Imagine 2024" is an engagement platform open to all Groupe BPCE employees since September 2020. Its purpose is to enable everyone to get involved, through individual and collective sports and societal activities, for the benefit of associations close to the Group's brands. Every Banque Palatine employee can register and participate in an event already scheduled or create their own by bringing together as many people as possible around their project.

In 2020 and 2021, the bank united its employees around three main projects:

- the support of Clarisse Crémer in her participation in the 9th edition of Vendée Globe;
- a race for the telethon;
- a plogging event (picking up litter while jogging or walking) on the occasion of World Earth Day.

During 2021, 1,800,000 points were awarded to solidarity projects led by the three associations and NGO partners: Fondation Abbé Pierre, Actions contre La Faim and Surf Insertion.

4.3 Caring for the environment: an environmental footprint as an actor in society

4.3.1 Environmental footprint and the Group

Reducing Groupe BPCE's environmental footprint in its own operations is one of the pillars of its CSR strategy for 2021-2024.

Climate is one of the three priorities of the Group's strategic plan. BPCE aims to help limit global warming to between 1.5 °C and 2 °C by reducing its emissions by 15% in 2024 compared to 2019.

As part of its UP 2024 strategic plan, Banque Palatine has set itself a target of 10% reduction in its greenhouse gas emissions.

This intention is reflected by a robust and proven system for Group environmental reporting and the many campaigns to raise awareness of good practices.

With this in view, awareness raising sessions were run, open to all business lines:

- raising awareness of CSR, energy and climate challenges;
- training in CSR reporting;
- training on the tool used to calculate the Group's greenhouse gas emissions.

4.3.2 Environmental approach of the bank

Banque Palatine has strengthened its environmental commitment through the following measures:

- maintenance of a green energy supply (reopening of competition with the supplier Direct Energie *via* a call for tenders) with a switch of all sites (head office and branches) to 100% green energy in 2021;
- reinforcement of recycling actions: sorting by employees; reuse of computer or telephone equipment; recycling of cigarette butts at offices *via* an ESAT service provider;
- implementation of awareness-raising actions among employees and communication of progress in this area ("zero plastic" communication, "Gobi's, butts and good habits" communication, communication on the elimination of plastic cups);
- reimbursement of bicycle mileage allowances to employees who choose them since 2017;
- provision of bicycle parking at the two head offices (Val de Fontenay and Anjou);
- installation of beehives on the roof of its head office in Val de Fontenay;
- installation of refrigerated vending machines offering fresh dishes from short circuits and put in reused glass jars. Unsold items are redistributed and waste recovered;
- installation of fountains connected to the water network in Val de Fontenay, Courcelles and the network;
- donation of offices to the AIMA association (40 workstations);
- donations of office supplies to an association that finances a Senegalese school;
- distribution of a guide on eco-friendly practices in the office.

Over the past few years, Val de Fontenay employees have had the pleasure of welcoming beehives and bees on the roof terrace of their workplace. This initiative in favour of biodiversity is part of a sustainable development approach and addresses the challenges of environmental protection. In 2021, 20 kilograms were produced.

The circular economy aims to produce goods and services while limiting consumption and wastage of raw materials, water and energy sources. For Banque Palatine, this means sustainable use of resources (water, raw materials, etc.), and the prevention and management of waste and the re-use of equipment replaced by associations (blue circuit).

As part of the European Sustainable Development Week, some 20 bank employees took part in a Climate Fresco workshop. This is a scientific, collaborative, and creative workshop designed to raise awareness about climate change in a fun way. This makes it possible to understand in three hours the major mechanisms that lead to climate change, the consequences that are already visible and those that are coming. Everyone has also become aware of the levers of individual and collective action. The Group worked on the axes of the bank's Strategic Plan and proposed solutions to be studied. Other workshops will be offered to a greater number of participants in 2022.

In addition, still with the aim of raising awareness, Ecologic collection boxes (eco-organisation approved by the French State) have been installed in the cafeterias of the central sites to collect obsolete or defective electronic devices from employees, for recycling or reconditioning by Ateliers du Bocage (Emmaüs Group).

4.3.3 Energy consumption

Business transport is one of the most important items in terms of greenhouse gases and energy consumption. Business travel by car represented 45,620 litres of fuel in 2021. In addition, the average gram of CO_2 per kilometre of the Palatine car fleet (function and service) is 103.

Banque Palatine actions:

- Banque Palatine encourages its employees to use means of transport that are cleaner than private cars, in particular by favouring trains and public transport;
- installation of the Teams solution to limit and optimise business travel;
- lastly, Banque Palatine's fleet consists mainly of vehicles listed by Groupe BPCE, including electric and hybrid vehicles. Service vehicles are chosen on the basis of their low carbon emissions and will gradually switch to gasoline (by the end of 2021). According to the Group's recommendation, diesel is mainly used for heavy-duty vehicles (over 25,000 km/year);
- users of service and/or company vehicles have an in-house eco-driver guide;
- the corporate travelling plan or mobility plan encourages the use of transport modes other than the private car. Its implementation is encouraged by the public authorities. It has a large number of advantages for employees and companies. Banque Palatine is in line with this approach for the two central sites with more than 100 employees on each one;

- reimbursement of bicycle mileage allowances and the increase in the payment of transport subscriptions for the employees of the two offices;
- in order to provide a check processing solution to our customers, check collection runs with partners using clean vehicles as much as possible have been set up. The optimisation of shopping schedules in 2019 has reduced the number of collections and therefore also the greenhouse gas emissions. One-off trips within Paris are carried out exclusively by bicycle or electric vehicles.
- Banque Palatine continues to improve the energy performance of its buildings through annual regulatory checks.

The preventive measures related to the health crisis (teleworking, limited travel) taken by Banque Palatine impact indicators such as business travel.

	31/10/2021			31/10/2020			31/10/2019		
Indicators	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**	**BP**	**PAM**	**ARIÈS**
Petrol consumed by company cars (in litres)	12,626	943	0	15,836	570	0	10,845	251	nc
Petrol consumed by fleet cars (in litres)	8,577	0	0	5,462	nc	0	1,541	nc	nc
Diesel consumed by company cars (in litres)	23,860	0	0	29,522	632	0	44,379	1,554	nc
Diesel consumed by fleet cars (in litres)	35,708	0	0	45,825	nc	0	72,462	nc	nc
Business travel by private car (km)	45,620	nc	0	120,400	nc	0	129,277	nc	22,168
Average grammes of CO_2 per km for company and fleet cars	103	nc	0	99	nc	0	95	nc	nc
Business travel by train (km)	284,788	1,262	120	1,121,758	5,199	0	3,136,751	19,971	nc
Business travel by air, short-haul (km)	33,940	0	0	298,867	0	0	670,598	6,033	nc
Business travel by air, medium- and long-haul (km)	0	0	0	0	0	0	21,496	nc	nc

4.3.4 Water management

Banque Palatine Group indicators	**31/10/2021**	**31/10/2020**	**31/10/2019**
Total water consumption (in m3)	305,123	350,541	300,096
Total water consumption per m^2*	10.68	11.19	10.19
Total amount of water-related expenses (in thousands of euros)	4.0	5.3	5.1

** This figure corresponds to the amounts of the bills paid directly by Banque Palatine. Water consumption included in building charges is not recognised.*

4.3.5 Raw materials consumption

The extension of the use of secure printing and better management of printing and use of electronic document management (EDM) explains the decrease in the number of reams of paper used. The preventive measures related to the health crisis (teleworking) significantly reduced the number of prints.

Three years ago the bank chose to fully digitise its investment advisory process through the O2S solution, thus allowing its customers to benefit from an electronic signature on all regulatory and commercial documents. This makes it possible to avoid printing all this documentation in the branch and sending it by mail for remote journeys, with the impact that this may entail for the carbon footprint.

2021 was down sharply because we used existing inventories linked to a decrease in printing in the back offices (dematerialisation and teleworking)

Lastly, the paper used is recycled and certified.

Banque Palatine Group indicators	**31/10/2021**	**31/10/2020**	**31/10/2019**
Total paper consumption (tonnes)	12.56	33.26	41.89
Total paper consumption for total workforce (in kg)	9.97	25.67	31.66
Of which total consumption of recycled paper or FSC or PEFC-certified paper (tonnes)	12.56	33.26	41.89

4.3.6 Consumption of electrical energy and natural gas

Banque Palatine, aware of the challenges inherent in climate change, is continuing to implement various actions:

- continuing to reduce the consumption of energy by encouraging employees to limit their energy consumption at it main sites;
- timers have been set up from 7:30 am to 9:00 pm;
- light presence detectors installed on landings and sanitary facilities at central sites;
- changing from fluorescent lights to LED lights, which consume less energy, for the lighting of hallways, offices and meeting rooms;
- switch to green energy at all sites (100%).

Banque Palatine Group indicators	31/10/2021	31/10/2020	31/10/2019
Total final energy consumption (kWh)	2,812,644	2,671,278*	3,384,673
Total energy consumption per heated/occupied m^2 (kWh)	96.22	82.86	113.83
Total natural gas consumption (kWh)	84,580	75,785**	31,726
Total electricity consumption (kWh)	2,728,064	2,595,493	3,352,947
Share of renewable energy in total final energy consumption (blue meters) (kWh)	2,812,644	2,399,864	3,164,438

* *Total energy – Estimate for the Anjou site based on the previous year. Missing data in the energy supplier extraction. Correction in progress.*

** *Gas – kWh based on supplier estimate (Lyon Cordeliers branch).*

4.3.7 Cleaning expenses

Actions implemented:

- modification of the cleaning protocol with the addition of in-depth cleaning of contact points with the exclusive use of anti-bacteria, fungicidal and virucidal products meeting the E14476 standard;
- replacement of cloth hand towels with paper towels.

Banque Palatine Group indicators (in thousands of euros)	31/12/2021	31/10/2020	31/10/2019
Total spending on cleaning services	734	842*	736

* *Of which €96 thousand of additional services related to the health situation.*

4.3.8 Pollution and waste management

As part of the actions to promote the circular economy, the management and recycling of waste are a priority for the bank's environmental approach. This action also involves communicating to employees and encouraging them to reduce their use of plastic cups and bottles.

Banque Palatine has rolled out voluntary collection bins at its central sites to further the selective sorting, traceability and recycling of waste. In fact, the sorting process is even more refined: paper, other waste, goblets, small cans/bottles, toner. To make this approach even more virtuous, Banque Palatine has partnered with Triéthic, an adapted company (EA).

A cigarette butts collection and recycling system has been set up by an adapted and protected company.

Banque Palatine is continuing its approach by deploying voluntary contribution baskets in its branch network with Elise.

Banque Palatine Group indicators	31/10/2021	31/10/2020	31/10/2019
Total amount of waste management expenses by service provider (in thousands of euros excl. tax)	94	89	91
Total ordinary industrial waste (OIW) (tonnes)	18	31	38 *
Total waste produced by the bank (tonnes)	44	49	68
TOTAL RECYCLED WASTE (TONNES)	**69**	**57**	**77**

* *The previous calculation method was based on an estimation of the capacity of the bins in place (in tonnes). To obtain more accurate data, a new more realistic calculation method was put in place.*

In accordance with legal provisions, all waste electrical and electronic equipment generated by Banque Palatine's activities is recycled by RECYCLEA. In addition, in order to improve its waste management, the bank has entrusted its service provider with the destruction of confidential documents throughout its network.

Banque Palatine implements measures to avoid all forms of pollution and damage to natural resources caused by its operations. It is committed to reducing and streamlining the consumption of raw materials and seeks to maximise the efficiency of its waste management system in order to produce less waste.

	31/10/2021	31/10/2020	31/10/2019
Total recycled WEEE waste (tonnes)	2.2	1.1	2.4

4.3.9 Recycling

The volume of recycled cartridges and toner has fallen continuously since 2017. This reduction shows the more exact control of the printing services and the virtuous start to printing lesser volumes.

The ambition of Banque Palatine is still to recover and recycle all cartridges and toner waste generated by the company making Banque Palatine a positive contributor to the circular economy.

Banque Palatine Group indicators	31/10/2021	31/10/2020	31/10/2019
Number of recycled ink and toner cartridges (tonnes)*	0.14	0.23	0.38
Number of neon fluorescent tubes collected (number)	Indicator removed	240***	93
Batteries collected (kg)	No collection	0.018	0**

* *The data collected is indicated, since 2019, in tonnes and no longer in number. In 2018, 121 cartridges and toners were recycled.*

** *No collection during the period concerned.*

*** *2020 – Fluorescent tubes and bulbs.*

4.3.10 Carbon footprint

Since 2013, Banque Palatine has carried out an annual assessment of its greenhouse gas emissions using a dedicated sector tool. This tool allows the greenhouse gas emissions statement to be drawn up, using a method compatible with that of the ADEME (the French Agency for the environment and energy resources), the ISO 14064 standard, and the Greenhouse Gas Protocol.

The tool makes it possible to estimate the GHG emissions of the bank's branch and head office operations. The result obtained is therefore that of the "office life" of the company. Emissions caused by banking products and services are excluded from the scope of the analysis.

The methodology provides:

- an estimate of the greenhouse gas emissions at the company level;
- a mapping of these emissions:
  - per item: energy, purchases of goods and services, movement of people, fixed assets and others,
  - by scope.

This tool makes it possible to know the level and evolution of emissions each year and to establish a reduction plan.

With regard to greenhouse gas emissions, Banque Palatine emitted 4,674 teq CO_2, a decrease of 12% compared to 2020.

This decrease between 2020 and 2021 is partly due to the decline in the number of people travelling, due to the persistence of the pandemic. Teleworking remained at an exceptional pace for much of the year. In addition, remote or hybrid meetings, training sessions, plenary sessions, etc. have become very common.

	2021 teq CO_2	2020 teq CO_2	2019 teq CO_2	Change 2020/2021
Energy	176	211	200	(17)%
Purchases and services	1,649*	1,990*	1,437*	(17)%
Travel	707	912	1,397	(22)%
Non-current assets	1,801	1,815**	1,902**	(1)%
Other	341	381	442	(10)%
TOTAL	4,674	5,309	5,378	(12)%

* *The data have been restated according to a new carbon footprint calculation methodology in 2021.*

** *Material error recorded in 2019 and 2020.*

4.4 Contributing to the State's tax revenue: a corporate citizen footprint

The economic dimension of taxes and tax transparency

Tax practices are an important part of Corporate Social Responsibility and its ethical commitment. The regulatory requirements, the expectations of customers, citizens and society in general, are increasingly stringent in terms of transparency, fiscal "citizenship" and the fight against evasion.

Fair tax payment and tax transparency are an integral part of Banque Palatine's social responsibility.

Banque Palatine declares and pays all its taxes in France.

In addition, Banque Palatine has a tax partnership with the administration. This partnership was signed by BPCE in March 2019 and is binding on its wholly-owned subsidiaries. It allows large companies to have access to a privileged rescript mechanism as soon as they commit themselves to an increased level of transparency with regard to tax.

Lastly, the implementation of the DAC 6[(1)] Regulation within Banque Palatine will make it possible to further combat tax evasion.

5 Appendix

5.1 Associated key performance indicators

A review of the degree of control of Banque Palatine's main CSR risks was carried out with the experts of the business lines concerned which were able to detail the commitments made in respect of each risk.

Priority risks	Financing the environmental transition
Description of the risk	Lack of a definition of a strategy to support customers towards the environmental and energy transition and its implementation at all operational levels
Description of the associated risks/commitment systems	See Section 2.1: Supporting customers by taking into account economic, social and environmental issues

Key indicators	Outstanding financing of the energy transition	Outstanding SRI assets under management
2019 data	€185 million	€91 million
2020 data	€211 million	€276 million
2021 data	€230 million	€4,661 million

Priority risks	Management of employability and career change
Description of the risk	Aligning the company's need with those of employees to respond to changes in the business lines
Description of the associated risks/commitment systems	See Section 3.4. Ensuring the employability and inclusion of employees

	Number of hours training by FTE employee	
Key indicators	Banque Palatine	Palatine Asset Management
2019 data	28.19	8.54
2020 data	24.39	3.15
2021 data	28.27	12.29

Priority risks	Respect of laws, business ethics and transparency
Description of the risk	Non-compliance with regulations, lack of a system to combat corruption and fraud or to prevent unethical practices and inaccessibility of information
Description of the associated risks/commitment systems	See Section 2.3: Demonstrate ethics and business leadership

(1) *CAR 6 is a European Union directive establishing the obligation to declare to the tax authorities any cross-border system that, in view of the criteria it defines, is potentially aggressive from a tax point of view.*

Key indicators	% of employees trained in anti-money-laundering (excluding ALD)
2019 data	88
2020 data	91
2021 data	85
Priority risks	**Security and confidentiality of data**
Description of the risk	Lack of systems to protect the bank against cyber threats, to protect the personal data of employees and customers and ensure business continuity
Description of the associated risks/commitment systems	See Section 2.2: Ensuring the security of customer data and the integrity of tools
Key indicators	GDPR systems
2019 data	Monthly phishing test campaigns since November 2019, awareness campaigns for all employees (mails, intranet and face-to-face), distribution of an ISS best practices kit, distribution of a best practices kit relating to the sending of personal data externally, distribution of best practices kits on external and internal fraud, intrusion tests performed, authorisations review.
2020 data	Continuation of monthly phishing testing campaigns for all employees, individual awareness-raising in the event of failure, reinforcement of awareness-raising actions due to remote work (emails, intranet), dissemination of best practices, review of authorisations. Due to the migration, intrusion tests have been postponed until 2021.
2021 data	Continuation of monthly phishing testing campaigns for all employees, individual awareness-raising in the event of failure, reinforcement of awareness-raising actions due to remote work (emails, intranet), dissemination of best practices, review of authorisations. Carrying out intrusion tests/Code reviews on private applications exposed on the internet. Distribution of GDPR fact sheets, private IT remediation. Specific awareness-raising actions during the cyber security month (October).
Priority risks	**Sustainability of customer relationships**
Description of the risk	Lack of mechanisms to ensure sustainable and satisfactory quality of service to customers
Description of the associated risks/commitment systems	See Section 2.4: Serving customers better over the long term
Key indicators	Annual customer Net Promoter Score and trend

2019 data	Senior executives of medium-sized companies	Private customers	Corporate customers
	+14	-5[1]	+9
2020 data	No survey conducted among senior executives of medium-sized companies in 2020	Private customers	Corporate customers
		+6	+29
2021 data	Senior executives of medium-sized companies	Private customers	Corporate customers
	+53	-3	+3

Priority risks	**Accessibility of products and inclusive finance**
Description of the risk	Lack of provision of an offer for all audiences both geographically and technologically
Description of the associated risks/commitment systems	See Section 2.3: Demonstrate ethics and business leadership (inclusive finance)
Key indicators	Number of customers with “vulnerable customer offering”
2019 data	Implementation of a cap on bank charges for financially vulnerable customers and for customers with a specific product (eight customers)
2020 data	10 customers equipped
2021 data	11 customers equipped

(1) The figure of +5 in 2019 was published in the 2020 SNFP following a material error.

Priority risks	**Customer protection and transparency of offer**
Description of the risk	Lack of transparency of offers, inappropriate sale of financial products and services that do not meet the customer's needs
Description of the associated risks/commitment systems	See Section 2.3: Demonstrate ethics and business leadership (customer protection)
Key indicators	% of complaints for "Information/Advice" reasons processed in 2020 with a favourable response out of total complaints
2019 data	Control of fair commercial practices based on information that is clear and not misleading to prioritise the customer's interest
2020 data	49%
2021 data	58%

Priority risks	**Integration of ESG criteria in decisions concerning loans and/or investment**
Description of the risk	Non-integration of ESG criteria in sectoral policies and analysis of financing and/or investment files
Description of the associated risks/commitment systems	See Section 2.1: Supporting customers by taking into account economic, social and environmental issues (SRI offering at PAM)
Key indicators	Rate of SRI assets/total assets under management
2019 data	2.3%
2020 data	5.8%
2021 data	90%

Priority risks	**Employee working conditions**
Description of the risk	Development of occupational risks that include: • psychosocial risks, moral and/or sexual harassment, • accidentology, unsuitable working environment, • inadequate organisational and disciplinary measures, • consequences related to health risks.
Description of the associated risks/commitment systems	See Section 3.3: Promoting quality of life at work and employee well-being

	Number of workplace accidents with or without lost time	**Absenteeism rate = days of absence/(business days[1] employees registered at 31 December).**
2019 data	13	4.83%
2020 data	9	6.37% (Pandemic effect)
2021 data	6	4.19%

Priority risks	**Equal treatment, diversity and inclusion**
Description of the risk	Lack of mechanisms to implement equal treatment of hiring candidates and employees within the company
Description of the associated risks/commitment systems	See Section 3.4: Ensuring the employability and inclusion of employees

(1) *The percentage of 49.9% in 2019 was published in the 2020 SNFP following a material error.*

	Gender equality index	Percentage of female managers
2019 data	97/100 (index produced in 2020 for the year 2019)	44.9%*
2020 data	96/100 (index produced in 2021 for the year 2020)	45%
2021 data	97/100 (index produced in 2022 for the year 2021)	46%

Priority risks	**Employer attractiveness**
Description of the risk	Unattractive management of career development, unattractive remuneration policy, negative assessments of the employer brand, difficulty in attracting talent in a competitive market
Description of the associated risks/commitment systems	See Section 3.4: Ensuring the employability and inclusion of employees; See Section 3.5: A comprehensive and competitive remuneration system aligned with the bank's interests

	Resignation rate	Recruitment times (based on the average time per position for permanent hires only)	The conversion rate of our work-study students to fixed-term contracts and permanent contracts
2019 data	4.96%	33.5 days	30.2%
2020 data	3.04%	34.7 days	29.4%
2021 data	5.56%	36.8 days	28.0%

5.2 CSR methodology of the reporting of Banque Palatine

The information in the report is the result of a collective effort by various departments. Those efforts have resulted in CSR indicators that are relevant to the activities, specific features and aims of Banque Palatine.

The information published reflects Banque Palatine Group's desire to achieve transparency and describe objectively its most relevant actions, undertaken in the past as well as new ones, which show its ongoing commitment to CSR.

5.2.1 Reporting period

The data published cover the period from 1 January 2021 to 31 December 2021 except for the environmental data which are provided for the period from 1 November 2020 to 31 October 2021.

5.2.2 Reporting scope

The scope of reporting includes the Banque Palatine SEU, namely Banque Palatine, Palatine Asset Management and Ariès Assurances.

5.2.3 Choice of indicators

Banque Palatine relies on an analysis of its non-financial risks proposed by BPCE.

This analysis is updated each year to take into account:

- the recommendations expressed by the CSR function;
- changes in regulations.

The BPCE framework is the subject of a user guide on which Banque Palatine relied for the preparation of its statement on non-financial performance. For carbon data, it was also based on the methodological guide provided by BPCE.

5.2.4 Details on workforce-related data

- The total staff figures are a snapshot at 31 December 2021 of the people linked to each entity by an employment contract or corporate office (permanent, fixed-term, professional development and apprenticeship contracts), including those leaving on that date and employees whose employment contracts have been suspended. Fixed-term contracts do not include fixed-term work-study contracts (professional development contracts and apprenticeships).
- Hires include external hires and people moving from fixed-term contracts or work-study programmes to permanent contracts. People moving from fixed-term to permanent contracts are recorded as a departure from the fixed-term category and a new hire in the permanent category. If a person goes from one fixed-term contract to another with no break, only the first is recorded as a hire.
- Departure data take into account people on permanent contracts having left between 31 December 2020 and 31 December 2021 for any reason. Breakdowns are given for the following reasons: resignation, termination, transfer within the Group, retirement, voluntary redundancy, end of probation period and other reasons.
- Average basic salary (permanent contract): this is the theoretical gross annual salary taken into account. Variable remuneration is not taken into account in the calculation. The workforce figure used is the number of people on permanent contracts at 31 December 2021. Corporate officers are not included in the indicator.
- To calculate the indicator relating to absences: illness, long illness without permanent disability, maternity and paternity leave, accidents at work, accidents while travelling, authorised leave (family events, time in lieu, over-55 leave) and exceptional authorised absences (recuperation).
- The type of training used to calculate the indicator are: face-to-face training, virtual classes and e-learning for employees on permanent and fixed-term contracts and work study programmes in UES Banque Palatine.

5.2.5 Details on environmental data

- All paper consumed is in A4 format and the calculation procedure is unchanged.
- Water consumption is estimated based on financial amounts.
- Energy consumption includes consumption *via* the district heating/cooling network for the two central buildings, which account for 44% of the floor space. Only these two buildings use this type of energy.
- Waste: the data are now accessible *via* the service providers.
- Greenhouse gas emissions: in 2021, work to refine the carbon footprint data was carried out mainly on the inclusion of teleworking and the updating of the emission factor of the Group's IT operators. The data for 2019 and 2020 have been aligned accordingly.

5.2.6 Exclusions

By the nature of Banque Palatine's business some issues covered by the decree of 24 April 2012 were considered immaterial:

- measures to prevent, reduce or remedy air, water and soil emissions severely affecting the environment: issues of little relevance to Banque Palatine's own activities but considered in its financing business, notably in application of the Equator Principles;
- noise pollution, other forms of pollution and ground use: as Banque Palatine is a service-based business, it is not concerned by issues relative to noise pollution and ground use. Its offices and commercial premises often cover several floors so its ground occupancy is much smaller than that of an industrial activity spread over a single level;
- food waste, given our service-based business.

B Table of results for the last five financial years

Article R. 225-102 of the French Commercial Code

in thousands of euros		2017	2018	2019	2020	2021
SHARE CAPITAL AT YEAR-END						
Share capital		538,803	538,803	688,803	688,803	688,803
Number of shares	(1)	26,940	26,940	34,440	34,440	34,440
OPERATIONS AND NET INCOME FOR THE YEAR						
• Revenue		542,453	527,355	510,989	435,184	500,765
Income before tax, employee profit-sharing, depreciation, amortisation, impairment and provisions	(3)	69,948	67,802	7,700	(10,015)	75,359
Income taxes		(21,497)	(17)	(3,420)	2,398	(9,068)
Income after tax, employee profit-sharing, depreciation, amortisation, impairment and provisions		52,514	(23,072)	22,492	(28,481)	38,410
• Distributed earnings	(2)	-	-	18,253	-	-
EARNINGS PER SHARE (IN EUROS)						
Revenue		20.14	19.58	14.84	12.64	14.54
Income after tax, employee profit-sharing, but before depreciation, amortisation, impairment and provisions	(3)	1.55	2.13	(0.09)	(0.31)	1.74
Income taxes		(0.80)	(0.00)	(0.10)	0.07	(0.26)
Income after tax, employee profit-sharing, depreciation, amortisation, impairment and provisions		1.95	(0.86)	0.65	(0.83)	1.12
Dividend allocated to each share	(2)			0.53		
EMPLOYEE DATA						
Average headcount		1,170	1,184	1,255	1,293	1,182
of which managerial		793	790	818	839	807
of which non-managerial		377	394	437	454	375
Total payroll		66,166	69,268	74,049	77,851	79,992
Amount of employee benefits during the period		34,918	36,205	36,649	38,031	36,122

(1) The earnings per share are calculated based on the number of shares outstanding at the date of the General Meeting.
(2) Subject to approval by the General Meeting.
(3) The result is impacted by the significant level of the provision for voluntary departure indemnities under the VDP and the senior agreement for €8.6 million at 31 December 2021.

C Allocation of net income for the 2021 financial year

Sources	
Net profit (loss) for the period	€38,409,769.57
Carried forward	€182,361,088.62
TOTAL	**€220,770,858.19**

Appropriation	
Allocation to the legal reserve	€1,920,488.48
Carried forward	€218,850,369.71
TOTAL	**€220,770,858.19**

D Information on inactive accounts

Articles L. 312-19, L. 312-20, and R. 312-21 of the French Monetary and Financial Code

From 1 January to 31 December 2021

- Number of dormant accounts at the bank: 7,256.
- Total amount of deposits and assets in these accounts: €51,525,665.56.
- Number of accounts for which deposits and assets are deposited with *Caisse des Dépôts et Consignations* (CDC): see table below.
- Total amount of deposits and assets deposited with *Caisse des Dépôts et Consignations:* see table below.

Year 2021	Number of accounts whose assets are deposited with CDC	Amount of funds deposited with CDC
Quarter 1	28	446,223.09
Quarter 2	13	98,431.17
Quarter 3	48	290,921.66
Quarter 4	239	2,075,750.92
TOTAL TO BE REPORTED	**328**	**2,911,326.84**

E List of branches

PARIS			
Auteuil branch	65, rue d'Auteuil	75016	Paris
Catalogne branch	17-19, place de Catalogne	75014	Paris
Commerce branch	79, rue du Commerce	75015	Paris
Courcelles Corporate branches	86, rue de Courcelles	75008	Paris
Courcelles Wealth Management branches	86, rue de Courcelles	75008	Paris
La Muette branch	77, avenue Paul Doumer	75016	Paris
Matignon branch	12, avenue Matignon	75008	Paris
Raspail branch	39, boulevard Raspail	75007	Paris
Saint-Lazare branch	74, rue Saint-Lazare	75009	Paris

PARIS REGION			
Nogent-sur-Marne branch	1, avenue de Lattre de Tassigny	94130	Nogent-sur-Marne
Saint-Germain branch	4, rue d'Alsace	78,100	St-Germain-en-Laye
Versailles Corporate branch	13, rue Colbert CS 78403	78004	Versailles Cedex
Versailles Wealth Management branch	13, rue Colbert CS 78403	78004	Versailles Cedex
ALSACE LORRAINE			
Metz branch	1, rue des Messageries	57000	Metz
Strasbourg branch	1, avenue de la Liberté	67000	Strasbourg
AQUITAINE			
Bordeaux branch	27, cours Georges Clemenceau – CS 11452	33064	Bordeaux Cedex
BOURGOGNE			
Dijon branch	20, boulevard de Brosses – CS 52426	21024	Dijon Cedex
BRETAGNE			
Rennes branch	35, boulevard Solférino – CS 30853	35708	Rennes Cedex 7
CENTRE			
Orléans branch	123 A, rue de la Juine – CS 60623	45160	Olivet Cedex
LANGUEDOC-ROUSSILLON			
Montpellier branch	2, place Paul Bec	34000	Montpellier
MIDI-PYRENEES			
Toulouse branch	8, rue du Poids de l'Huile	31000	Toulouse
NORD			
Lille branch	56, boulevard de la Liberté	59000	Lille
NORMANDIE			
Caen branch	12, rue Ferdinand-Buisson	14280	Saint-Contest
PAYS DE LOIRE			
La Roche-sur-Yon branch	2, rue Benjamin Franklin	85,000	La-Roche-sur-Yon
Nantes branch	2, rue Voltaire – CS 52118	44021	Nantes Cedex 1
PROVENCE COTE D'AZUR			
Aix-en-Provence branch	1, avenue Victor-Hugo	13100	Aix-en-Provence
Avignon branch	3, rue de la Balance – CS 10122	84010	Avignon Cedex 1
Cannes branch	125, rue d'Antibes	06400	Cannes
Marseille Prado branch	65, avenue du Prado	13006	Marseille
Marseille Castellane branch	Tour Méditerranée 65, avenue Jules Cantini	13006	Marseille
Menton branch	11, avenue de Verdun	06500	Menton
Nice Arénas branch	455, promenade des Anglais Immeuble Aéropole Quartier de l'Arenas CS 23256	06205	Nice Cedex 3
Nice Promenade branch	7, promenade des Anglais	06000	Nice

Toulon branch	139, avenue Vauban	83000	Toulon
RHONE-ALPES			
Annecy branch	15-17, rue du Président-Favre – CS 90296	74008	Annecy Cedex
Chamonix branch	7, avenue du Mont-Blanc	74400	Chamonix
Grenoble branch	2, cours Berriat	38000	Grenoble
Lyon Brotteaux branch	12, place Jules Ferry	69006	Lyon
Lyon Confluence Corporate branches	12 *ter,* quai Perrache	69002	Lyon
Lyon Confluence Wealth Management branches	12 *ter,* quai Perrache	69002	Lyon
Lyon Cordeliers branch	1, place des Cordeliers	69002	Lyon
Saint-Etienne branch	1, boulevard Dalgabio	42000	Saint-Etienne

F Information on supplier and customer payment periods

Article D. 441 I.1

Invoices received and not paid at the end of the financial year and whose term is past due (table provided for in I of Article D. 441-6-1)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
Number of invoices concerned	49	32	36	20	59	147
Total amount, inclusive of VAT, of the invoices concerned (in euros)	1,507,115	293,785	267,738	333,021	421,597	1,316,141
Percentage of the total amount of purchases, inclusive of VAT, for the financial year	1.71%	0.33%	0.30%	0.38%	0.48%	1.50%

Invoices received that were late in payment during the financial year (table provided for in II of Article D. 441-6-1)	0 days (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
Number of invoices concerned	3,534	2,024	760	360	490	3,634
Total amount, inclusive of VAT, of the invoices concerned (in euros)	43,531,624	29,796,019	7,191,960	2,989,925	1,635,014	41,612,917
Percentage of the total amount of purchases, inclusive of VAT, for the financial year	49.49%	33.87%	8.18%	3.40%	1.86%	47.30%

This information does not include banking transactions and related transactions. For Banque Palatine customer receivables and liabilities, see Appendix 4.14 to Section 2 on the maturity of loans and borrowings, which provides information on their residual maturity.

6

DRAFT RESOLUTIONS SUBMITTED TO THE ORDINARY AND EXTRAORDINARY GENERAL MEETING OF 17 MAY 2022

First resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' management report and corporate governance report, and the Statutory Auditors' report on the annual financial statements of Banque Palatine for the financial year ended 31 December 2021, approves the annual financial statements showing a profit of €38,409,769.57.

Pursuant to Article 223 *quater* of the French General Tax Code, the General Meeting approves the expenditure and charges covered by paragraph 4 of Article 39 of said Code, totalling €77,217.

Second resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' management report and corporate governance report, and the Statutory Auditors' report on the consolidated financial statements of Banque Palatine for the financial year ended 31 December 2021, approves the IFRS consolidated financial statements showing net income attributable to equity holders of the parent of €48,692 million.

Third resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, approves the appropriation of the profit for the 2021 financial year, as proposed by the Board of Directors:

Net profit (loss) for the period	€38,409,769.57
Carried forward	€182,361,088.62
TOTAL	**€220,770,858.19**

Allocation to the legal reserve	€1,920,488.48
Carried forward	€218,850,369.71
TOTAL	**€220,770,858.19**

Following this allocation, the balance of the legal reserve amounted to €52,846,907.19 and the balance of retained earnings to €218,850,369.71.

In application of Article 243 *bis* of the French Tax Code, shareholders are reminded that the dividends paid in respect of the last three financial years were as follows:

Year ended	Par value	Number of shares	Dividend/income distributed per share
31 December 2018	€20	26,940,134	-
31 December 2019	€20	34,440,134	€0.53*
31 December 2020	€20	34,440,134	-

** Not eligible for the 40% rebate.*

Fourth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Statutory Auditors' special report on the agreements referred to in Article L. 225-38 of the French Commercial Code, duly notes this report and approves said agreements and the terms of said report.

Fifth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, having reviewed the Board of Directors' corporate governance report, issues a favourable opinion on the overall package for all types of remuneration paid during the financial year ended 31 December 2021 to all staff members belonging to the regulated population, amounting to €9,388,687.

Sixth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, ratifies the co-option made on a provisional basis by the Board of Directors at its meeting of 23 July 2021 of Hélène Madar as a Director for the remaining duration of her predecessor's term of office, *i.e.* until the General Meeting called to approve the financial statements for the financial year ended 31 December 2021.

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Seventh resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, ratifies the co-option made on a provisional basis by the Board of Directors at its meeting of 23 July 2021 of Lionel Baud as a Director for the remaining duration of his predecessor's term of office, *i.e.* until the General Meeting called to approve the financial statements for the financial year ended 31 December 2021.

Eighth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, renews the term of office as a Director of Hélène Madar for a period of four financial years, *i.e.* until the General Meeting called to approve the financial statements for the financial year ending 31 December 2025.

Ninth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, renews the term of office as a Director of Lionel Baud for a period of four financial years, *i.e.* until the General Meeting called to approve the financial statements for the financial year ending 31 December 2025.

Tenth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, renews the term of office as a Director of Bruno Goré for a period of four financial years, *i.e.* until the General Meeting called to approve the financial statements of the financial year ending 31 December 2025.

Eleventh resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, appoints Jérôme Terpereau as a Director for a term of four financial years, *i.e.* until the General Meeting called to approve the financial statements for the financial year ending 31 December 2025.

Twelfth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, ratifies the transfer of the registered office from 42, rue d'Anjou – 75008 Paris to 86, rue de Courcelles – 75008 Paris, decided by the Board of Directors at its meeting of 17 September 2021.

Thirteenth resolution

The General Meeting, ruling under the quorum and majority conditions required for extraordinary general meetings, ratifies the amendment, correlative to the transfer of the registered office, of Article 4 of the Articles of Association decided by the Board of Directors at its meeting of 17 September 2021.

Fourteenth resolution

The General Meeting sets the total annual amount of remuneration paid to the members of the Board of Directors at the sum of €134,500, applicable for the 2022 financial year.

Fifteenth resolution

The General Meeting, ruling under the quorum and majority conditions required for ordinary general meetings, grants full powers to the bearer of a copy or extract of the minutes of this meeting in order to carry out the publication formalities provided for by law.

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BANQUE PALATINE
L'Art d'être Banquier

Public limited company (SA) with capital of €688,802,680 - A Groupe BPCE company - Registered office: 86, rue de Courcelles - 75008 Paris - Tel.: +33 (0)1 55 27 94 94 - Administrative office: Banque Palatine – TSA 30083 – 93736 Bobigny Cedex 9 - Tel.: +33 (0)1 43 94 47 47 – Registration: Paris Trade & Companies Register No. 542 104 245 - CCP Paris 2071 G - BIC BSPFFRPPXXX - Swift BSPF FR PP - VAT identification No. FR77542104245 - Member of the Fédération Bancaire Française (French Banking Federation) and covered by the "Fonds de garantie des dépôts et de résolution" (Deposit insurance and resolution fund) - Insurance intermediary registered with ORIAS under No. 07 025 988 - Authorisation to conduct "Transactions in immovable property and businesses without holding funds" under No. TCPI 7501 2015 000 001 258 issued by the Paris Ile-de-France Chamber of Commerce and Industry - financial guarantee issued by CEGC – 16 rue Hoche – Tour Kupka B – TSA 39999 – 92919 La Défense Cedex – www.palatine.fr.

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