2021 Financial Report

Caisse des Dépôts
GROUPE

2021 Financial Report

Contents

Introduction

Statutes

Created by French Law of 28 April 1816[1] and defined in Article L. 518-2 of the French Monetary and Financial Code (*Code monétaire et financier*), "Caisse des Dépôts et Consignations and its subsidiaries constitute a state-owned group at the service of France's public interest and of the country's economic development. The Group fulfils public interest functions in support of the policies pursued by the State and local authorities, and may engage in competitive activities.

Caisse des Dépôts et Consignations is a special institution responsible for the administration of deposits and escrow accounts, the provision of services relating to the funds whose management has been entrusted to it, and the performance of any other, similar duties that are legally delegated to it. It is responsible for the protection of the public's savings, the funding of social housing and the management of pension schemes.

Caisse des Dépôts also plays a role in local and national economic development, particularly in job creation, urban planning, tackling financial exclusion, business start-ups, and sustainable development. Caisse des Dépôts et Consignations is a long-term investor promoting business development in line with its own ownership interests.

It closely supervised by the French Parliament and the legislative process.

It is organised by decree of the *Conseil d'Etat* (France's highest administrative court), issued upon proposal by the Supervisory Board."

Our governance

Closely supervised by the French Parliament and the legislative process, Caisse des Dépôts is the only financial institution in Europe whose independence is protected by parliament. The French Parliament exercises control over Caisse des Dépôts' activities and guarantees its autonomy via a Supervisory Board, which reports to it at least once a year on its work. The Supervisory Board comprises sixteen members, including five appointed by the French Parliament, five elected members of the French Parliament, one representative of the French State, three qualified officials appointed by the French State, and two employee representatives.

The duties of the Supervisory Board have been reinforced as part of the implementation of the PACTE law (*Plan d'action pour la croissance et la transformation des entreprises*, or Action Plan for Business Growth and Transformation). It now has deliberative power and makes decisions that must be implemented by the Chairman and Chief Executive Officer. It monitors Caisse des Dépôts' management, oversees compliance with the risk exposure limits and considers risk strategy and appetite as well as the Group's policy on equality in the workplace and equal pay. It approves the overall organisation and the consolidated and individual financial statements. Lastly, it sets risk-appropriate working capital and liquidity requirements and decides on the adoption of the Public Institution's budget.

The Chairman and Chief Executive Officer of Caisse des Dépôts is appointed by decree of the President of the French Republic, after a review before the finance committees of the French Parliament. Appointed for a five–year term, the Chairman and Chief Executive Officer has wide-ranging powers and a large degree of independence. The Chairman and Chief Executive Officer is personally responsible for managing the funds entrusted to Caisse des Dépôts and chairs the Executive Committee, the Caisse des Dépôts Group's main governance body.

Business model

From an accounting perspective, the Public Institution is made up of two sectors:

- the Central Sector, whose financial statements are consolidated with the entities over which it exercises exclusive control, joint control or significant influence and whose consolidation has a material impact on the Caisse des Dépôts Group's financial statements;
- the Savings Funds sector, which prepares a separate statement of financial position and income statement.

Caisse des Dépôts self-finances all of its activities, without any help from the French State budget. A portion of the funds entrusted to it – the regulated savings of the French population and the deposits of legal professional customers – finances public interest projects through loans and equity investments. Another portion of these resources is invested in financial assets managed responsibly to ensure the liquidity and yield of the entrusted funds while helping to finance the economy. The income generated by the management of its financial assets and strategic investments contributes to the financing of its public interest projects.

(1) Article L. 518-2, version in force since 6 August 2008, amended by French Law no. 2008-776 of 4 August 2008 – art. 151 (V).

In terms of apportioning funding, part of the income earned from the Public Institution's Central Sector is used to constitute the funds essential to maintaining its financial strength and the Group's development capacity. Another portion is funnelled into public interest investments that Caisse des Dépôts makes in sectors and regions that are insufficiently covered by the market, with a medium- or even long-term profitability timeline. Finally, a portion of income earned is paid to the French State in addition to the contribution representing corporation tax, calculated very precisely on the same bases as those lied to companies, making Caisse des Dépôts one of the largest public contributors.

At the heart of the duties entrusted by law to Caisse des Dépôts, the Savings Funds centralises and manages a portion – approximately 60% – of the French population's regulated savings (*Livret A*, *Livret de développement durable et solidaire* – LDDS, and *Livret d'épargne populaire* – LEP) which it transforms into very long-term loans of up to 80 years. These are used to finance public interest projects whose framework is set by the public authorities, prioritising social housing, urban policy and local authority projects. This mechanism for transforming savings, at no cost to the taxpayer, makes it possible to carry out very significant public financing, which supports the work of the French State and local authorities. It also guarantees perfect equity, with each category of loan being offered at the same interest rate to all borrowers, regardless of their characteristics.

Caisse des Dépôts also performs specific mandates on behalf of third parties, the French State and supervisory authorities. These strategic mandates concern pensions, disability, professional training, as well as the Investments for the Future Programmes (PIA) and the Grand Investment Plan (GPI).

Strategy

The Caisse des Dépôts Group's ambition is to act across all regions, in all aspects of sustainable development and to play a role in France's transformation with four strategic objectives:

- accelerate the transition toward a carbon-neutral economy for the climate and biodiversity;
- encourage growth and inclusive local development;
- foster balanced regional development and strive for housing for all;
- accelerate and modernise social policy implementation.

As a long-term investor serving the public interest, the sustainable policy is rooted in all of the Group's decision-making processes: from the most operational (such as the selection of projects) to the most strategic, such as the definition of the medium-term Strategic Plan approved by the Executive Committee and the Supervisory Board. It combines two approaches: the integration of the United Nations' Sustainable Development Goals (SDGs) into our strategic management and the management of non-financial risks.

In particular, this involves developing product and service offerings with positive social and/or environmental impacts in each sector of activity. For the investment business lines, rolling out sustainable financial practices is a major priority, with implementation of a responsible investment policy that combines ESG integration, shareholder dialogue, and norm- and sector-based exclusions. Since 2020, the Group's climate policy has been part of an aim of aligning all its activities with a global warming trajectory of no more than 1.5°C, if possible. This is reflected in particular in its target of achieving carbon neutrality in its securities portfolios.

Organisation

To structure its missions and actions, directly or in support of public policies, Caisse des Dépôts is today organised into four business lines and two strategic partners:

Banque des Territoires supports regions and their stakeholders by offering solutions tailored to local challenges, including advisory, loans and equity investments. It is aimed at local authorities, social housing organisations, local public companies, legal professions, businesses and financial players with the aim of working toward more inclusive, more sustainable, more attractive and more connected regions.

Caisse des Dépôts' **Social Policy** division supports people throughout their lives. It contributes to social cohesion and reducing regional divisions by working mainly in four areas: pensions, vocational training, disability, and old age and health. The Social Policy division is the partner of choice for 63,000 public employers and provides financial management for more than 70 funds.

The **Asset Management division** manages all of Caisse des Dépôts' financial investments, carried on the balance sheets of the Savings Funds and the Central Sector. As the leading public asset manager with over €200 billion in assets under management, the Asset Management division invests in all asset classes, directly or through its subsidiaries:

- **CDC Croissance**, an equity fund manager supporting the growth of small and medium-sized enterprises over the long term;
- **Société Forestière**, an asset management company that offers sustainable management of its clients' privately owned forest assets;
- **CDC Investissement Immobilier,** which manages Caisse des Dépôts' real estate investment portfolio.

The Strategic Investment division is in charge of acquisitions and disposals as well as shareholder management for some 20 companies in which Caisse des Dépôts is the reference shareholder. As at 31 December 2021, Caisse des Dépôts' main strategic investments were as follows:

- **financial institutions:** Bpifrance, La Banque Postale Group (including CNP Assurances), SFIL, Euronext, Euroclear (via Sicovam), Kepler Cheuvreux, Qualium Investissements and Liquidshare;
- **real estate, housing, leisure:** CDC Habitat, Icade, Compagnie des Alpes et Arpavie and Société d'exploitation du théâtre des Champs-Élysées;
- **infrastructure and environment:** RTE, GRTGaz, CDC Biodiversité, Société Forestière, STOA and New Suez (from early 2022);
- **services, transport and engineering:** La Poste, Transdev, Egis and La SCET.

Our two strategic partners are Bpifrance and La Poste group.

Bpifrance is a public investment bank owned by Caisse des Dépôts and the French State. It finances companies at each stage of their development, through loans, guarantees and equity. For start-ups and small and medium-sized enterprises, it provides advice, training, networking and an acceleration programme.

Consolidated by the Caisse des Dépôts Group since March 2020, **La Poste group** supports all French people by offering useful services adapted to their needs. It supports the major green, regional, demographic and digital transitions impacting society and seeks to provide its retail and business customers alike with close, trust-based support.

2021 economic and financial environment

Economy

Global economic conditions improved significantly in 2021. After the tightening of health restrictions with the spread of a new wave of the pandemic at the start of the year, which adversely affected business, economies reopened in the spring, resulting in a sharp rebound. Thanks to these improved conditions, France's GDP returned to its pre-pandemic level (i.e., that of late-2019) during the third quarter, and increased by 7.0% over the year as a whole (compared to a decrease of 8.0% in 2020). The resurgence of the health risk at the very end of the year, despite the vaccine rollout, may have slowed growth in early 2022.

At the same time, consumer prices picked up more strongly than expected, due to (i) an imbalance between highly vigorous demand for goods and services and supply restricted by production shortages (labour market, global supply chain disruption, etc.); and (ii) the sharp rise in energy prices. In France, inflation rose from 0.6% in January to 2.8% in December, with an annual average of 1.6% in 2021, compared with 0.5% in 2020.

Financial markets

2021 was a year of renewed confidence for the financial markets following the conception of effective vaccines and large-scale vaccination campaigns across the different economies. This resulted in an improvement in risk perception compared to 2020, and in an economic outlook revised upwards by investors. This favourable environment was bolstered by the monetary policies of the major central banks, which remained very accommodative. Following the significant loss of investor confidence in 2020 (market crash, widening credit spreads, sharp rise in risk premiums), the ultra-accommodative policies rolled out by major central banks, which deployed their entire arsenal of stimulus to address the crisis, helped to calm the markets thanks to large volumes of liquidity as well as communication signaling that highly accommodative policies would not be short-lived. In 2021, the markets picked up on the back of positive announcements about vaccine rollouts as well as stimulus and support packages, with liquidity remaining in strong supply. To summarise:

- **Interest rates** remained low in the eurozone, with the ECB maintaining interest rates at ultra-low levels and the deposit facility rate at -0.5%. However, it delivered a flush of liquidity to the markets, thanks to mechanisms such as TLTROs and the pandemic emergency purchase programme, particularly during the first three quarters of the year. The ECB stated that its monetary policy would remain accommodative until inflation reaches its target and stays there for an extended period. The three-month Euribor ended 2021 at -0.57%, below its end-2020 level of -0.55%, owing to abundant liquidity. The Fed also maintained the ultra-accommodative policy launched in 2020 with the Fed funds rate still at rock-bottom levels of 0%-0.25%, and continued its asset purchase programmes, easing off slightly toward the end of the year following the significant economic recovery.
- **On the French bond market, the yield on the ten-year OAT trended upwards like those of all the major Western economies, driven by the significant economic upturn and rising expectations on growth and inflation for the coming years: it ended 2021 at a still low 0.2%, up from the end-2020 level of -0.3%.** These low yields reflect a number of factors: (i) the stock of assets held by the ECB increased sharply with the resumption of its purchases (PEPP), while investor demand for bonds was strong (defensive portfolio allocation in light of the many economic risks). This significantly disrupted the balance between supply and demand, causing prices to increase and yields to fall, especially as investors faced abundant liquidity on the markets; (ii) the prospect of ultra-accommodative monetary policies by the major central banks led markets to price in persistently low interest rates. Despite the upturn in inflation expectations in late-2021 and an improved economic growth outlook, these factors go a long way to explaining the increase in yields versus their 2020 lows, while they are expected to remain low.

- **On the equity markets, the sharp rally that began at the end of 2020 continued in 2021. The CAC 40 ended the year well above end-2020 and pre-crisis levels, with gains of** 28.9% in 2021 following the historic crash observed in global stock markets in 2020. The stock market rally throughout 2021 was attributable to a combination of several factors: (i) announcements regarding vaccine rollouts led to renewed investor confidence and a flurry of investment in high-risk assets; (ii) abundant liquidity provided by central banks as well as cash from economic agents; (iii) investor confidence in support and stimulus packages; (iv) persistently low rates, offering few alternatives for yield-seeking investors; and (v) the very sharp rise in expectations on corporate earnings in 2021 which even exceeded their pre-crisis levels and were revised upwards throughout the year. All of these factors provided a buoyant overall environment for equities.

Change in stock market indices	2018	2019	2020	2021	Q1 2021	Q2 2021	Q3 2021	Q4 2021
France	-11.0%	+26.4%	-7.1%	+28.9%	+9.3%	+7.3%	+0.2%	+9.7%
Germany	-18.3%	+25.5%	+3.5%	+15.8%	+9.4%	+3.5%	-1.7%	+4.1%
Spain	-15.0%	+11.8%	-15.5%	+7.9%	+6.3%	+2.8%	-0.3%	-0.9%
Italy	-16.1%	+28.3%	-5.4%	+23.0%	+10.9%	+1.8%	+2.3%	+6.5%
Portugal	-12.2%	+10.2%	-6.1%	+13.7%	+0.6%	+2.1%	+8.5%	+2.0%
United Kingdom	-12.5%	+12.1%	-14.3%	+14.3%	+3.9%	+4.8%	+0.7%	+4.2%
United States	-6.2%	+28.9%	+16.3%	+26.9%	+5.8%	+8.2%	+0.2%	+10.6%
Japan	-12.1%	+18.2%	+16.0%	+4.9%	+6.3%	-1.3%	+2.3%	-2.2%
Hong Kong	-13.6%	+9.1%	-3.4%	-14.1%	+4.2%	+1.6%	-14.8%	-4.8%
Brazil	+15.0%	+31.6%	+2.9%	-11.9%	-2.0%	+8.7%	-12.5%	-5.5%
Mexico	-15.6%	+4.6%	+1.2%	+20.9%	+7.2%	+6.4%	+2.2%	+3.7%

Source: Bloomberg.

Key figures

Caisse des Dépôts Group

(in billions of euros)	2020	2021
Total consolidated assets	1,015.0	1,066.7
Equity attributable to owners *(excluding unrealised gains and losses)*	33.6	37.1
Equity attributable to owners *(including unrealised gains and losses)*	39.1	48.2
Consolidated net profit attributable to owners	0.6	3.9

Savings Funds

(in billions of euros)	2020	2021
Total loans agreed	13.5	12.8
Loans for social housing and urban planning	11.4	11.8
Loans to regional authorities	1.1	1
Loan to Bpifrance	1.0	-
Outstanding loans	191.9	192.9

Caisse des Dépôts long-term and short-term ratings

Established by the Law of 28 April 1816, Caisse des Dépôts is a state-owned institution serving France's public interest and local and regional economic development.

Caisse des Dépôts is closely supervised by the French Parliament and the legislative process.

Credit rating agencies consider Caisse des Dépôts to be a state agency and thus that it carries the same rating as the Republic of France.

The following table lists Caisse des Dépôts' long-term and short–term ratings at 31 December 2021:

Ratings	Standard & Poor's	Moody's	Fitch
Caisse des Dépôts	AA/Stable/A-1+	Aa2/Stable/P-1	AA/Negative/F1+
EMTN & BMTN Programmes	AA	Aa2	AA
CD Programme	A-1+	P-1	F1+
Global CP Programme	A-1+	P-1	F1+

Investor relations:

Short-term financing: CDC.TREASURY@caissedesdepots.fr

Long-term financing: EMTN-CDC@caissedesdepots.fr

Audit of the financial statements

In compliance with article L. 518-15-1 of the French Monetary and Financial Code:

"Each year, Caisse des Dépôts et Consignations shall present its company and consolidated financial statements, audited by two statutory auditors, to the Finance Committees of the National Assembly and the Senate."

Caisse des Dépôts Group

consolidated financial statements

at 31.12.2021

reviewed and adopted by the Chairman
and Chief Executive Officer
of Caisse des Dépôts on 2 March 2022

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1. Consolidated financial statements

1.1 Caisse des Dépôts Group significant events

1.1.1 Caisse des Dépôts – Central Sector

1.1.1.1 Recovery plan

On 7 September 2020, Caisse des Dépôts launched a €26 billion recovery plan for the French economy in the form of equity investments in companies and the semi-public economy. One year on, 59% (€15.4 billion) of the plan had already been injected into the French economy.

Caisse des Dépôts acted in record time to step up the implementation of solutions that would help improve day-to-day living for the French population. The priority focus of the plan is protecting the environment. To that end, Banque des Territoires and Bpifrance launched a Climate Plan to combat global warming.

The support measures will be rolled out in three strategic areas: housing, support for businesses and social cohesion. France's people and its regions soon began to enjoy the plan's benefits, especially thanks to targeted thematic projects for tourism, commerce, industry and high-speed networks.

1.1.1.2 EIB-Caisse des Dépôts partnership: €1 billion for local authorities and their ecological transition

The European Investment Bank (EIB) has set up a new €1 billion credit line for Caisse des Dépôts. With this financing, the third of its kind, Caisse des Dépôts, through Banque des Territoires' lending arm, can continue to provide the public sector with fixed-rate loans in addition to its traditional products and services. This move confirms the strength of the partnership formed in June 2013 between Caisse des Dépôts and the EIB to provide sustainable investment projects through France with fresh impetus.

This programme makes European funding highly accessible for local-authority investment projects of less than €25 million. It follows on from two previous deals signed in 2015 and 2019 which brought €1.8 billion of financing to the French public sector. This new line goes in tandem with a strengthened commitment to climate action, with at least half of the amount intended for projects that help combat or mitigate the effects of global warming.

The EIB funds will improve access to long-term finance for small-scale investments, particularly in energy-efficiency measures for buildings, water supply and sewerage networks, sustainable mobility and clean public transport.

This financing expands Banque des Territoires' range of loans for the public sector and its products that are index-linked to the *Livret A* to boost the sustainability of France's regions. This financial partnership embodies the strong fit between Banque des Territoires and the EIB in how they support sustainable investment at regional level.

1.1.1.3 Banque des Territoires makes a further €300 million in quasi-capital available to social housing bodies

As part of its plans to support the capitalisation of the social housing sector and boost the construction of social housing, Banque des Territoires has launched its second round of equity securities for relevant organisations (real estate SEMs, low-cost housing companies, co-operatives and public housing offices). This €300-million deal follows on from the €700 million made available to these bodies in 2020.

1.1.1.4 Caisse des Dépôts issues a new sustainable bond, its fourth since 2017

On 25 May 2021, Caisse des Dépôts successfully issued a new sustainable bond for €500 million with a maturity of five years. This is Caisse des Dépôts' fourth ESG bond issue since 2017, with the order book attracting 72 investors in total.

The new benchmark was issued at a spread of +13 bps over interpolated French government bonds. The lead managers for this transaction were BNP Paribas, Deutsche Bank, La Banque Postale and Société Générale CIB.

This transaction is Caisse des Dépôts' fourth ESG issue, following an inaugural green bond in 2017, an inaugural sustainable bond in 2019 and a sustainable bond in 2020. This new sustainable bond enables Caisse des Dépôts to strengthen its presence on the capital markets, as well as its ESG signature, at the heart of the Group's global strategy. As a long-term investor, Caisse des Dépôts is actively contributing to France's transformation. Caisse des Dépôts is mobilising its financial means and expertise as part of its Recovery Plan for green and inclusive development that benefits all regions.

Sustainable issues are also consistent with the United Nations' Sustainable Development Goals by contributing to a fair transition to carbon neutrality, the development of human capital and the fight against social inequalities. 59% of the funds raised through this operation will finance green projects and 41% will finance social projects, in the following key areas:

- infrastructures for the production and storage of green energy and heat;
- green real estate;
- transport and sustainable mobility;
- digital access;
- social and solidarity economy;
- support for an ageing population.

Reflecting its commitments to transparency and leading by example, as laid out in its Green, Social and Sustainability Bonds Framework, Caisse des Dépôts provided greater clarity by giving investors an exhaustive list of all eligible projects by name, in advance of the bond issue.

Every year, the Public Institution will publish three reports:

- attestation on the proper allocation of the funds;
- certificate of conformity of the projects with the eligibility criteria;
- the performance and social and environmental impact indicators for the projects.

1.1.1.5 Market Activity Management IT System (SIGMA)

As part of its efforts to modernise its IT systems, Caisse des Dépôts has launched the SIGMA project (Market Activity Management IT System) for managing its financial instruments.

This project breaks down into several components, with the principal elements having been successfully shifted into the production stage during 2021.

By the end of 2021, all the Central Sector's key financial instruments were being managed by this new tool. To accompany the implementation of this new project during 2021, Caisse des Dépôts adapted its mechanism for producing financial information.

1.1.1.6 Compagnie des Alpes share capital increase

In the first half of 2021, Compagnie des Alpes completed a share capital increase with preferential subscription rights in an amount of approximately €231 million.

Compagnie des Alpes thus hopes to embark upon a new phase in its development and take action ahead of the strong recovery expected following the end of the health crisis.

The share capital increase aims at strengthening the group's equity while contributing to financing its business plan including attractiveness initiatives aimed at boosting the sites' activity, accelerating the ecological transition (by enabling the implementation of the group's "Triple Zero" environmental ambition (i.e. a triple objective by 2030: Net Zero Carbon, "zero unrecovered waste", and a positive impact on biodiversity) and accompanying the development of territories. This funding relates to the investment package of €140 million for 2020/2021 and the package of €200 million per year on average from 2021/2022. In addition, the company will be able to finance new development projects currently under review with high value creation potential and consider potential external growth opportunities.

Following the Combined General Meeting of Compagnie des Alpes on 16 September 2021, Caisse des Dépôts made a contribution in kind in the form of its shareholding in Parc du Futuroscope, valued at €20 million. In consideration for the contribution in kind, a €20 million capital increase was carried out through the issue of new shares.

Following the transaction, Caisse des Dépôts remains the reference shareholder in Compagnie des Alpes, holding 41.4% of its capital.

1.1.1.7 Orange Concessions

On 5 November 2021, Orange, Banque des Territoires, CNP Assurances and EDF Invest officially launched Orange Concessions, first announced back in January 2021. The company, which is 50% owned by Orange and 50% by a consortium including Banque des Territoires, CNP Assurances and EDF Invest, is now operational.

Orange Concessions includes 24 Public Initiative Networks (*Réseaux d'initiative publique* – RIP), under contract with local authorities, in Metropolitan France and overseas territories. These networks ultimately represent over 4.5 million households connected to fibre, making Orange Concessions the leading infrastructure operator in rural France. Orange Concessions supports local authorities with their digital development: it orchestrates the design, construction and management of these fibre networks. It relies on Orange as a leading industrial partner with proven experience and expertise, and markets the networks to all internet service providers (ISP) to offer fibre to their end customers.

Orange Concessions' overriding ambition is to give everyone in rural areas access to fibre while sharing the investment effort with its shareholders, La Banque des Territoires, CNP Assurances and EDF Invest. By partnering with long-term investors, the company has all the means and resources required to consolidate its leadership as an infrastructure operator.

The commitment of La Banque des Territoires to this consortium and to Orange Concessions represents an important step as part of its mission to promote fibre connectivity in remote, sparsely populated regions of France.

66.6% of the Holding d'Infrastructure Numérique consortium is owned by the Caisse des Dépôts Group, a shareholding that is consolidated using the equity-accounted method for a value of €700 million.

1.1.1.8 Acquisition of an 11.5% stake in GRTgaz

ENGIE and Société d'Infrastructures Gazières (SIG), an investment vehicle held by CNP Assurances and Caisse des Dépôts, have finalised the acquisition by SIG of an 11.5% stake in GRTgaz from ENGIE for €1.1 billion. With this transaction, SIG, shareholder of GRTgaz since 2011 with a 25% stake, now owns about 39% of the company, ENGIE retaining the remaining 61%. This acquisition includes for SIG the sale of 17.8% in Elengy in exchange for new GRTgaz shares and simplifies the shareholding structure of GRTgaz, which holds 100% of Elengy following this transaction.

The presence in the capital of major national infrastructures and the support in their adaptation to the challenges of the energy transition are at the heart of the strategic priorities of Caisse des Dépôts and CNP Assurances.

The shareholding in GRTgaz is consolidated in the Caisse des Dépôts Group's financial statements using the equity method.

1.1.2 La Poste group

1.1.2.1 Bond issues

In 2021, La Poste group made several bond issues, which are described below. These issues qualify as debt based on IFRS 9 criteria.

La Poste bond issues

On 11 January 2021, La Poste carried out two bond issues for a total amount of €1,750 million:

- a €1,000 million issue maturing in January 2036 and carrying a rate of 0.625%;
- a €750 million issue maturing in July 2029 and carrying a rate of 0%.

On 9 November 2021, La Poste completed two tap issues for a total of €400 million:

- one tap issue of €200 million on a bond issue maturing in July 2029 at a rate of 0%;
- one tap issue of €200 million on a bond issue maturing in September 2034 at a rate of 1%.

On 22 November 2021, La Poste completed an additional tap issue of €75 million on a bond issue maturing in October 2026 at a rate of 0.625%.

La Banque Postale bond issues

La Banque Postale carried out a €750 million 0.75% Tier 2 subordinated notes issue (with €500 million issued on 2 February 2021 and €250 million on 27 April 2021) due August 2032.

On 23 June 2021, La Banque Postale carried out a €750 million inaugural "social" bond issue, consisting of 10-year senior non-preferred notes paying interest at 0.75% (mid-swap rate +70 bps). The issue has enabled La Banque Postale to reaffirm its commitment to being a regular issuer on the sustainable bond markets.

In addition, on 23 April 2021 La Banque Postale called the €750 million worth of 2.75% bonds issued in 2014.

CNP bond issue

On 7 April 2021, CNP Assurances completed a USD 700 million restricted Tier 1 subordinated notes issue. These undated notes bear a 4.875% fixed rate until 7 April 2031. The notes were swapped into EUR for a 10-year period providing an effective yield cost to CNP Assurances of 2.852%.

On 12 October 2021, CNP Assurances issued €500 million worth of restricted Tier 2 subordinated notes due October 2053, paying fixed interest at 1.875%.

In addition, in September 2021 CNP Assurances exercised the early redemption options on its €700 million bond issued in 2011 at a rate of 6.875% and its £300 million bond issued in 2011 at a rate of 7.375%.

1.1.2.2 Perpetual notes issues

On 29 September 2021, La Banque Postale carried out an inaugural Additional Tier 1 issue in the amount of €750 million. The issue consists of Perpetual Fixed Rate Notes at a semi-annual rate of 3% callable after 7.5 years. These securities are accounted as minority interests in consolidated equity (€744 million after deduction of issue fees).

1.1.2.3 Funding for the public service missions of La Poste

Universal Postal Service

The structural reduction in mail volumes, combined with the consequences of the health crisis, accentuates the overall deficit of the public service missions, which have been delegated by the French State to La Poste. In this context, La Poste has called on the State to provide more support to the Company in terms of financing these missions. The discussions initiated by La Poste in December 2020 with the French State, in order to obtain fair compensation for its public service missions, as well as a potential reduction in these, led to the French State on 22 July undertaking to pay La Poste an annual compensation for the Universal Postal Service, which will vary according to the quality of service results, of between €500 million and €520 million. The first allocation, for 2021, is included in the Draft Budget Act for 2022 for an amount of €520 million. This State aid has been submitted to the European Commission for approval.

Regional planning

The reduction in production taxes, endorsed by the 2021 Budget Act, applies to the corporate property tax (CFE in French) and the corporate value-added tax (CVAE in French) applicable to La Poste. These taxes represent almost the entire tax base on which the local tax allowance for the regional planning mission is based. In order to compensate for this decrease and to continue to meet the commitments set by the local postal coverage agreement for the 2020-2022 period, including an annual compensation of €177 million, the French State decided that an additional amount of €74 million would be allocated to La Poste for 2021. This compensation of €74 million was the subject of a budget allocation in the 2021 Budget Act and in the second Supplementary 2021 Budget Act. These changes to the financing of the regional planning mission are currently being notified to the European Commission.

Treatment in the consolidated financial statements

The approval of the European Commission of these two compensations will only take place in 2022. Nevertheless, the nature of the requests, the justification provided by La Poste as well as the Commission's practice in this area suggest an agreement in principle and in its amount with reasonable assurance. As a result, income of €520 million in respect of the Universal Postal Service and of €74 million in respect of regional planning relating to 2021 were recognised in the 2021 financial statements.

1.1.2.4 Reversal of the impairment of the fixed assets of La Poste SA's Mail CGU

The business plan of La Poste's Mail business (Services-Mail-Parcels business unit) includes a share of the annual compensation for the Universal Postal Service up to almost €300 million per year. Therefore, the completion of the impairment test at the end of 2021 of the value on Mail assets leads to reverse all of the impairment of assets recorded in 2020, i.e. €900 million. The reversal resulted in a €917 million impact on profit/loss for the year, this being the amount of impairment that would have been recorded in the financial statements if the test had been performed under the same economic conditions as at the end of 2020.

1.1.2.5 Impact of the COVID-19 health crisis for La Poste group

1.1.2.5.1 Impact for La Poste group

The health crisis continued in 2021 with a third lockdown in April and May followed by two new waves of health crisis in the second half of the year. These episodes, better absorbed over time, have nevertheless led to structural transformations in certain sectors of activity such as Digital Services Companies, international transport or small import packages whose flows are dwindling. The lack of recovery of the traditional activities was confirmed, with a structural impact still estimated by Mail at two traffic points, and a more marked drop in footfall in post offices.

The strong acceleration of BtoC continues with a steady increase in parcel/express activities since the start of the health crisis, driven by the ever more regular use of online purchases, a veritable revolution in usage. BtoB returns to growth.

La Banque Postale is still suffering from the level of activity in 2020, particularly on real estate loans, but is also benefiting from the growth of the financial markets.

1.1.2.5.2 Review of the recoverability of deferred tax assets

Despite the compensation obtained from the French State in respect of the Universal Postal Service, the forecasts of the taxable income of La Poste SA and the tax group of which the Company is the head do not allow the recognition of a new net deferred tax asset. As a result, the net deferred tax assets of this tax group remained fully impaired at the end of 2021.

1.1.2.5.3 Impact of the crisis on credit risk measurement for La Banque Postale

At 31 December 2021, the Corporate and Investment Banking cost of risk amounts to €107 million, mainly reflecting the "natural" deterioration of the portfolio (loss allowance decisions taken in respect of loans included on the Watchlist or in the Special Cases category for €53 million), and to a lesser extent in 2021 monitoring measures implemented ahead of a potential deterioration in certain macroeconomic markers (sector-specific loss allowance for €19 million), along with methodological and statistical effects (€42 million).

The cost of risk for individual customers in 2021 amounts to €128 million (excluding online banking), of which €51 million relates to the consumer credit business and €45 million to the home loan business. The monitoring measures implemented for this scope by La Banque Postale's Group Risk Department, along with the methodological and statistical adjustments, represent €44 million.

1.1.2.6 Equity investment in Aramex

In October 2021, as part of its international development, La Poste group acquired a 25% stake in Aramex, an Emirati multinational logistics, courier and parcel delivery company based in Dubai. The company's revenue amounted to approximately €1.2 billion in 2021. The company is accounted for using the equity method in La Poste group's financial statements from October 2021.

1.1.2.7 Increase in ownership in Ninja Van

In September 2021, La Poste group strengthened its presence in South-East Asia by being the first investor in Ninja Van's latest fundraising round. As Ninja Van was already accounted for under the equity method in La Poste group's financial statements, this transaction resulted in an increase in the percentage of interest from 36.6% to 43.3%. After this deal, the equity-accounted carrying amount of this associate came to €410 million as at 31 December 2021.

1.1.2.8 Purchase of non-controlling interests in eShopworld ("US Direct eCommerce Holding Ltd")

In March 2021, Asendia, 60%-controlled by La Poste group, purchased the non-controlling interests in eShopworld (legal name: US Direct eCommerce Holding Ltd), a company incorporated under Irish law in which Asendia held a 50.1% stake and which it already controlled. Following this transaction, La Poste group and its subsidiary Asendia now hold 60% and 100%, respectively, in eShopworld.

As eShopworld was already under the control of La Poste group before the transaction, no additional goodwill was recognised in the financial statements. The acquisition price as well as the acquisition costs were recorded as a €694 million reduction of the consolidated shareholders' equity, of which €275 million was deducted from the Group share and €419 million from non-controlling interests.

In addition, as part of the financing of the transaction, a perpetual loan was granted to Asendia by its minority shareholder Swiss Post in the amount of €198 million. This perpetual loan was classified as non-controlling interests in the consolidated equity as its characteristics fully meet the criteria for qualifying as an equity instrument in accordance with IFRS 9.

1.1.2.9 Changes in CNP Assurances' ownership structure and proposed sale of interests in AEW Europe SA and Ostrum Asset Management

On 16 December 2021, La Banque Postale acquired BPCE's 16.1% stake in CNP Assurances for €2.4 billion (€21.90 per share). Following this transaction, La Banque Postale now owns 78.9% of CNP Assurances. In the consolidated financial statements, the non-controlling interest in equity previously held by BPCE has been reclassified as attributable equity, with the difference between the price paid and the share of net assets acquired increasing attributable equity by €358 million.

La Banque Postale and the BPCE group have also stabilised the terms and conditions of the proposed acquisition by Natixis of La Banque Postale's minority stakes in Ostrum Asset Management and AEW Europe SA, subject to regulatory approvals, and expect to sign the final agreements in the first quarter of 2022.

Following the buyout of BPCE's interest in CNP Assurances, and subject to obtaining the necessary regulatory approvals, in the first half of 2022 La Banque Postale plans to file a simplified tender offer with the *Autorité des marchés financiers* for the 21.1% of CNP Assurances' capital not already held. The offer will be priced at €21.90 per share and will be followed by a squeeze–out procedure.

1.1.2.10 Acquisition of Aviva's life insurance business in Italy

On 1 December, CNP Assurances completed the acquisition of certain Italian life insurance businesses from Aviva, which was initiated on 4 March 2021.

The transaction concerns the following Aviva group life businesses in Italy:

- 51% of CNP Vita Assicura, a life insurance company in which UniCredit holds 49%;
- 100% of CNP Vita Assicurazione, a life insurance company.

The acquisition price is €543 million.

1.1.2.11 Partnership agreement in Brazil with Caixa Seguridade in the *consórcio* segment

On 30 March 2021, CNP Assurances finalised its new 20-year exclusive agreement to distribute term creditor insurance for *consórcio* loans in the Caixa Econômica Federal network.

The closing transactions set out in the agreement signed on 13 August 2020 with Caixa Econômica Federal and Caixa Seguridade were completed on that date, including the payment of BRL 250 million to Caixa Econômica Federal.

A new joint venture, XS5 Administradora de *consórcios* SA, was set up under the agreement and is accounted for by the equity method. Voting rights will be split 50.01% for CNP Assurances and 49.99% for Caixa Seguridade, and economic rights 25% for CNP Assurances and 75% for Caixa Seguridade.

1.2 Subsequent events

1.2.1 Egis group

On 7 January 2022, Caisse des Dépôts and Tikehau Capital announced the completion of Tikehau Capital's acquisition of a 40% stake in Egis, the French leader in the construction engineering and mobility services sectors.

Following the completion of this transaction, Tikehau Capital holds 40% of Egis' capital, through its T2 Energy Transition Fund. Caisse des Dépôts retains a 34% stake in the capital, alongside Egis' executive partners and employees who hold 26% of Egis' capital after increasing their stake by 2% as part of the transaction.

Caisse des Dépôts has played a key role in the creation and development of Egis group and will continue supporting the group over the long term, alongside Tikehau Capital and its executive partners and employees, with an active role in the company's governance.

1.2.2 New Suez

On 31 January 2022, a consortium of investors made up of Meridiam, GIP, Caisse des Dépôts and CNP Assurances purchased from Veolia the assets needed to create the "new Suez" in line with the terms of the purchase agreement dated 22 October 2021. The Caisse des Dépôts Group is now an indirect shareholder in Suez, with a 20% stake and an investment of around €750 million.

1.2.3 Conflict in Ukraine

The Caisse des Dépôts Group is closely monitoring developments in the conflict in Ukraine. Since the start of the conflict, the Group has been keeping a very close eye on the potential long-term impacts of the crisis. At 8 March 2022, gross exposure to Russia and Ukraine totalled €187 million, largely attributable to export credit transactions carried out by the Group's subsidiaries and covered by the French State guarantee. Direct net exposure to these two countries is therefore limited to €13 million. The Public Institution has no direct exposure to Ukraine or Russia.

There were no other significant subsequent events likely to have a material impact on the financial statements and results of the Caisse des Dépôts Group at 31 December 2021.

1.3 Consolidated income statement, year ended 31 December 2021

(in millions of euros)	Notes	31.12.2021	31.12.2020
Interest income[1]	2.3.1	7,283	4,398
Interest expense[1]	2.3.1	(2,850)	(1,134)
Fee and commission income	2.3.2	2,147	1,787
Fee and commission expense	2.3.2	(3,494)	(3,018)
Gains and losses on financial instruments at fair value through profit or loss, net	2.3.3	14,921	4,432
Gains and losses on financial instruments at fair value through other comprehensive income, net	2.3.4	(525)	216
Gains and losses resulting from derecognition of financial assets at amortised cost, net	2.3.5	37	18
Income from other activities	2.3.6	72,761	54,346
Expenses from other activities	2.3.6	(44,957)	(25,852)
Impact of overlay approach (gross effect)	2.5.4	(1,074)	(692)
Net banking income		**44,249**	34,501
General operating expenses	2.3.7	(36,268)	(30,114)
Depreciation, amortisation and impairment of property and equipment and intangible assets	2.4.11	(2,437)	(3,740)
Gross operating profit (loss)		**5,544**	647
Cost of credit risk	2.3.8	(283)	(986)
Operating profit (loss)		**5,261**	(339)
Share of profit (loss) of equity-accounted companies	2.4.10	1,288	1,747
Gains and losses on other assets, net	2.3.9	(4)	186
Change in value of goodwill	2.4.12	(139)	(111)
Profit (loss) before tax		**6,406**	1,483
Income tax expense	2.3.10	(1,011)	(1,076)
Net profit (loss) from discontinued operations		1	3
Net profit (loss)		**5,396**	410
Non-controlling interests	2.4.18	(1,535)	156
Net profit (loss) attributable to owners		**3,861**	566

(1) €495 million reclassified versus the financial statements at 31 December 2020, now recorded under “Interest income” against “Interest expense”.

1.4 Consolidated statement of comprehensive income, year ended 31 December 2021

(in millions of euros)	31.12.2021	31.12.2020
Net profit (loss)	**5,396**	410
Items not to be reclassified to the income statement		
Actuarial gains and losses on post-employment defined benefit obligations	102	(79)
Changes in credit risk for financial liabilities designated at fair value through profit or loss using the fair value option	16	8
Changes in fair value of equity instruments recognised at fair value through other comprehensive income	4,394	(764)
Gains and losses on hedging instruments that hedge investments in equity instruments measured at fair value through other comprehensive income		
Share of other comprehensive income (loss) of equity-accounted companies	1,457	(310)
Total items not to be reclassified to the income statement	**5,969**	**(1,145)**
Items to be reclassified to the income statement		
Exchange differences on translation of foreign operations	137	(935)
Changes in fair value of financial assets at fair value through other comprehensive income	357	1,140
Gains and losses on hedging instruments	139	(43)
Share of other comprehensive income (loss) of equity-accounted companies	(218)	(1,543)
Total items to be reclassified to the income statement	**415**	**(1,381)**
Other comprehensive income (loss)	**6,384**	(2,526)
Total comprehensive income (loss)	**11,780**	(2,116)
Attributable to owners	9,880	(1,869)
Non-controlling interests	1,900	(247)

1.5 Consolidated statement of financial position, at 31 December 2021

(in millions of euros)	Notes	31.12.2021	31.12.2020
Assets			
Cash and amounts due from central banks		76,041	20,518
Financial assets at fair value through profit or loss	2.4.1	247,204	212,553
Hedging instruments with a positive fair value	2.4.2	6,088	8,817
Financial assets at fair value through other comprehensive income	2.4.3	268,293	266,152
Securities at amortised cost	2.4.4	68,340	75,401
Loans and receivables due from credit institutions and related entities at amortised cost	2.4.5	91,083	134,712
Loans and receivables due from customers at amortised cost	2.4.6	187,681	186,855
Cumulative fair value adjustments to portfolios hedged against interest rate risk		346	128
Current and deferred tax assets	2.4.7	1,896	2,456
Prepayments, accrued income and other assets	2.4.8	46,418	44,989
Non-current assets held for sale	2.4.9	2,272	220
Investments in equity-accounted companies	2.4.10	23,406	18,733
Investment property	2.4.11	24,207	21,693
Owner-occupied property and equipment	2.4.11	15,227	13,969
Intangible assets	2.4.11	6,986	6,684
Goodwill	2.4.12	1,182	1,164
Total assets		**1,066,670**	1,015,044

(in millions of euros)	Notes	31.12.2021	31.12.2020
Liabilities and equity			
Due to central banks			
Financial liabilities at fair value through profit or loss	2.4.1	5,506	4,740
Hedging instruments with a negative fair value	2.4.2	7,067	10,079
Debt securities	2.4.13	132,599	128,521
Due to credit institutions	2.4.14	51,678	54,238
Due to customers	2.4.15	319,639	310,674
Cumulative fair value adjustments to portfolios hedged against interest rate risk		320	23
Current and deferred tax liabilities	2.4.7	4,932	4,186
Accrued expenses, deferred income and other liabilities	2.4.8	42,608	43,833
Liabilities related to non-current assets held for sale	2.4.9	1,367	143
Provisions	2.4.17	6,641	7,011
Insurance company technical provisions and shadow accounting reserves	2.5.2	414,398	379,830
Subordinated debt		10,104	10,325
Equity attributable to owners			
Reserves and retained earnings		33,239	33,031
Other comprehensive income		11,068	5,489
Profit (loss) for the period		3,861	566
Total equity attributable to owners		**48,168**	**39,086**
Non-controlling interests	2.4.18	21,643	22,355
Total equity		**69,810**	**61,441**
Total liabilities and equity		**1,066,670**	1,015,044

1.6 Consolidated statement of changes in equity, 1 January 2020 to 31 December 2021

(in millions of euros)	Reserves and retained earnings	Other comprehensive income to be reclassified to the income statement: Cumulative changes in fair value of CNP Assurances' financial instruments under IAS 39	Cumulative changes in fair value of debt instruments recognised at fair value through other comprehensive income	Cumulative changes in fair value of hedging instruments	Translation reserves
Equity at 1 January 2020	31,053	1,743	29	(272)	(264)
Appropriation of 2019 profit (loss)	2,056				
Balance of the 2019 dividend paid to the French State	(666)				
Dividend paid to non-controlling interests					
Non-controlling interest put options	26				
Transactions with non-controlling interests	42		3		
Other movements	(70)		(2)	(1)	6
Profit (loss) for the period					
Other comprehensive income					
Exchange differences on translation of foreign operations					(77)
Changes in fair value of financial instruments at fair value through other comprehensive income	590	(1,743)	377	(76)	
Changes in credit risk on financial liabilities at fair value through profit or loss					
Changes in fair value of financial instruments reclassified to the income statement					
Other movements in other comprehensive income			128	21	
Equity at 31 December 2020	33,031		535	(328)	(335)
Changes in the calculation of certain post-employment benefits following the IFRS IC decision of May 2021	100				
Equity at 1 January 2021	33,131		535	(328)	(335)
Appropriation of 2020 profit (loss)	566				
Balance of the 2020 dividend paid to the French State	(286)				
Interim dividend paid to the French State calculated on the basis of first-half 2021 results	(620)				
Dividend paid to non-controlling interests					
Non-controlling interest put options	(21)				
Transactions with non-controlling interests(1)	(21)		180	(2)	(65)
Other movements	(39)		1	9	
Profit (loss) for the period					
Other comprehensive income					
Exchange differences on translation of foreign operations					154
Changes in fair value of financial instruments at fair value through other comprehensive income	529		(361)	(174)	
Changes in credit risk on financial liabilities at fair value through profit or loss					
Changes in fair value of financial instruments reclassified to the income statement			510	(41)	
Other movements in other comprehensive income					
Equity at 31 December 2021	33,239		865	(536)	(246)

(1) The impact of transactions with non-controlling interests is primarily attributable to the acquisition of BPCE's minority interests in CNP.

Other comprehensive income not to be reclassified to the income statement										
Changes in credit risk on financial liabilities at fair value through profit or loss	Changes in value of actuarial gains and losses	Cumulative changes in fair value of equity instruments at fair value through other comprehensive income	Cumulative changes in fair value of hedging instruments	Net profit (loss) attributable to owners	Equity attributable to owners	Retained earnings – Non-controlling interests	Non-controlling interests in other comprehensiv e income (loss)	Non-controlling interests in profit (loss)	Non-controlling interests	Total equity
(18)	(297)	7,614		2,056	**41,644**	3,493	120	307	**3,920**	**45,564**
				(2,056)		307		(307)		
					(666)					(666)
						(351)			(351)	(351)
					26	11			11	37
					45	1,887			1,887	1,932
(9)	(48)	33			(91)	17,158	(61)		17,097	17,006
				566	566			(156)	(156)	410
					(77)		(637)		(637)	(714)
		(1,567)			(2,419)	5	386		391	(2,028)
11					11		(2)		(2)	9
	(102)				47		195		195	242
(16)	(447)	6,080		566	**39,086**	22,510	1	(156)	**22,355**	**61,441**
					100	48			48	148
(16)	(447)	6,080		566	**39,186**	22,558	1	(156)	**22,403**	**61,589**
				(566)		(156)		156		
					(286)					(286)
					(620)					(620)
						(999)			(999)	(999)
					(21)	(26)			(26)	(47)
	(19)				73	(3,225)	(94)		(3,319)	(3,246)
1	(3)	(3)			(34)	1,690	28		1,718	1,684
				3,861	3,861			1,535	1,535	5,396
					154	72			72	226
		5,381			5,375	(444)			(444)	4,931
10					10	6			6	16
					469	696			696	1,165
(5)	(469)	11,458		3,861	**48,167**	20,172	(65)	1,535	**21,642**	**69,809**

1.7 Consolidated statement of cash flows, year ended 31 December 2021

The statement of cash flows is prepared using the indirect method. Investing activities correspond to purchases and sales of interests in consolidated companies, property and equipment and intangible assets.

Financing activities are activities that result in changes in the size and composition of equity, subordinated debt and bond debt. Operating activities correspond to all cash flows that do not fall within the above two categories.

(in millions of euros)	31.12.2021	31.12.2020
Profit (loss) before tax (excluding discontinued operations)	**6,406**	**1,483**
Net depreciation, amortisation and impairment of property and equipment and intangible assets	2,437	3,740
Impairment losses on goodwill and other non-current assets	139	111
Net provision expense and impairment losses	(16)	1,228
Net technical insurance reserve expense	11,075	1,105
Share of profit (loss) of equity-accounted companies	(1,289)	(1,746)
Gains/losses from investing activities, net	1,655	68
Other movements	(242)	14,388
Total non-monetary items included in profit (loss) before tax and other adjustments	**13,769**	**18,894**
Cash flows relating to transactions with credit institutions	2,647	4,398
Cash flows relating to customer transactions	932	21,213
Cash flows relating to other transactions affecting financial assets and liabilities	1,636	(1,092)
Cash flows relating to investment property	(516)	(1,953)
Cash flows relating to other transactions affecting non-financial assets and liabilities	(2,613)	2,504
Income taxes paid	(1,108)	(918)
Net increase (decrease) in cash related to assets and liabilities from operating activities	**977**	**24,152**
Net cash from (used in) operating activities	**21,152**	44,529
Cash flows relating to financial assets and investments	(4,546)	19,936
Cash flows relating to property and equipment and intangible assets	(4,226)	(7,485)
Net cash from (used in) investing activities	**(8,772)**	12,451
Cash flows from (used in) transactions with owners	423	1,960
Other net cash flows from (used in) financing activities	1,257	214
Net cash from (used in) financing activities	**1,679**	2,174
Other increases (decreases) in cash and cash equivalents	14,076	66
Net increase (decrease) in cash and cash equivalents	**14,076**	59,220
Cash and cash equivalents at the beginning of the period	**66,226**	**7,007**
Cash and central banks, net	22,803	3,263
Net loans to (borrowings from) credit institutions repayable on demand	43,423	3,744
Cash and cash equivalents at the end of the period	**80,301**	**66,226**
Cash and central banks, net	76,042	22,803
Net loans to (borrowings from) credit institutions repayable on demand	4,259	43,424
Net increase (decrease) in cash and cash equivalents	**14,075**	59,220

1.8 Composition of cash and cash equivalents

Cash and cash equivalents comprise cash, advances to and from central banks and post office banks, loans to and borrowings from credit institutions repayable on demand, and short-term investments in money market instruments. These investments generally have maturities of less than three months, are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	31.12.2021		31.12.2020	
(in millions of euros)	Assets	Liabilities	Assets	Liabilities
Cash	1,126		1,290	
Central banks	74,915		21,512	
Sub-total	**76,041**		**22,802**	
Loans to (borrowings from) credit institutions repayable on demand	11,878	8,399	50,600	7,932
Money market mutual funds	781		754	
Sub-total	**12,659**	**8,399**	**51,354**	**7,932**
Cash and cash equivalents	**80,301**		66,226	

1.9 2021 segment information

1.9.1 Income statement items

(in millions of euros)	31.12.2021 Net banking income	Gross operating profit (loss)	Cost of risk	Operating profit (loss)	Profit (loss) of equity-accounted companies	Profit (loss) before tax	Net profit (loss)	Net profit (loss) attributable to owners
Caisse des Dépôts division	**2,127**	**1,191**	**21**	**1,212**	**68**	**1,279**	**1,006**	**1,000**
Bpifrance group					**894**	**894**	**894**	**894**
La Poste group	**33,878**	**3,722**	**(294)**	**3,428**	**75**	**3,472**	**2,869**	**1,539**
– La Poste	25,797	1,804	(26)	1,778	(24)	1,723	1,750	1,122
– La Banque Postale	5,286	477	(261)	216	10	228	21	4
– CNP Assurances	2,795	1,441	(7)	1,434	89	1,521	1,098	414
Management of Strategic Investments division	**8,244**	**631**	**(10)**	**621**	**251**	**761**	**627**	**427**
– SFIL group	460	348	3	351		351	246	246
– Real Estate & Tourism	897	204	(10)	194	(7)	208	225	67
– Infrastructure & Transport	6,887	79	(3)	76	258	202	156	114
Caisse des Dépôts Group	**44,249**	**5,544**	**(283)**	**5,261**	**1,288**	**6,406**	**5,396**	**3,861**

(in millions of euros)	31.12.2020 Net banking income	Gross operating profit (loss)	Cost of risk	Operating profit (loss)	Profit (loss) of equity-accounted companies	Profit (loss) before tax	Net profit (loss)	Net profit (loss) attributable to owners
Caisse des Dépôts division	**1,260**	**490**	**(74)**	**416**	**97**	**569**	**420**	**413**
Bpifrance group					**(48)**	**(48)**	**(48)**	**(48)**
La Poste group	**25,813**	**271**	**(841)**	**(570)**	**1,489**	**916**	**17**	**122**
– La Poste	19,234	(1,431)	(23)	(1,454)	105	(1,436)	(1,996)	(1,309)
– La Banque Postale	4,265	270	(751)	(481)	1	(386)	(339)	(254)
– CNP Assurances	2,314	1,432	(67)	1,365	1,383	2,737	2,352	1,686
Management of Strategic Investments division	**7,428**	**(114)**	**(71)**	**(185)**	**209**	**46**	**21**	**79**
– SFIL group	113	88	(48)	40		40	29	29
– Real Estate & Tourism	822	13	(16)	(3)	(10)	(122)	(105)	(58)
– Infrastructure & Transport	6,493	(215)	(7)	(222)	219	128	97	108
Caisse des Dépôts Group	34,501	647	(986)	(339)	1,747	1,483	410	566

1.9.2 Statement of financial position items

(in millions of euros)	Total assets 31.12.2021	Total assets 31.12.2020
Caisse des Dépôts division	**156,212**	**143,135**
Bpifrance group	**14,135**	**12,017**
La Poste group	**795,533**	**759,047**
– La Poste	21,572	18,666
– La Banque Postale	293,072	297,640
– CNP Assurances	480,888	442,741
Management of Strategic Investments division	**100,790**	**100,845**
– SFIL group	74,198	75,927
– Real Estate & Tourism	15,103	14,753
– Infrastructure & Transport	11,489	10,165
Caisse des Dépôts Group	**1,066,670**	1,015,044

1.9.3 Breakdown of statement of financial position items

(in millions of euros)	Caisse des Dépôts division	La Poste	La Banque Postale	CNP Assurances	SFIL group
	31.12.2021				
Assets					
Cash and amounts due from central banks	21,259	8	50,812		3,961
Financial assets at fair value through profit or loss	13,756	1,124	3,317	225,204	3,518
Hedging instruments with a positive fair value	1,749	2	967	55	3,310
Financial assets at fair value through other comprehensive income	40,982	36	14,452	212,348	290
Securities at amortised cost	36,563		24,556	84	7,137
Loans and receivables due from credit institutions and related entities at amortised cost	20,000	1,495	66,042	1,782	358
Loans and receivables due from customers at amortised cost	4,557	874	126,725	1,999	52,655
Cumulative fair value adjustments to portfolios hedged against interest rate risk			346		
Current and deferred tax assets	4	586	166	576	472
Prepayments, accrued income and other assets	2,201	5,531	3,788	29,476	2,466
Non-current assets held for sale		22	178		
Investments in equity-accounted companies	3,552	952		948	
Investment property	10,347			3,393	
Owner-occupied property and equipment	670	9,630	985	518	8
Intangible assets	572	890	738	4,505	23
Goodwill		422			
Total assets	**156,212**	**21,572**	**293,072**	**480,888**	**74,198**

(in millions of euros)	Caisse des Dépôts division	La Poste	La Banque Postale	CNP Assurances	SFIL group
	31.12.2021				
Liabilities					
Financial liabilities at fair value through profit or loss	483	6	2,128	2,124	762
Hedging instruments with a negative fair value	1,129	30	282	50	5,557
Debt securities	29,885	9,402	22,282		65,651
Due to credit institutions	16,684	933	27,243	3,048	
Due to customers	80,348	106	223,108	15,878	
Cumulative fair value adjustments to portfolios hedged against interest rate risk					320
Current and deferred tax liabilities	3,405		300	1,112	3
Accrued expenses, deferred income and other liabilities	4,853	10,343	4,745	16,395	1,088
Liabilities related to non-current assets held for sale					
Insurance company technical provisions and shadow accounting reserves			2,715	411,685	
Provisions	368	4,526	328	624	23
Subordinated debt, guarantee deposits	510		2,826	5,523	228
Total liabilities excluding equity	**137,665**	**25,346**	**285,957**	**456,439**	**73,632**

(in millions of euros)	31.12.2020 Caisse des Dépôts division	La Poste	La Banque Postale	CNP Assurances	SFIL group
Assets					
Cash and amounts due from central banks	16,798	5	1,783		1,932
Financial assets at fair value through profit or loss	11,607	943	8,305	187,065	4,266
Hedging instruments with a positive fair value	2,242	1	1,428		5,136
Financial assets at fair value through other comprehensive income	34,750		16,336	214,053	511
Securities at amortised cost	42,345		24,548	155	8,353
Loans and receivables due from credit institutions and related entities at amortised cost	16,869	1,405	112,715	1,704	378
Loans and receivables due from customers at amortised cost	3,688	1,003	126,990	2,350	52,016
Cumulative fair value adjustments to portfolios hedged against interest rate risk			128		
Current and deferred tax assets	29	819	282	644	531
Prepayments, accrued income and other assets	2,351	4,840	3,298	28,407	2,765
Non-current assets held for sale		168			
Investments in equity-accounted companies	2,715	239	170	527	
Investment property	8,624			3,083	
Owner-occupied property and equipment	635	8,558	966	152	13
Intangible assets	482	575	691	4,601	26
Goodwill		110			
Total assets	**143,135**	**18,666**	**297,640**	**442,741**	**75,927**

(in millions of euros)	31.12.2020 Caisse des Dépôts division	La Poste	La Banque Postale	CNP Assurances	SFIL group
Liabilities					
Financial liabilities at fair value through profit or loss	413	7	2,045	1,235	1,037
Hedging instruments with a negative fair value	1,630	52	637	79	7,578
Debt securities	27,998	8,332	22,309		64,581
Due to credit institutions	16,196	891	31,017	2,403	3
Due to customers	75,239		223,824	11,416	
Cumulative fair value adjustments to portfolios hedged against interest rate risk					23
Current and deferred tax liabilities	2,270		329	1,407	5
Accrued expenses, deferred income and other liabilities	5,380	9,753	4,100	17,206	1,572
Liabilities related to non-current assets held for sale		127			
Insurance company technical provisions and shadow accounting reserves			2,578	377,252	
Provisions	401	4,873	291	582	23
Subordinated debt, guarantee deposits			2,110	6,986	728
Total liabilities excluding equity	**129,527**	**24,035**	**289,240**	**418,566**	**75,550**

2. Notes to the consolidated financial statements

2.1 Summary of significant accounting policies

2.1.1 Basis of preparation of the financial statements

The Caisse des Dépôts Group applies IFRS as adopted by the European Union at 31 December 2021. In particular, the Group decided to apply the provisions of Regulation No. 2086/2004 of the European Commission, adopting IAS 39 with the exception of certain provisions for the accounting of macro hedge transactions. EU Regulation No. 2086/2004 makes it possible to select some of the macro hedge transactions carried out as part of asset/liability management for fair value hedging relationships (including in particular customer demand deposits).

These standards are available on the European Commission's website at: https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting.

The consolidated financial statements at 31 December 2021 have been prepared in accordance with the recognition and measurement principles set out in the relevant IASs/IFRSs and IFRS IC (IFRIC) interpretations that were applicable at the end of the reporting period.

These standards and interpretations are identical to those used and described in the Caisse des Dépôts Group's financial statements at 31 December 2020, with the exception of the IFRS amendments described below (see section 2.1.1.1).

2.1.1.1 IFRS standards, amendments and interpretations that are mandatory as of 1 January 2021

The mandatory IFRS amendments effective as from 1 January 2021 are presented below. Their application did not have a material impact on the consolidated financial statements of the Caisse des Dépôts Group at 31 December 2021. They are:

Amendments to IFRS 4 "*Extension of the Temporary Exemption from Applying IFRS 9*" (EU Regulation No. 2020/2097 of 15 December 2020)

These amendments allow insurance entities to defer application of IFRS 9 "*Financial Instruments*" until the IFRS 17 "*Insurance Contracts*" becomes effective, which has been postponed until 1 January 2023.

These amendments supplement the amendments to IFRS 4 "*Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*" (EU Regulation No. 2017/1988 of 3 November 2017), which were intended to align the effective date of IFRS 9 with that of the new IFRS 17 (1 January 2021 at the time).

The Caisse des Dépôts Group has decided to adopt the provisions of IFRS 9 with respect to the measurement and recognition of the financial assets and liabilities of its insurance subsidiaries, using the "overlay" approach to present the net income of designated financial assets.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "*Interest Rate Benchmark Reform*" ("Phase 2") (EU Regulation No. 2021/25 of 13 January 2021)

These amendments relating to the reform of benchmark interest rates ("Phase 2") address the accounting issues raised when replacing the former benchmark interest rates with new indices (for example, Eonia with €STR) or when changing the formula for calculating indices (hybrid Euribor) due to the benchmark rate reform. They make it possible to neutralise any accounting impacts by addressing in particular:

- the accounting consequences of a change in the cash flows of a financial instrument resulting from the contractual change in index;
- the consequences of the change in index on hedge accounting;
- the information to be provided in the notes to the financial statements.

In practice, the amendments to IFRS 9 make it possible to:

- consider that the change in a financial instrument resulting directly from the reform of benchmark interest rates is reflected in a forward-looking update of the effective interest rate to reflect the change in the benchmark index rather than an adjustment to be recognised in the income statement. In this way, replacing former interest rates with new ones does not immediately result in an accounting impact in profit or loss;

- maintain the hedging relationships impacted by the reform of benchmark interest rates at the time of the effective replacement of interest rates in the contracts.

Additional disclosures are to be provided in the notes to the financial statements, particularly on the nature and extent of the risks arising from the reform of benchmark interest rates and how the entity is managing the transition to the various benchmark rates.

In addition, the Caisse des Dépôts Group continues to apply the amendments to IFRS 9, IAS 39 and IFRS 7 "*Interest Rate Benchmark Reform*" ("Phase 1"), which were adopted by the European Union on 15 January 2020 (EU Regulation No. 2020/34) and which aim to amend the hedge accounting requirements only for the period prior to implementation of interest rate reform. In practical terms, these amendments prevent the potential discontinuation of hedge accounting for certain transactions due to uncertainties about interest rate reform.

Amendments to IFRS 16 "*COVID-19-Related Rent Concessions beyond 30 June 2021*" (EU Regulation No. 2021/1421 of 30 August 2021)

These amendments extend the applicability of the amendments to IFRS 16 "*COVID-19-Related Rent Concessions*" as adopted by the European Union on 9 October 2020 (EU Regulation No. 2020/1434) and as applied by the Caisse des Dépôts Group on 31 December 2020.

The practical expedient whereby lessees (but not lessors) are exempt from assessing whether a COVID-19-related rent concession is a lease modification, and can treat it as though it is not a lease modification (i.e. impact of the rent concession recorded in the income for the period as a negative variable rent, rather than staggering it over the remaining term of the lease) can be applied to concessions on rents owed until 30 June 2022 (compared to 30 June 2021 in the first amendment of 2020). The right–of–use asset is not impacted and its depreciation continues unchanged.

However, these amendments apply only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the three following conditions of the 2020 amendment are met (with the date of 30 June 2021 replacing with 30 June 2022):

- the change in lease payments results in a revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022;
- there is no substantive change to other terms and conditions of the contract.

This exemption must be applied consistently to all lease contracts with similar characteristics and in similar circumstances, regardless of whether the lease is eligible under the initial 2020 amendment or under the new 2021 amendments.

The Caisse des Dépôts Group has also applied the final agenda decision of the IFRS IC of 20 April 2021 on IAS 19 "*Employee Benefits*".

During its 20 April 2021 meeting, the IFRS IC specified how to determine the period of service to which an entity attributes benefit for a particular type of defined benefit plan, with the following characteristics:

- the benefit depends on the employee's length of service within a given company before retirement;
- the benefits are capped at a certain number of years of service;
- the benefit is attributed as a lump sum payable on retirement provided the employee is employed by the entity when they reach retirement.

The IFRS IC specified that, pursuant to IAS 19, the period of service to which benefit is attributed should be the period of service immediately before retirement age, capped at the number of consecutive years of service defined for the plan in question.

Therefore, the period of service cannot be the total length of service if said period is greater than the cap used to calculate the benefit.

The subsequent decision not to include the issue on the IFRS IC agenda was approved by the IASB on 24 May 2021.

The Caisse des Dépôts Group has applied the new method for measuring and recognising any defined retirement benefits plans that meet the above three requirements since 1 January 2021. Ultimately, the post-employment obligation arising from the new method was reduced by €151 million at 1 January 2021. Constituting a change in accounting method, the adjustment to the obligation was recognised as a reduction to provisions, with a corresponding increase in equity at 1 January 2021.

2.1.1.2 IFRS standards, amendments and interpretations adopted by the European Union but not yet applied at 1 January 2021

IFRS 17 "*Insurance Contracts*" was adopted by the European Union on 19 November 2021 (EU Regulation No. 2021/2036) with a mandatory effective date of 1 January 2023. The Caisse des Dépôts Group did not apply this standard for 2021.

IFRS 17, which will replace the currently applicable IFRS 4, establishes principles for the recognition, measurement and presentation of insurance contracts that fall within its scope.

IFRS 17 will have implications for the Caisse des Dépôts Group's insurance activities.

The Group is currently analysing the impacts of IFRS 17.

2.1.1.3 IFRS standards, amendments and interpretations not yet adopted by the European Union

The Caisse des Dépôts Group did not apply the standards, amendments and interpretations published by the IASB and not yet adopted by the European Union.

Use of the Accounting Standards Authority (ANC) financial statement format for banks

In the absence of any requisite IFRS financial statement format, the layout of these financial statements complies with Recommendation No. 2017-02 of 2 June 2017, with a minor amendment dated 5 February 2021, issued by the *Autorité des normes comptables* (French accounting standards setter – ANC).

In accordance with revised IAS 1, the Caisse des Dépôts Group presents a separate consolidated income statement providing a breakdown of profit. It also presents a statement of comprehensive income which starts with profit and details gains and losses recognised directly in equity, net of tax.

The Caisse des Dépôts Group has also chosen to present the specific information on insurance activities in the notes, in accordance with the option proposed by the recommendation.

Use of estimates

The preparation of the Group's financial statements involves making certain estimates and assumptions which affect the reported amounts of income and expenses, assets and liabilities, as well as the disclosures in the accompanying notes. To make any such estimates and assumptions, management is required to exercise judgement and consider information available when the financial statements are drawn up. The actual outcome of transactions for which estimates and assumptions are made could differ significantly from the anticipated outcome, particularly with respect to market conditions, and this may have a material impact on the financial statements.

Estimates and assumptions are used to calculate:

- the fair value of unlisted financial instruments carried in the statement of financial position under: "Financial assets/ liabilities at fair value through profit or loss", "Hedging instruments" or "Financial assets at fair value through other comprehensive income";
- any impairment taken on financial assets (financial assets at fair value through other comprehensive income to be reclassified to profit or loss, securities at amortised cost, loans and receivables at amortised cost);
- any impairment taken on investments in equity-accounted companies;
- the fair value of investment property disclosed in the notes;
- any impairment taken on property and equipment, intangible assets and goodwill;
- deferred tax;
- insurance company technical provisions;
- provisions reported in liabilities (including for employee benefits and housing savings) in respect of contingencies and expenses;
- the initial amount of goodwill recognised on business combinations;
- the carrying amount of non-current assets and related liabilities held for sale.

2.1.2 Basis of consolidation

2.1.2.1 Scope of consolidation

The consolidated financial statements comprise the financial statements of Caisse des Dépôts Central Sector, the consolidated financial statements of the sub-groups and the financial statements of entities over which Caisse des Dépôts exercises control, joint control or significant influence, whose consolidation has a material impact on the Group's financial statements.

2.1.2.2 Consolidation methods and definition of control

Investees (and structured entities) controlled by the Group are fully consolidated. Control is exercised when: the Group has the power to direct the investee's relevant activities; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to affect those returns through its power over the investee.

Potential voting rights which give the option to acquire additional voting rights in an investee are taken into account to determine control when such rights are currently exercisable in such a way as to allow the investor to direct the relevant activities of the investee.

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Joint control may involve two types of arrangement: a joint venture or a joint operation.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint ventures are accounted for by the equity method.

A joint operation is an arrangement whereby the parties that have joint control have rights to the assets and bear responsibility for the liabilities of the arrangement. A joint operation is consolidated by recognising the Caisse des Dépôts Group's interest in said operation:

- assets, including its share of any assets held jointly;
- liabilities, including its share of any liabilities incurred jointly;
- revenue from the sale of its share of the output of the joint operation and from the sale of the output by the joint operation; and
- expenses, including its share of any expenses incurred jointly.

Entities over which the Group exercises significant influence are accounted for by the equity method. Significant influence is the power to participate in the financial and operating policy decisions of an entity but is not control or joint control over those policies. Significant influence is presumed to be exercised when the Group holds, directly or indirectly, 20% or more of the voting power of the investee.

The results of acquired entities are included in the consolidated financial statements from the effective acquisition date, while the results of entities sold during the period are included up to the date when control, joint control or significant influence is relinquished.

Financial year-end

Almost all consolidated companies have a 31 December year-end. Companies whose financial year-end is more than three months before or after the Group's year-end are consolidated based on financial statements drawn up at 31 December. In the case of companies whose financial year-end falls within three months of the Group's year-end, any material transactions occurring between their year-end and 31 December are taken into account in preparing the consolidated financial statements when this is necessary to comply with the true and fair view principle.

2.1.2.3 Companies excluded from the scope of consolidation

Investments in associates and joint ventures held in connection with the Group's private equity activity may be excluded from the scope of consolidation, in accordance with the option available under IAS 28.18. These investments are then recognised as "Financial assets at fair value through profit or loss".

Low-cost housing companies (ESH) are excluded from the scope of consolidation because they are not controlled by the Group within the meaning of IFRS. Shares in ESH are therefore recognised as "Financial assets at fair value through profit or loss" or, under the option provided for, as "Financial assets at fair value through other comprehensive income not to be reclassified to profit or loss".

Semi-public companies (SEMs, SAIEMs) not controlled by the Caisse des Dépôts Group are also excluded from the scope of consolidation. Shares in these companies are therefore recognised as "Financial assets at fair value through profit or loss" or, under the option provided for, as "Financial assets at fair value through other comprehensive income not to be reclassified to profit or loss".

Shares in companies acquired with the intention of being sold in the near term are excluded from the scope of consolidation and classified as "Non-current assets held for sale".

In application of IFRS, the agreements signed with the French State concerning the Investments for the Future Programme require the assets and liabilities covered by said agreements to be derecognised in the Group's consolidated financial statements. In the French GAAP accounts of the Central Sector, these assets and liabilities are transferred to adjustment accounts.

2.1.2.4 Consolidation adjustments and intra-group eliminations

The financial statements of consolidated companies are restated based on Group accounting policies when the effects of the restatement are material. The accounting policies applied by associates and joint ventures are aligned with Group policies where necessary.

Intra-group balances, income and expenses between fully consolidated companies are eliminated when their impact on the consolidated financial statements is material.

Gains and losses on intra-group sales of assets to associates and joint ventures are eliminated proportionately, based on the Group's percentage interest in the associate or joint venture, except when the asset sold is considered as being other-than-temporarily impaired.

2.1.2.5 Foreign currency translation

The consolidated financial statements are presented in euros. The financial statements of entities whose functional currency is different from the Group's presentation currency are translated by the closing rate method. Under this method, all monetary and non-monetary assets and liabilities are translated at the exchange rate at the end of the reporting period, while income and expenses are translated at the average exchange rate for the year. The differences arising from translation are recognised as a separate component of equity.

Gains and losses arising from the translation of the net investment in foreign operations, borrowings and foreign exchange instruments that are effective hedges of these investments are deducted from equity.

When the foreign operation is sold, the cumulative exchange differences recorded in equity are recognised in the income statement as part of the gain or loss on the sale.

2.1.2.6 Business combinations and goodwill

Business combinations are accounted for using the purchase method except for jointly controlled business combinations and a newly formed joint venture, which are excluded from the scope of IFRS 3.

Under the purchase method, the identifiable assets acquired and liabilities assumed are recognised at acquisition-date fair value.

Any contingent liabilities assumed are only recognised in the consolidated statement of financial position if they represent a current obligation at the date control is acquired, and the fair value of that obligation can be measured reliably.

The cost of a combination (consideration transferred) is equal to the fair value, at the date of exchange, of the assets transferred, liabilities incurred or assumed and any equity instruments issued by the Group, in exchange for control of the acquiree. Costs directly attributable to the business combination are treated as a separate transaction and are recognised in profit or loss.

Any contingent consideration is included in the cost of the combination as of the date control is acquired, for its fair value at the acquisition date. Any earn-out adjustments classified as financial liabilities are remeasured at fair value at the end of each reporting period and taken to profit or loss, unless these adjustments occur within 12 months of the date of the combination and relate to facts and circumstances existing at the acquisition date.

Goodwill represents the excess of the cost of the combination over the acquirer's share in the acquisition-date fair value of the identifiable assets and liabilities, and, at that date, is recognised in assets in the consolidated statement of financial position, under "Goodwill". Negative goodwill is recognised directly in profit or loss.

Non-controlling interests may be carried at either their share in the net identifiable assets of the acquiree ("partial" goodwill method) or at their fair value, in which case they are allocated a percentage of the corresponding goodwill ("full" goodwill method). This decision can be renewed for each business combination.

The initial accounting for a business combination spans up to twelve months after the acquisition date.

Goodwill is initially measured in the statement of financial position at cost in the currency of the acquiree and is translated at the exchange rate at the end of the reporting period.

Goodwill is tested for impairment, as explained in section 2.1.3.10.

When a business combination is carried out in stages (step acquisition), goodwill is determined by reference to the fair value at the date control is obtained. At this date, any previously-held interest in the acquiree is remeasured at fair value through profit or loss.

Similarly, a loss of control of a consolidated subsidiary requires the remaining holding to be remeasured at fair value through profit or loss.

2.1.2.7 Transactions with non-controlling interests

The Caisse des Dépôts Group recognises in equity any difference between the cost of the shares and its share in the acquiree's adjusted net assets for transactions involving the acquisition of non-controlling interests in an entity already controlled by the Group. Costs directly attributable to the acquisition are recognised as a deduction from equity.

Partial sales of non-controlling interests which do not result in a loss of control are recognised by adjusting equity.

2.1.2.8 Repurchase commitments granted to non-controlling shareholders of fully consolidated subsidiaries

Pursuant to the provisions of IAS 32 "*Financial Instruments: Presentation*", the Caisse des Dépôts Group records a financial liability in respect of put options granted to non-controlling shareholders of consolidated subsidiaries. Where the value of the option exceeds the amount of non-controlling interests, IFRS standards do not specify how the difference should be recognised.

The Caisse des Dépôts Group has chosen to recognise the difference between the option and the amount of non-controlling interests in equity. Subsequent changes in the liability relating to changes in the estimated exercise price of the option and the carrying amount of non-controlling interests are recognised in equity.

2.1.2.9 Segment information

In accordance with IFRS 8, the segment information presented is based on internal reports used by the Group's senior management and reflects the Group's internal business organisation. Operating activities are organised and managed based on the type of service provided.

The Caisse des Dépôts Group's business segments at 31 December 2021 – unchanged from at 31 December 2020 – are:

- Caisse des Dépôts division, consisting mainly of:
  - Caisse des Dépôts – Central Sector
  - SCET
  - CDC Habitat
- Bpifrance group
- La Poste group
- Management of Strategic Investments division, consisting mainly of:
  - SFIL group
  - Real Estate & Tourism
    - Icade
    - Compagnie des Alpes
  - Infrastructure & Transport
    - Egis
    - Transdev group
    - Coentreprise de Transport d'Électricité
    - Holding d'Infrastructures Gazières

2.1.3 Accounting policies

2.1.3.1 Financial instruments

Financial assets and liabilities are recognised in the financial statements at 31 December 2021 in accordance with the provisions of IFRS 9 and with the amendments to IFRS 9 "*Prepayment Features with Negative Compensation*". The "overlay" approach is used to present the net income of the designated financial assets held by insurance subsidiaries (see section 2.1.3.2.1.1).

IFRS 9 sets out the principles for the classification and measurement of financial instruments, impairment of credit risk and hedge accounting excluding macro hedges, for which a draft separate standard is currently under review by the IASB.

2.1.3.1.1 Measurement of financial assets and liabilities

2.1.3.1.1.1 Initial recognition date

Securities are recorded on the statement of financial position on the settlement-delivery date, while derivative financial instruments are recorded on the trade date. Loans and receivables are recorded on the statement of financial position on the disbursement date.

Changes in fair value between the trade date and the settlement-delivery date are recognised in income or equity depending on the accounting category of the financial instruments concerned.

2.1.3.1.1.2 Initial measurement

On initial recognition, financial assets and liabilities are measured at fair value as defined by IFRS 13. This 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 (see section 2.1.3.1.7).

2.1.3.1.1.3 Subsequent measurement

After initial recognition, non-derivative financial assets and liabilities are measured based on their classification, either at amortised cost using the effective interest rate method or at fair value as defined by IFRS 13. Derivative financial instruments are always measured at fair value.

Amortised cost corresponds to the amount at which the financial asset or financial liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount and the maturity amount and, for a financial asset, minus impairment for credit risk, if any.

The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability, in order to obtain the exact gross carrying amount of the financial asset (i.e. amortised cost without taking into account any impairment for credit risk) or the amortised cost of the financial liability.

This calculation incorporates fees and commissions paid or received between the parties to the contract, transaction costs and all premiums and discounts.

2.1.3.1.2 Recognition of financial assets

Recognition of financial assets depends on the business model and the characteristics of the contractual cash flows of the instruments (see section 2.1.3.1.2.3).

2.1.3.1.2.1 Business models

Business model refers to how an entity manages its financial assets for the purpose of achieving a particular economic objective. IFRS 9 defines three types of business model:

- the "hold-to-collect model", the objective of which is to hold financial assets in order to collect contractual cash flows. This model, under which the concept of holding is fairly close to that of holding to maturity, remains valid if disposals occur under the following conditions:
  - the disposals are due to an increase in credit risk,
  - the disposals occur just before maturity and at a price that reflects the contractual cash flows that are still due,
  - other disposals are consistent with the objectives of the "hold-to-collect model" if they are infrequent (even if their value is significant) or if their value is insignificant when considered both individually and overall (even if they are frequent);
- the "mixed model", the objective of which is both to collect contractual cash flows and to sell financial assets. In this model, the collection of cash flows and the sale of financial assets are both essential;
- the "other models", which are defined in opposition to the "hold-to-collect model" and the "mixed model". They concern portfolios of instruments whose objective is to collect contractual cash flows by selling financial assets or those that are managed and whose performance is evaluated based on fair value.

2.1.3.1.2.2 Contractual cash flow characteristics of the instruments (Solely Payments of Principal and Interest (SPPI) criterion)

A financial asset is deemed SPPI (or "basic") if the contractual terms of the asset give rise, on specified dates, to cash flows corresponding solely to payments of principal and interest calculated on the principal amount outstanding. On initial recognition, every asset should be tested to determine whether it meets the SPPI criterion (SPPI test).

Principal is defined as the acquisition-date fair value of the financial asset. Interest consists of consideration for the time value of money and the credit risk associated with the principal amount, as well as other risks such as liquidity risk, administrative costs and margin.

To assess whether contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument should be taken into account. Any information that may cast doubt on whether only the time value of money and credit risk are represented must therefore be analysed. For example:

- events that would change the amount and timing of the cash flows.

  Any contractual terms that generate exposure to risks or volatility in cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or a stock market index, or the introduction of leverage, would make it impossible to categorise contractual cash flows as SPPI;
- the characteristics of the applicable interest rates (for example, consistency between the rate refixing period and the interest calculation period).

  If a qualitative analysis does not provide a clear result, a quantitative analysis (benchmark test) is carried out. This involves comparing the contractual cash flows of the asset in question with the contractual cash flows of a benchmark asset. If the difference between the cash flows of the asset in question and the cash flows of the benchmark asset is deemed insignificant, the asset is considered to be a basic lending arrangement that satisfies the SPPI criterion;
- prepayment and extension features.

A contractual term that permits the borrower or lender to prepay the financial instrument remains consistent with the SPPI criterion for contractual cash flows if the prepayment amount substantially represents the principal amount outstanding and the related interest, as well as reasonable additional compensation, if applicable.

Furthermore, although they do not strictly meet the criteria for consideration for the time value of money, certain assets with a regulated rate are considered "basic" if that regulated interest rate provides consideration that is broadly consistent with the passage of time and does not generate exposure to risks or volatility in the contractual cash flows that are inconsistent with a basic lending arrangement.

To qualify as "basic" financial assets, the securities held in a securitisation vehicle must meet specific conditions. The contractual terms of the tranche must meet the SPPI criterion, as must the pool of underlying assets. The risk inherent in the tranche must be lower than or equal to the exposure to the underlying assets of the tranche.

2.1.3.1.2.3 Classification and measurement of financial assets

Financial assets are classified on the statement of financial position in the following three accounting categories: amortised cost, fair value through other comprehensive income and fair value through profit or loss, depending on the business models and the characteristics of the contractual cash flows associated with the instruments (see sections 2.1.3.1.2.1 and 2.1.3.1.2.2).

2.1.3.1.2.3.1 Debt instruments (loans, receivables, securities)

Debt instruments (loans, receivables, securities) may be recognised at amortised cost, at fair value through other comprehensive income to be reclassified to profit or loss, or at fair value through profit or loss.

2.1.3.1.2.3.1.1 Debt instruments recognised at amortised cost

Debt instruments are measured at amortised cost if the business model consists in holding the instrument to collect the contractual cash flows ("hold-to-collect model") and if the cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI criterion).

Financial assets measured at amortised cost are initially recognised at fair value, which includes transaction costs and accrued interest (unless it can be demonstrated that the transaction costs are not material).

These financial assets are subsequently measured at amortised cost using the effective interest rate method.

The amortisation of any premiums/discounts and transaction costs over the remaining life of these instruments is recognised in profit or loss using the effective interest rate method, under "Interest income" in the income statement.

These financial assets are impaired under the conditions described in "Impairment for credit risk" (see section 2.1.3.1.4).

They are reported in the statement of financial position under "Securities at amortised cost", "Loans and receivables due from credit institutions and related entities at amortised cost", and "Loans and receivables due from customers at amortised cost", depending on the type of instrument.

2.1.3.1.2.3.1.2 Debt instruments recognised at fair value through other comprehensive income to be reclassified to profit or loss

Debt instruments are measured at fair value through other comprehensive income to be reclassified to profit or loss if the business model consists of holding the instrument to collect the contractual cash flows and sell the assets ("mixed model") and if the cash flows are solely payments of principal and interest on the principal amount outstanding (SPPI criterion).

Financial assets measured at fair value through other comprehensive income to be reclassified to profit or loss are initially recognised at fair value, which includes transaction costs and accrued interest (unless it can be demonstrated that the transaction costs are not material).

These financial assets are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income to be reclassified to profit or loss with a corresponding entry against the outstanding amount (excluding accrued interest, which is recognised using the effective interest rate method under "Interest income" in the income statement).

The amortisation of any premiums/discounts and transaction costs over the remaining life of these instruments is also recognised in profit or loss using the effective interest rate method, under "Interest income" in the income statement.

When the assets are sold, the unrealised gains or losses previously recognised in equity are reclassified to the income statement under "Gains and losses on financial instruments at fair value through other comprehensive income, net".

These financial assets are impaired under the conditions described in "Impairment for credit risk" (without affecting the fair value in the statement of financial position) (see section 2.1.3.1.4).

They are reported in the statement of financial position under "Financial assets at fair value through other comprehensive income".

2.1.3.1.2.3.1.3 Debt instruments recognised at fair value through profit or loss

Any debt instruments that are not eligible to be recognised at amortised cost or at fair value through other comprehensive income to be reclassified to profit or loss are measured at fair value through profit or loss.

This category includes:

- Debt instruments classified in portfolios made up of financial assets:
  - that are held for trading or whose primary objective is disposal, and
  - that are managed and whose performance is evaluated on a fair value basis.

In both of the above-mentioned portfolio categories, even though contractual cash flows are collected while the entity holds the assets, the collection of those contractual cash flows is not integral but incidental.

- Debt instruments that do not meet the SPPI criterion, which is particularly the case for mutual funds (UCITS) and venture capital funds (FCPR).
- Debt instruments classified in portfolios for which the entity expressly chooses the fair value through profit or loss approach in order to eliminate or reduce an accounting treatment mismatch in the measurement or recognition that would otherwise arise from the measurement of assets or liabilities on different bases.

In that case, the financial asset is classified under the fair value option at fair value through profit or loss on initial recognition, which classification is irrevocable.

Financial assets measured at fair value through profit or loss are initially recognised at fair value, excluding transaction costs (which are recognised directly in profit or loss) but including accrued interest.

These financial assets are subsequently measured at fair value, with changes in fair value recognised in profit or loss under "Gains and losses on financial instruments at fair value through profit or loss, net" with a corresponding entry against the outstanding amount.

These financial assets are not impaired.

They are reported in the statement of financial position under "Financial assets at fair value through profit or loss".

2.1.3.1.2.3.2 Equity instruments (shares)

Investments in equity instruments (such as shares) are measured at fair value through profit or loss or, under the option provided for, at fair value through other comprehensive income not to be reclassified to profit or loss.

Equity instruments are not impaired.

2.1.3.1.2.3.2.1 Equity instruments recognised at fair value through profit or loss

Equity instruments measured at fair value through profit or loss are initially recognised at fair value, excluding transaction costs (which are recognised directly in profit or loss).

These equity instruments are subsequently measured at fair value, with changes in fair value recognised in profit or loss under "Gains and losses on financial instruments at fair value through profit or loss, net" with a corresponding entry against the outstanding amount.

They are reported in the statement of financial position under "Financial assets at fair value through profit or loss".

2.1.3.1.2.3.2.2 Equity instruments recognised at fair value through other comprehensive income not to be reclassified to profit or loss (irrevocable election)

The irrevocable election to recognise equity instruments at fair value through other comprehensive income not to be reclassified to profit or loss is evaluated at the transaction level (line by line) and must be applied on initial recognition of the instrument (or on first-time adoption of IFRS 9 at 1 January 2018). Equity instruments held for trading are not eligible for this option.

Equity instruments measured at fair value through other comprehensive income not to be reclassified to profit or loss are initially recognised at fair value, including transaction costs (unless it can be demonstrated that the transaction costs are not material).

These equity instruments are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income not to be reclassified to profit or loss under "Other comprehensive income" in the statement of financial position.

When the equity instruments are sold, unrealised gains and losses previously recognised in other comprehensive income are not reclassified to profit or loss. The gain or loss on disposal is thus still recognised in other comprehensive income.

However, the Caisse des Dépôts Group has chosen to reclassify to "Reserves and retained earnings" the share of other comprehensive income not to be reclassified to profit or loss recognised under "Other comprehensive income" corresponding to any capital gain or loss recorded on disposal.

Only dividends are recognised in profit or loss under "Gains and losses on financial instruments at fair value through other comprehensive income, net" if they correspond to a return on investment and not to redemption of the equity instrument.

They are reported in the statement of financial position under "Financial assets at fair value through other comprehensive income".

2.1.3.1.2.4 Reclassification of financial assets

Reclassifications of financial assets are not permitted, except in the case of a significant change in the business model for managing financial assets.

Such changes are expected to be infrequent (mainly when the entity begins or ceases to perform an activity that is significant to its operations) and must be determined by the entity's management body.

In that case, all of the portfolio's financial assets must be reclassified. This reclassification is prospective as from the date of reclassification and no gain, loss or interest recognised prior to that date should be restated.

2.1.3.1.2.5 Derecognition of financial assets

A financial asset is fully or partially derecognised:

- if the contractual rights to the cash flows from the financial asset expire; or
- if the contractual rights to the cash flows and substantially all of the risks and rewards incidental to ownership of this financial asset are transferred.

In that case, the financial asset is derecognised and all the rights and obligations created or retained in the transfer are recognised separately as assets and liabilities.

If the contractual rights to the cash flows are transferred but only some of the risks and rewards incidental to ownership of the financial asset, as well as control, are retained, the entity continues to recognise the financial asset to the extent of its continuing involvement in that asset.

Financial assets renegotiated for business reasons in the absence of financial difficulty of the counterparty and with the aim of developing or maintaining a business relationship are derecognised on the renegotiation date. The new loans granted to customers are recognised on this date for their fair value at the renegotiation date. Subsequent recognition depends on the business model and on whether or not the SPPI criterion has been met (see section 2.1.3.1.2.3).

2.1.3.1.2.6 Temporary acquisitions and disposals of securities

Temporary disposals of securities (lending of securities, securities sold under repurchase agreements) generally do not meet the conditions for derecognition.

Securities lent or sold under a repurchase agreement continue to be shown on the statement of financial position of the lender/seller. For securities sold under a repurchase agreement, the amount received, representing the liability to the acquiree, is recognised on the liabilities side of the statement of financial position by the seller.

Securities borrowed or acquired under a repurchase agreement are not shown on the statement of financial position of the borrower/acquiree. For securities acquired under a repurchase agreement, a claim against the seller is recognised on the acquiree's statement of financial position as consideration for the amount paid. If the security is subsequently resold, the acquiree records a liability measured at fair value which represents its obligation to return the security acquired under a repurchase agreement.

2.1.3.1.3 Recognition of financial liabilities

2.1.3.1.3.1 Distinction between debt and equity

The distinction between debt instruments and equity instruments is based on an analysis of the economic substance of the contractual arrangements.

A financial liability is a debt instrument if it includes a contractual obligation:

- to deliver cash, another financial asset or a variable number of equity instruments to another entity; or
- to exchange financial assets or financial liabilities with another entity under potentially unfavourable conditions.

An equity instrument is a non-redeemable financial instrument which offers a discretionary payment that evidences a residual interest in a company after deducting all its financial liabilities (net assets) and which is not qualified as a debt instrument.

Undated subordinated notes are therefore classified as equity instruments when the timing of interest payments is determined by the Group. All other dated and undated debt instruments are included in debt.

2.1.3.1.3.2 Classification and measurement of financial liabilities

Financial liabilities are classified on the statement of financial position in the following two accounting categories: fair value through profit or loss (because of their nature or under the fair value option) and amortised cost.

2.1.3.1.3.2.1 Financial liabilities recognised at fair value through profit or loss because of their nature

Financial liabilities issued primarily for the purpose of repurchasing them in the near term, those forming part of a portfolio of identified financial instruments that are managed together for the purpose of generating a profit due to short-term price fluctuations, and those that meet the definition of derivatives (with the exception of designated and effective hedging instruments) are recognised at fair value through profit or loss because of their nature.

Financial liabilities measured at fair value through profit or loss because of their nature are initially recognised at fair value, excluding transaction costs (which are recognised directly in profit or loss) but including accrued interest.

These financial liabilities are subsequently measured at fair value, with changes in fair value recognised in profit or loss under "Gains and losses on financial instruments at fair value through profit or loss, net" with a corresponding entry against the outstanding amount.

They are reported in the statement of financial position under "Financial liabilities at fair value through profit or loss".

2.1.3.1.3.2.2 Financial liabilities recognised at fair value through profit or loss under the fair value option

Financial liabilities that meet one of the three following conditions may be recognised at fair value through profit or loss under the fair value option:

- financial liability consisting of a separable embedded derivative that the entity does not want to separate or cannot separate;
- the entity's intention to eliminate or reduce an accounting treatment mismatch in the measurement or recognition that would otherwise arise from the measurement of assets or liabilities on different bases;
- management of a group of financial liabilities (or of a group of financial assets and financial liabilities) and evaluation of performance on a fair value basis in accordance with a documented risk management or investment strategy.

This option is exercised on initial recognition of the financial liability and is irrevocable.

Financial liabilities measured at fair value through profit or loss under the fair value option are initially recognised at fair value, excluding transaction costs (which are recognised directly in profit or loss) but including accrued interest.

These financial liabilities are subsequently measured at fair value, with changes in fair value recognised:

- in profit or loss for changes in fair value not related to credit risk (in the income statement under "Gains and losses on financial instruments at fair value through profit or loss, net");
- in other comprehensive income not to be reclassified to profit or loss for changes in fair value related to credit risk (in the statement of financial position under "Other comprehensive income").

They are reported in the statement of financial position under "Financial liabilities at fair value through profit or loss".

2.1.3.1.3.2.3 Financial liabilities recognised at amortised cost

All other liabilities that meet the definition of financial liability (excluding derivatives) are measured at amortised cost.

Financial liabilities measured at amortised cost are initially recognised at fair value, which includes transaction costs and accrued interest (unless it can be demonstrated that the transaction costs are not material).

These financial liabilities are subsequently measured at amortised cost using the effective interest rate method.

They are reported in the statement of financial position under "Debt securities", "Due to credit institutions", and "Due to customers" depending on the type of instrument.

2.1.3.1.3.3 Reclassification of financial liabilities

The initial classification of financial liabilities is irrevocable. No subsequent reclassification is permitted.

2.1.3.1.3.4 Derecognition of and changes in financial liabilities

A financial liability is fully or partially derecognised:

- when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires; or
- when quantitative or qualitative analyses indicate that it has been substantially modified.

A substantial modification of an existing financial liability must be accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The difference between the carrying amount of the extinguished financial liability and the new financial liability is recognised immediately in profit or loss.

If the financial liability is not derecognised, the original effective interest rate is maintained. A discount/premium is recognised immediately in profit or loss on the date of the modification, and is then amortised at the original effective interest rate over the remaining life of the instrument.

2.1.3.1.4 Impairment for credit risk

Credit risk is defined as the risk of loss arising from the default by a counterparty resulting in its inability to meet its commitments to the Caisse des Dépôts Group.

IFRS 9 has introduced an impairment model based on expected credit losses (ECL), which aims to anticipate the recognition of credit losses at the earliest possible stage.

2.1.3.1.4.1 Scope of the ECL impairment model

The ECL impairment model applies to the following assets, if they are not measured at fair value through profit or loss:

- financial assets qualified as debt instruments recognised at amortised cost or at fair value through other comprehensive income to be reclassified to profit or loss (loans, receivables, securities);
- lease receivables that fall within the scope of IFRS 16;
- trade receivables and contract assets generated by transactions that fall within the scope of IFRS 15;
- guarantee commitments that fall within the scope of IFRS 9 (see section 2.1.3.1.9);
- financing commitments (see section 2.1.3.1.10).

Equity instruments, whether recognised at fair value through profit or loss or, under the option provided for, at fair value through other comprehensive income not to be reclassified to profit or loss, are therefore not affected by the impairment provisions.

2.1.3.1.4.2 Models based on expected credit losses

Credit losses correspond to the difference between all the cash flows that are due to an entity in accordance with the contractual provisions and all the cash flows that the entity expects to receive, discounted at the original effective interest rate.

The cash flows that the entity expects to receive must include flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms of the financial instrument.

Expected credit losses therefore correspond to the weighted average of credit losses based on the counterparty's default risk.

2.1.3.1.4.2.1 General ECL model

The general ECL model relies on a three-stage approach to risk based on the extent of the deterioration in the credit quality of a financial asset since initial recognition:

- Stage 1: this risk level includes all financial assets on initial recognition as well as on subsequent measurement, if they have not had a significant increase in credit risk since initial recognition.

  The entity recognises twelve-month expected credit losses for these financial assets. Interest income is recognised through profit or loss using the effective interest rate method applied to the gross carrying amount of the assets (i.e. amortised cost before recognition of impairment);

- Stage 2: this risk level consists of financial assets that have had a significant increase in credit risk since their initial recognition.

  The entity recognises lifetime expected credit losses for the financial instrument. Interest income is recognised through profit or loss using the effective interest rate method applied to the gross carrying amount of the assets (i.e. amortised cost before recognition of impairment).

  Thereafter, if credit quality subsequently improves to the point that the increase in credit risk since initial recognition is no longer considered significant, impairment for credit risk is once again measured based on twelve-month expected credit losses. In that case, the financial asset is reclassified to Stage 1;

- Stage 3: this risk level comprises credit-impaired financial assets for which there is objective evidence of impairment. These are financial assets where one or more events that have a detrimental impact on their estimated future cash flows have occurred since initial recognition. This level of risk therefore consists of financial assets that are in default (non-performing).

  The entity recognises lifetime expected credit losses for the financial instrument. Interest income is recognised through profit or loss using the effective interest rate method applied to the net carrying amount of the assets (i.e. amortised cost after impairment).

  Thereafter, if credit quality subsequently improves, the financial asset is reclassified to Stage 2, then potentially to Stage 1. The procedures for measuring impairment for credit risk and interest income are then modified accordingly.

2.1.3.1.4.2.2 Simplified ECL model for trade receivables, contract assets and operating lease receivables

A simplified approach has been introduced under IFRS 9 for trade receivables and contract assets that fall within the scope of IFRS 15, as well as for lease receivables that fall within the scope of IFRS 16. When applying this simplified approach, which allows entities to avoid monitoring changes in the credit quality of the receivable and calculating the twelve-month expected loss, impairment is always equal to lifetime expected credit losses.

This simplified approach is mandatory for trade receivables and contract assets that do not contain a significant financing component. It is optional for trade receivables and contract assets that contain a significant financing component, as well as for lease receivables, with the possibility of applying this option separately to lease receivables on finance leases and operating leases.

The Caisse des Dépôts Group has decided to use this simplified approach to calculate impairment of operating lease receivables, as well as of trade receivables and contract assets that contain a significant financing component. The general ECL model is applied to finance lease receivables.

Lifetime expected credit losses are therefore measured for all trade receivables, contract assets and operating lease receivables (which are as assigned to Stage 2 or Stage 3).

2.1.3.1.4.3 Significant increase in credit risk, definition of default (non-performing) and objective evidence of impairment

In the general ECL model (see section 2.1.3.1.4.2), classification to the different risk levels is based on the concepts of significant increase in credit risk, default (non-performing) and objective evidence of impairment.

2.1.3.1.4.3.1 Significant increase in credit risk

Significant increase in credit risk is assessed on an individual basis or, where applicable, on the basis of homogeneous portfolios of assets, if information about the significant deterioration is not identifiable on an individual financial asset level.

To make the assessment, account is taken of all reasonable and supportable information that is available without undue cost or effort, by comparing the risk of default on a financial instrument at the reporting date with the risk of default on the same instrument on initial recognition. This assessment must take account of information about past events, current conditions, and reasonable and supportable projections about future economic conditions and events (forward-looking information).

A transfer from Stage 1 to Stage 2, reflecting a significant increase in credit risk, should typically be recognised before the transaction is impaired on an individual basis due to the existence of objective evidence of impairment and before the loan is classified in Stage 3.

The Caisse des Dépôts Group also makes significant use of the rebuttable presumption provided for under IFRS 9 to consider that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

Conversely, IFRS 9 provides that if the default risk is considered low at the reporting date and if the borrower has a strong capacity to meet its contractual cash flow obligations in the near term without this capacity being significantly reduced by adverse changes in economic conditions in the longer term, it may be assumed that the credit risk on a financial asset has not increased significantly since initial recognition. Any collateral held on financial assets is not taken into consideration in this judgement.

This rule is applied by the Caisse des Dépôts Group to a significant extent, notably to monitor the deterioration in investment grade securities.

2.1.3.1.4.3.2 Default (non-performing)/Objective evidence of impairment

The definition of default (non-performing) for the purposes of measuring expected credit losses is identical to that used for the purposes of internal credit risk management.

The Group applies the new definition of default for prudential purposes as set out in articles 127 and 178 of Regulation (EU) 575/2013 together with European Banking Authority guidelines 2016/07.

The new definition of default sees (i) the introduction of new absolute and relative materiality thresholds to be applied to amounts past due in order to determine whether a default has occurred and (ii) clarification of the criteria for return to non-default status, involving a probationary period.

The clarifications on how to identify a default remain consistent with the criteria for treating an exposure as credit-impaired under IFRS 9 (assigning it to Stage 3). Accordingly, the impact of the changes resulting from the application of the new definition of default are not material.

An exposure is considered to be in default (non-performing) when at least one of the following two conditions is met:

- a payment is more than 90 days past due and exceeds the regulatory materiality threshold, unless specific circumstances show that the arrears are due to reasons unrelated to the debtor's financial situation;
- the entity believes that the debtor is unlikely to meet all its credit obligations without recourse to measures such as the enforcement of collateral.

A loan in default (non-performing) is said to be credit-impaired when one or more observable events that have a detrimental impact on this financial asset's estimated future cash flows have occurred.

These observable events, used for a Stage 3 risk classification and which reflect the existence of a known credit risk, are:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract (past-due event);
- the lender, for reasons relating to the borrower's financial difficulty, having granted to the borrower concessions at very favourable conditions that it would not have otherwise considered (extension, lower rate, etc.);
- the borrower's bankruptcy or financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties.

The default status shall apply for a probationary period of three months after all aforementioned default indicators are no longer present. This probationary period is extended to one year for loans that have undergone distressed restructuring and have been transferred to Stage 3.

2.1.3.1.4.4 Measurement of expected credit losses

The methods for calculating expected credit losses are implemented independently in each Caisse des Dépôts Group entity given the wide variety of their businesses. These calculation methods may also differ within a single entity, depending on the portfolios of financial assets held and the information available on these portfolios.

2.1.3.1.4.4.1 General ECL measurement model

To measure expected credit losses, the Caisse des Dépôts Group entities that conduct banking operations (mainly La Poste group with its subsidiary La Banque Postale, the Caisse des Dépôts Central Sector, SFIL group and the Bpifrance group) rely largely on concepts and procedures that already exist as part of their supervisory monitoring framework.

The general methodology for calculating expected credit losses is thus based on three parameters:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

The criteria for assigning assets to the different risk levels, which determine the method used to measure expected credit losses, are based on a comparison between the financial asset's PD on the reporting date and its initial recognition date (these PDs themselves result from the ratings assigned to counterparties from internal or external models) and on the default status (non-performing).

A financial asset is therefore generally assigned:

- to Stage 1 if its PD on the reporting date has not deteriorated significantly relative to its initial PD or if it is considered to have a low credit risk (investment grade);
- to Stage 2 if its PD on the reporting date has deteriorated significantly relative to its initial PD (use of transition matrices), if it has payments more than 30 days past due or if the counterparty is monitored as part of a watchlist;
- to Stage 3 if it has been impaired due to the existence of a known credit risk. In that case, the financial asset is in default (non-performing).

Expected credit losses are calculated as the product of PD multiplied by LGD and EAD for each weighted scenario developed.

The time horizon used for the ECL calculation depends on the risk level to which the financial assets have been assigned:

- one-year PD for financial assets classified to Stage 1;
- lifetime PD for financial assets classified to Stage 2.

The various parameters used to estimate expected credit losses (PD, EAD, LGD) rely on those used at the supervisory monitoring level (Basel parameters), which should be restated to comply with the requirements of IFRS 9.

Specific adjustments are therefore made to account for conditions on the reporting date and forward-looking macroeconomic projections:

- IFRS 9 parameters aim to estimate losses as accurately as possible for accounting provision purposes, whereas prudential parameters are generally more cautious for regulatory purposes. Several of these safety buffers are therefore restated;

- IFRS 9 parameters must allow losses to be estimated until the contract's maturity, whereas prudential parameters are defined to estimate one-year losses. One-year parameters are thus projected over long horizons;
- IFRS 9 parameters must be forward-looking and take into account the expected economic conditions over the projection horizon, whereas prudential parameters correspond to average cycle estimates. Prudential parameters are therefore also adjusted based on the expected economic conditions.

Parameters are adjusted to the economic environment by defining reasonable and supportable economic scenarios, combined with probabilities of occurrence. Three economic scenarios projected over several years (one core scenario and two alternative scenarios), provided by the Central Sector's economic research department, are used.

Once the parameters have been defined, expected credit losses can be measured for all rated exposures. For unrated exposures, prudent ECL measurement rules are applied, with historical loss information produced.

2.1.3.1.4.4.2 Simplified ECL valuation model for trade receivables, contract assets and lease receivables on operating leases

Lifetime expected credit losses are measured for all trade receivables, contract assets and operating lease receivables (which are assigned to Stage 2 or Stage 3) (see section 2.1.3.1.4.2).

Assets are assigned to Stage 3 when they are impaired due to the existence of a known credit risk (financial assets in default). In such cases, impairment for credit risk corresponds to the difference between all the cash flows that are due to an entity in accordance with the contractual provisions and all the cash flows that the entity expects to receive, discounted at the original effective interest rate, if applicable.

All other assets are assigned to Stage 2. Impairment for credit risk is subsequently measured at an amount equal to lifetime expected credit losses, based on available information. Entities may, in particular, use impairment calculation matrices based on how long past due the payment is.

2.1.3.1.4.5 Restructuring operations

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

Restructuring processes are defined using two main criteria:

- concessions granted by the entity;
- the borrower's financial difficulties.

It is therefore necessary to analyse whether or not the contractual amendments to the loan relating to the borrower's financial difficulties will lead to derecognition of the loan.

Where the restructuring changes the contractual cash flows of the initial loan in a non-substantial manner, the initial loan is not derecognised. It is subject to a value adjustment (discount) made to reduce its carrying amount to the discounted amount, at the original effective interest rate of the loan, of the new expected future cash flows.

The interest rate discount recorded at the time of the loan restructuring is recorded in the income statement under "Cost of credit risk" and on the statement of financial position less the corresponding outstanding amount. The discount is then reclassified to the income statement in the interest margin in an actuarial manner over the term of the loan.

Any write-offs are recorded directly in profit or loss under "Cost of credit risk".

The restructured loan, which has not been derecognised, continues to be subject to the same assessments aimed at determining whether or not it has undergone a significant increase in credit risk since its initial recognition. To determine its allocation to the risk class and the amount of impairment for credit risk, a comparison is made between:

- the risk of default at the reporting date (based on the contractual conditions modified due to the restructuring); and
- the risk of default at the initial recognition date (according to the original, unmodified contractual conditions).

However, if the restructuring substantially modifies the contractual cash flows of the initial loan, the initial loan is derecognised and the new financial asset provided in exchange is recognised at its fair value at the date of the exchange. The difference in value recorded during this exchange is recognised in the income statement under "Cost of credit risk".

The restructuring date is therefore the initial recognition date for applying the provisions relating to the initial recognition of the new post-restructuring financial asset (see section 2.1.3.1.2.3) and the credit risk impairment rules (see section 2.1.3.1.4).

Given the various cases in which restructuring may lead to derecognition, a case-by-case analysis is conducted in order to decide on the allocation of the new post-restructuring financial asset to the risk class.

2.1.3.1.4.6 Uncollectibility of financial assets

When a financial asset is deemed uncollectible, i.e. there is no hope of full or partial recovery (including through the enforcement of any collateral), it should be derecognised from the statement of financial position and the amount deemed non-recoverable should be written off.

The timing of the write-off is determined by expert opinion. Each entity must therefore establish this timing based on its knowledge of its business.

Before any write-off, the financial asset should be transferred to Stage 3 and a lifetime expected credit loss should be recognised (with the exception of financial assets recognised at fair value through profit or loss).

For financial assets recognised at amortised cost or at fair value through other comprehensive income to be reclassified to profit or loss, the amount written off is recognised in the income statement under "Cost of credit risk".

2.1.3.1.5 Derivative financial instruments

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

- its value fluctuates according to an interest rate, the price of a financial instrument, the price of commodities, a foreign exchange rate, a price or share price index, a credit rating or a credit index, or another variable called the underlying;
- it requires a low or zero net initial investment or lower than a non-derivative financial instrument to have the same sensitivity to changes in the underlying;
- it is settled at a future date.

Derivative instruments are financial assets and liabilities initially recognised in the statement of financial position at the transaction price. They are subsequently measured at fair value, regardless of whether they are held for trading or as part of a hedging relationship.

2.1.3.1.5.1 Derivative instruments held for trading

Derivatives are considered financial instruments held for trading, with the exception of derivatives that are part of a hedging relationship.

Derivative instruments held for trading are recognised in the statement of financial position under "Financial assets/liabilities at fair value through profit or loss". They are recognised as assets when their market value is positive and as liabilities when it is negative. Realised and unrealised gains and losses are recognised in the income statement under "Gains and losses on financial instruments at fair value through profit or loss, net".

2.1.3.1.5.2 Derivative instruments and hedge accounting

The hedge accounting provisions of IFRS 9 will not be effective until the macro hedge project has been finalised. They are therefore independent of the provisions of IFRS 9 on the classification, measurement and impairment of financial instruments.

The Caisse des Dépôts Group decided to apply the provisions of IFRS 9 for hedge accounting as from 1 January 2018 (excluding macro-hedging transactions, which are subject to a draft separate standard currently under review by the IASB and for which the provisions of IAS 39 adopted by the European Union continue to apply).

IFRS 9 includes some significant advances relative to IAS 39, among which:

- a better translation of entities' risk management policy in the financial statements, resulting in both an expansion of the scope of transactions eligible for hedge accounting and a better reflection of hedging transactions in profit or loss; and
- an easing of effectiveness testing, with the elimination of the retrospective effectiveness test and of the 80%-125% range.

Hedge accounting can be applied to a hedging relationship only if all of the following conditions have been met:

- eligibility of hedging instruments;
- eligibility of hedged items;
- existence of documentation from inception;
- compliance with the effectiveness criteria;
- eligibility of the types of hedging relationships.

2.1.3.1.5.2.1 Eligibility of hedging instruments

IFRS 9 does not change the conditions under which a derivative instrument may qualify as a hedging instrument.

Thus, a derivative may be designated in its entirety as a hedging instrument, with some exceptions such as the possibility of using only a portion of the notional amount of a derivative (and not a portion of its term).

2.1.3.1.5.2.2 Eligibility of hedged items

IFRS 9 expands the scope of hedged items that may be eligible for hedge accounting relative to IAS 39. As a result:

- financial assets qualified as debt instruments and recognised at amortised cost can now be hedged against interest rate risk even if the management intention is to hold them to maturity.

  Under IAS 39, these financial assets were recognised as "Held-to-maturity investments" and could not be hedged against interest rate risk;
- financial assets qualified as equity instruments (shares) and recognised at fair value through other comprehensive income not to be reclassified to profit or loss under the option provided for may be hedged at fair value even though the changes in fair value never affect profit or loss.

  These methods of recognising and hedging equity instruments did not exist under IAS 39.

2.1.3.1.5.2.3 Existence of documentation from inception

To best ensure that accounting hedges align with risk management, all hedging relationships must fall within a framework defined by:

- a risk management strategy that defines the general framework by identifying the risks to which the entity is exposed and describing how these risks are managed overall (risk management policy); and
- certain management objectives that represent the implementation of the overall strategy at the individual hedging transaction level.

The documentation required from the inception of the hedging relationship should therefore identify the hedging instrument, the hedged item and the nature of the risk being hedged and describe how the entity will assess whether the hedging relationship meets the hedge effectiveness requirements (including its analysis of the sources of hedge ineffectiveness and an explanation of how it determines the hedge ratio, where applicable).

2.1.3.1.5.2.4 Compliance with the effectiveness criteria

The effectiveness criteria which must be satisfied in order to apply hedge accounting under IFRS 9 have been changed relative to IAS 39 and are based on a less rigid approach which relies more on the use of judgement.

The criteria, which relate to expectations about hedge effectiveness, should be assessed on a prospective basis. There are three criteria:

- there is an economic relationship between the hedged item and the hedging instrument (inverse correlation);
- changes in the value of the hedging instrument or the hedged item are not linked primarily to a change in the counterparty's credit risk;
- in the case of hedging with a derivative that approximates the risk being hedged, the hedge ratio (i.e. quantity of the hedged item/quantity of the hedging instrument) used for accounting purposes must correspond to the ratio used by the entity for risk management purposes. There must be no obvious imbalance.

Prospective effectiveness tests must be conducted at the inception of the hedging relationship and, at a minimum, on each reporting date.

2.1.3.1.5.2.5 Eligibility of the types of hedging relationships.

Like IAS 39, IFRS 9 recognises three types of hedging relationships.

Hedging derivatives meeting the criteria required by IFRS 9 (and IAS 39 adopted by the European Union for macro-hedging transactions) are recognised in the statement of financial position under "Hedging instruments". By default, other derivative instruments are recognised in the balance sheet under "Financial assets/liabilities at fair value through profit or loss", even if economically they have been subscribed to with a view to hedging one or more transactions.

2.1.3.1.5.2.5.1 Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment.

In a fair value hedging relationship, the hedging instruments are measured at fair value in the statement of financial position (under "Hedging instruments"), with an offsetting entry in:

- the income statement, together with the gains and losses that arise on the hedged item (general case) (under "Gains and losses on financial instruments at fair value through profit or loss, net" in the income statement);
- other comprehensive income not to be reclassified to profit or loss, together with the gains and losses that arise on the hedged equity instruments when the latter are recognised at fair value through other comprehensive income not to be reclassified to profit or loss under the option provided for (under "Other comprehensive income" in the statement of financial position).

In the statement of financial position, the gain or loss from remeasuring the hedged item is recognised based on the classification of the hedged item in a relationship hedging identifiable assets or liabilities.

An entity should discontinue fair value hedge accounting prospectively only when the hedging relationship no longer meets the eligibility conditions. In this situation:

- the hedging instrument continues to be recognised in the statement of financial position at fair value through profit or loss but is reclassified to "Financial assets/liabilities at fair value through profit or loss". If it no longer exists, the hedging instrument is derecognised;
- The hedged item continues to be recognised in the statement of financial position in the manner in which it had been recognised before the hedging transaction, unless it no longer exists, in which case it is derecognised. The hedged item is no longer adjusted for any changes in fair value related to the risk being hedged. The gains or losses recognised in the statement of financial position for the previously-hedged risk is amortised over the remaining life of the hedged item.

2.1.3.1.5.2.5.2 Macro-hedging

The Caisse des Dépôts Group applies the provisions of IAS 39 adopted by the European Union to macro-hedging transactions carried out as part of the asset/liability management of fixed-rate positions.

Some Group entities conduct an overall analysis of their interest rate risk. This analysis consists in assessing interest rate risk on all fixed rate elements recognised on the statement of financial position that generate such risk. These entities select the financial assets and liabilities that must be included in the interest rate risk hedging of the macro-hedging portfolio. These financial assets and liabilities are classified by portfolio maturity time intervals. Therefore, when these items are removed from the portfolio, they must be removed from all the time buckets to which they were allocated.

The entities constitute homogeneous portfolios, mainly loans and bond issues. Based on this differential analysis, performed on a net basis, they define the risk exposure to be covered, the length of time intervals, the test method and the frequency at which the tests are performed.

The macro-hedging instruments used by these entities are essentially simple interest rate swaps designated upon their establishment as fair value hedges of fixed-rate sources or uses. The effectiveness of these hedging relationships is evidenced through target schedules. The purpose of forward-looking effectiveness testing (carried out on the hedge designation date) and retrospective effectiveness testing (performed on each half–year and annual reporting date) is to ensure that there is no over-hedging. They are verified if, for each maturity band of the target schedule, the nominal amount of the hedged items is greater than the notional amount of hedging derivatives.

Macro-hedging instruments are derivatives whose accounting treatment is identical to that described for fair value hedges. In particular, they are recognised at fair value.

Revaluations relating to the hedged risk are recognised on the statement of financial position (either as assets or liabilities depending on whether the hedged-item groups are assets or liabilities) under "Cumulative fair value adjustments to portfolios hedged against interest rate risk".

2.1.3.1.5.2.5.3 Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows from financial instruments or a highly probable forecast transaction.

In a cash flow hedging relationship, hedging instruments are measured at fair value in the statement of financial position (under "Hedging instruments"), with an offsetting entry to "Other comprehensive income" for the effective portion (equity) and to "Gains and losses on financial instruments at fair value through profit or loss, net" for the ineffective portion (income statement).

The amounts accumulated in equity over the life of the hedge are taken to profit or loss under "Interest income" or "Interest expense" as and when the hedged item itself affects profit or loss.

Hedged items continue to be accounted for under the rules applicable to their category.

An entity should discontinue cash flow hedge accounting prospectively only when the hedging relationship no longer meets the eligibility conditions. In this situation:

- the hedging instrument continues to be recognised in the statement of financial position at fair value through profit or loss but is reclassified to "Financial assets/liabilities at fair value through profit or loss". If it no longer exists, the hedging instrument is derecognised;
- The cumulative gain or loss on the hedging instruments that has been recognised in equity will remain in equity until the forecast transaction affects profit or loss or until the transaction is no longer expected to occur, in which case it is reclassified to profit or loss;
- If the hedged item no longer exists, the amounts accumulated in equity are recognised immediately in profit or loss.

2.1.3.1.5.2.5.4 Net investment hedges

A net investment hedge is a hedge of the exposure to unfavourable changes in fair value attributable to the currency risk on an investment other than in euros. The recognition principles applicable to net investment hedges are identical to those for cash flow hedges.

Irrespective of the hedging strategy, hedge ineffectiveness is recognised in profit or loss under "Gains and losses on financial instruments at fair value through profit or loss, net" in the income statement (with the exception of fair value hedges of equity instruments recognised at fair value through other comprehensive income not to be reclassified to profit or loss under the option provided for, for which hedge ineffectiveness is recognised in the statement of financial position under "Other comprehensive income").

The Caisse des Dépôts Group has also chosen to recognise certain hedged items and the related hedging instruments under "Financial assets/liabilities at fair value through profit or loss" as allowed under IFRS 9. This treatment has been applied primarily to government bonds and negotiable debt securities hedged by swaps under asset swap agreements.

2.1.3.1.6 Embedded derivatives

An embedded derivative is a component of a hybrid (combined) instrument that meets the definition of a derivative instrument. This designation applies only to financial liabilities and not to financial assets, for which the financial asset as a whole must be recognised in accordance with the provisions of IFRS 9 as described in section 2.1.3.1.2.3 (i.e. a derivative embedded in a financial asset cannot be separated).

Derivatives embedded in a financial liability must be separated from the host contract and recognised as derivatives if the following three conditions are met:

- the hybrid contract is not measured at fair value through profit or loss;
- separated from the host contract, the embedded component has the characteristics of a derivative;
- the economic characteristics and risks of the embedded derivative are not closely related to those of the host contract.

An embedded derivative that is accordingly separated from the financial liability is recognised at fair value under "Financial liabilities at fair value through profit or loss".

2.1.3.1.7 Fair value of financial instruments

Financial assets and liabilities at fair value through profit or loss, hedging instruments and financial assets at fair value through other comprehensive income (to be and not to be reclassified to profit or loss) are measured and recognised at fair value on initial recognition and at subsequent reporting dates.

Fair value as defined by IFRS 13 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 Caisse des Dépôts Group determines the fair value of financial instruments based on either prices obtained directly from external inputs or from valuation techniques. The valuation techniques applied are primarily the market approach and the income approach, which draw on several widely used techniques such as discounted cash flow and adjusted net asset value models. These approaches maximise the use of observable inputs and minimise the use of unobservable inputs. Valuation techniques are calibrated to reflect current market conditions.

Assets and liabilities recognised or shown at fair value correspond to the following levels in the fair value hierarchy:

- level 1: fair value is determined using prices quoted in active markets (unadjusted) for identical assets or liabilities. An active market is a market in which transactions in the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis;
- level 2: fair value is determined using valuation techniques that chiefly rely on directly or indirectly observable market inputs. These techniques are regularly calibrated and the inputs corroborated by data from active markets ("market-corroborated data");
- level 3: fair value is determined using valuation techniques that chiefly rely on unobservable inputs or on inputs that cannot be corroborated by market data, for example due to a lack of liquidity for the instrument or to a significant model risk. Unobservable inputs are inputs for which no market data is available, and which therefore result from internal assumptions based on data that would be used by other market participants. Judgement is involved in determining when there is a lack of liquidity or a risk relating to the use of a model.

When several inputs are used to calculate the fair value of a financial asset or liability, the fair value obtained is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire fair value measurement.

Unlisted equity instruments

The fair value of unlisted equity instruments is generally computed using a number of different techniques (discounted cash flows, adjusted net asset value or multiples for comparable companies):

- if fair value is based on data relating to comparable listed companies or, for property investments, on a revaluation of property using observable market inputs, equity instruments are classified in level 2 of the fair value hierarchy;
- however, if fair value is calculated based on discounted cash flows or adjusted net asset value using internal company data, the equity instruments are classified in level 3 of the fair value hierarchy. This also applies to instruments measured using the multiples approach when the inputs require significant adjustments based on unobservable inputs to reflect factors specific to the entity concerned.

2.1.3.1.8 Offsetting of financial assets and liabilities

In accordance with IAS 32 "*Financial Instruments: Presentation*", the Caisse des Dépôts Group offsets a financial asset and a financial liability and presents a net amount when, and only when:

- it has a legally enforceable right to set off the recognised amounts; and
- it intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The legally enforceable right must be irrevocable and must be able to be exercised in all circumstances.

This right applies to all transactions with the clearing house and applies to nominal cash amounts and interest incorporated into the repayment flow.

Repurchase agreements whose operating principles meet the two criteria required by the standard are offset on the statement of financial position where:

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

Offsetting mainly concerns repurchase transactions made with the LCH Clearnet clearing house.

2.1.3.1.9 Financial guarantees given

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss that the holder suffers because a specified debtor fails to make a payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially measured at fair value and subsequently at the higher of:

- the amount of impairment determined using the ECL method as described in "Impairment for credit risk" (see section 2.1.3.1.4); or
- the amount initially recognised less, where applicable, the total income recognised in accordance with the principles of IFRS 15.

They are reported in liabilities, under "Provisions".

2.1.3.1.10 Financing commitments

Financing commitments that are not considered derivatives within the meaning of IFRS 9 or that are not designated as financial liabilities measured at fair value through profit or loss under the fair value option are not recognised in the statement of financial position.

However, they are covered by provisions determined using the ECL method under IFRS 9 as described in "Impairment for credit risk" (see section 2.1.3.1.4).

They are reported in liabilities, under "Provisions".

Financing commitments whose conditions are below market conditions must also be recognised initially at fair value. This fair value gives rise to the recognition of a discount in profit or loss as soon as the lending commitment is made (the discount represents the difference between the rate granted and the market rate on an actuarial basis), with an offsetting entry to a provision account in liabilities.

Financing commitments that have been entered into at a below-market interest rate are subsequently measured at the higher of:

- the amount of impairment determined using the ECL method as described in "Impairment for credit risk" (see section 2.1.3.1.4); or
- the amount initially recognised less, where applicable, the total income recognised in accordance with the principles of IFRS 15.

2.1.3.2 Insurance activities

2.1.3.2.1 General accounting principles

2.1.3.2.1.1 Financial instruments held by insurance subsidiaries

The financial assets and liabilities of fully consolidated insurance subsidiaries are measured and recognised in accordance with IFRS 9 and presented using the "overlay" approach for designated financial assets.

The overlay approach allows insurance companies to reclassify between net income and "Other comprehensive income" (equity) the difference between the amount presented in the income statement under IFRS 9 for eligible financial assets and the amount that would have been presented in the income statement for these same eligible financial assets if the insurance undertaking had applied IAS 39.

The overlay approach addresses the temporary accounting consequences of the difference in application dates of IFRS 9 and the new insurance contracts standard replacing IFRS 4 (IFRS 17), by eliminating from the income statement the volatility that may arise from the application of IFRS 9 before the entry into force of IFRS 17.

To be eligible for the overlay approach, financial assets must meet the following characteristics:

- they are held by insurers within the Group for insurance purposes;
- they are measured at fair value through profit or loss under IFRS 9, but would not have been measured as such in accordance with IAS 39.

Eligible financial assets are designated on an instrument-by–instrument basis and can be carried out:

- at 1 January 2018, during the first-time application of IFRS 9;
- at a later date, but only for the initial recognition of the assets in question.

2.1.3.2.1.2 Insurance contracts

Pending the future IFRS 17 standard on insurance contracts, insurance subsidiaries continue to apply IFRS 4 to the following contracts:

- insurance contracts covering a risk for the policyholder. This category covers death and disability, pension, property and casualty contracts and unit-linked savings contracts with a capital guarantee;
- investment contracts issued by the insurer with a discretionary participation feature (DPF).

In accordance with IFRS 4, technical provisions for contracts in both categories continue to be measured based on local GAAP.

The investment contracts accounted for in accordance with IFRS 9 are contracts without DPF, i.e. unit-linked savings contracts without a traditional savings component and without a capital guarantee.

Pursuant to the shadow accounting principles set out in IFRS 4, a deferred participation provision is recorded for insurance policies with DPF. This provision is determined in a way that reflects the potential rights of policyholders to a share of unrealised gains or their potential participation in unrealised losses on financial instruments measured at fair value.

At each reporting date, the Group's fully-consolidated insurance subsidiaries perform liability adequacy tests to check that recognised insurance liabilities, net of deferred acquisition costs and related intangible assets, are adequate. These tests are performed using current estimates of future cash flows arising from insurance liabilities and investment contracts with DPF.

2.1.3.2.2 Technical provisions and mathematical reserves

Technical provisions reflect the insurer's obligations towards policyholders:

- Mathematical reserves for traditional savings contracts correspond to the difference between the present value of the insurer's obligation and that of the policyholder.

Life insurance provisions are determined using discount rates not exceeding a conservative estimate of the future yield on the underlying assets.

The insurer's obligations are discounted at a rate not exceeding the rate used to price the policy concerned, and take into account statutory mortality tables or experience-based tables if these are more conservative. The discount rate applied to annuity obligations takes into account the consequences of a fall in interest rates when the rate used to price the policy is considered too high relative to expected reinvestment rates.

Mathematical reserves for unit-linked contracts are determined on the basis of the underlying assets. Gains or losses resulting from the remeasurement of the assets at fair value are recognised in profit or loss to offset the impact of changes in the related technical reserves.

- Claims equalisation provisions are set aside to cover the exceptional cost of natural disaster, atomic, environmental liability, space, air transport and terrorism claims.
- Outstanding claims provisions are determined based on the estimated cost of settling the claims, net of subrogation and salvage.

2.1.3.2.3 Deferred participation

Most investment contracts sold to policyholders by the Group's life insurance subsidiaries include a discretionary participation feature (DPF).

The DPF clause entitles the policyholder to a share of investment income over and above the guaranteed yield. Pursuant to the shadow accounting principles set out in IFRS 4, the deferred participation provision recorded for these contracts is adjusted to reflect the potential rights of policyholders to a share of unrealised gains or their potential participation in unrealised losses on financial instruments measured at fair value. The share of gains attributed to policyholders is determined based on the specific terms of the investment contract with DPF.

The net deferred participation resulting from the application of shadow accounting principles is recognised either in liabilities (deferred participation provision) under "Insurance company technical provisions and shadow accounting reserves" or in assets (deferred participation asset) under "Prepayments, accrued income and other assets" as appropriate.

Deferred participation assets are tested for impairment. The purpose of this test is to demonstrate, based on the going concern assumption, that the deferred participation asset will be recoverable against the policyholder's share of future investment income or capital gains, and that the liabilities recognised by the Group are adequate relative to the economic liability. The recoverability test is performed using current estimates of future contractual cash flows. The subsidiaries' asset/liability management models are used to assign a value to liabilities under a wide range of economic scenarios based on a stochastic approach.

In accordance with the recommendation of the French National Accounting Council (CNC) of 19 December 2008 on methods for recognising deferred participating assets issued, recoverability of the participating asset is based on a prudent assessment of the capacity for holding the assets, particularly in terms of their future collection in forecast cash flows. Likewise, the ability to generate adequate future gains to absorb unrealised losses is tested, based on a worst-case surrender scenario that has never yet been experienced.

2.1.3.3 Investments in equity-accounted companies

The Group's interests in associates and joint ventures are accounted for by the equity method.

Under this method, the investment in an associate or joint venture is initially recognised at cost and subsequently adjusted to reflect any changes in the Group's share in the investee's net assets after the acquisition date. Goodwill relating to interests in associates and joint ventures is included in the carrying amount of the investment.

The Group's share of the earnings of associates and joint ventures is reflected in the income statement under "Share of profit (loss) of equity-accounted companies".

After the equity method is applied, the Caisse des Dépôts Group's interest in an associate or joint venture is impaired and an impairment loss is recognised if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the interest (loss event) and if that loss event (or events) has an impact on the estimated future cash flows of the interest that can be reliably estimated. The losses expected as a result of future events are, however, not recognised.

If there is objective evidence of impairment, the full amount of the equity-accounted investment is tested for impairment in accordance with IAS 36 "*Impairment of Assets*". An impairment loss is recognised if the recoverable amount of the investment, reflecting the higher of its fair value less the costs of disposal and its value in use, is lower than its carrying amount.

When an impairment loss is recognised, it is charged against the value of the equity-accounted investment in the statement of financial position, and may subsequently be reversed if the value in use or fair value less the costs of disposal increases. The impairment loss is recognised in the income statement under "Share of profit (loss) of equity-accounted companies".

If the Group's share in the losses of an equity-accounted company equals or exceeds its interest in that equity-accounted company, the Caisse des Dépôts Group discontinues recognising its share of further losses. Its interest is then reduced to zero. Additional losses of the associate or joint venture are provided for only to the extent that the Group has incurred legal and constructive obligations or made payments on behalf of the associate or joint venture.

When an interest in a joint venture becomes an interest in an associate (and vice versa), any retained interest in the investment is not revalued. This also applies to partial acquisitions and sales that do not result in a change of control.

Any gains or losses resulting from sales of investments in associates and joint ventures are recognised in the income statement under "Gains and losses on other assets, net".

2.1.3.4 Non-current assets held for sale and related liabilities, discontinued operations

A non-current asset or a disposal group is classified as held for sale when its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The asset or disposal group is reported on a separate line of the statement of financial position when it is highly probable that the sale of the asset will be completed within twelve months.

As soon as they are classified as held for sale, non-current assets and disposal groups are carried at the lower of their carrying amount and fair value less costs to sell and are no longer depreciated/amortised. However, the financial assets continue to be measured in accordance with the principles of IFRS 9.

Any impairment recognised on non-current assets held for sale and disposal groups is recognised in profit or loss and may be reversed in subsequent periods.

An operation is considered as discontinued when the related assets fulfil the criteria for classification as held for sale or when the operation has been sold. The profits or losses from discontinued operations are shown on a single line of the income statement for the periods presented. The reported amounts include the net profit or loss of the discontinued operations up to the date of sale and the after-tax disposal gain or loss.

2.1.3.5 Foreign currency transactions

At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are converted into the Caisse des Dépôts Group's functional currency at the year-end exchange rate.

The resulting conversion gains and losses are recognised in profit or loss. As an exception to this principle, for monetary assets classified as financial assets at fair value through other comprehensive income, only the portion of the conversion gain or loss calculated on these assets' amortised cost is recognised in profit or loss, with the other portion recognised in equity.

Concerning non-monetary assets:

- assets measured at historical cost are converted at the exchange rate on the transaction date;
- assets measured at fair value are converted at the exchange rate at the end of the reporting period.

Conversion gains and losses on non-monetary items are recognised in profit or loss if the gain or loss on the non-monetary item is also recognised in profit or loss, or in equity if the gain or loss on the non-monetary item is also recognised in equity.

2.1.3.6 Employee benefits

Benefits granted to the Group's employees fall into four categories:

- short-term benefits, such as salaries, paid annual leave, matching payments to employee savings plans, and discretionary and non-discretionary profit-sharing;
- post-employment benefits, corresponding to pensions, statutory length-of-service awards payable to employees on retirement, end-of-career arrangements, and medical cover;
- other long-term benefits such as jubilee, long-service benefits and time savings accounts;
- termination benefits.

2.1.3.6.1 Short-term benefits

Short-term benefits are employee benefits expected to be paid within twelve months of the end of the reporting period in which the employees render the related service. A liability and an expense are recognised when the Group has a contractual obligation or constructive obligation arising from past practices.

2.1.3.6.2 Post-employment benefits

Post-employment benefits comprise defined contribution plans and defined benefit plans.

Obligations under defined contribution plans are generally covered by contributions paid to a pay-as-you-go pension scheme or to an insurance company that manages benefit payments or by the French State for public service employees. In all cases, the contributions are in full discharge of any future liability for the Caisse des Dépôts Group. Contributions paid are expensed as incurred.

Defined benefit plans are plans under which the Group has an obligation to pay agreed benefits to current and former employees. These plans give rise to a medium- or long-term liability which is measured and provisioned in the financial statements.

In accordance with IAS 19, the projected benefit obligation is measured by the projected unit credit method based on a range of actuarial, financial and demographic assumptions. The projected unit credit method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation. Units of benefit entitlement are determined based on the discounted present value of the future benefits.

The discount rate used by the Group is determined by reference to the yield on investment-grade corporate bonds with a similar maturity to that of the benefit obligation within the same monetary area.

The provision for defined post-employment benefits is therefore equal to the present value of the defined benefit obligation at the end of the reporting period, calculated by the projected unit credit method, less the fair value of the plan assets, if any.

The provision is adjusted at the end of each reporting period to reflect changes in the projected benefit obligation.

All gains or losses on remeasuring the net defined benefit obligation (asset) are recognised immediately in equity under “Other comprehensive income” and are not reclassified to profit or loss in subsequent periods. These include actuarial gains and losses arising on changes in actuarial assumptions and experience adjustments, as well as the return on plan assets and the change in any asset ceiling (excluding amounts taken into account in calculating the net interest cost on the defined benefit obligation (asset)).

The annual cost of defined benefit plans recognised in personnel expenses reflects:

- the cost of services rendered by employees during the period (service cost);
- the cost of services rendered by employees in previous periods (past service cost), resulting from plan amendments or curtailments, as well as gains and losses on any plan settlements;
- the net interest cost related to discounting the net defined benefit obligation (asset). The interest rate used to calculate the expected return on plan assets is the same as the discount rate applied to the provision.

Outside France, Group employees are covered by various compulsory contributory pension schemes. The corresponding obligations are funded by contributions to company pension funds or recognised in the financial statements of the companies concerned.

2.1.3.6.3 Other long-term benefits

Other long-term benefits are benefits other than short-term benefits, post-employment benefits and termination benefits, that are not expected to be paid in the twelve months after the end of the period in which the employees render the related service.

They are measured and recognised on a similar basis to defined post-employment benefits, except that actuarial gains and losses are recognised directly in profit or loss.

2.1.3.7 Provisions for commitments on home savings contracts

The home savings accounts (CEL) and home savings plans (PEL) introduced for future home buyers by the law of 10 July 1965 include two phases: a saving phase, during which the saver earns interest, and a borrowing phase when the savings are used as a deposit for a home purchase financed in part by a subsidised loan.

They generate two types of obligation for the distributing institution:

- an obligation to remunerate future savings at a rate that is set for an indefinite period when the account is opened (PEL accounts opened before 28 February 2011) or that is revised annually (new generation accounts);
- an obligation to grant a home loan to customers who request it, at a rate set when the account is opened.

These obligations have potentially unfavourable consequences for the Group, which are covered by provisions recorded in liabilities (under “Provisions”). Changes in these provisions are taken into account for the determination of the net interest margin included in net banking income.

The provisions are estimated on the basis of customer behaviour statistics and market data for each generation of plans, in order to cover the future cost arising from the products’ potentially unfavourable interest rate terms relative to the rates offered to retail customers for similar products for which the remuneration is not regulated. The provisions only concern obligations in respect of home savings accounts and plans in progress at the date the provision is calculated.

Provisions are calculated for each generation of home savings plan, without offsetting obligations between generations, and for all the home savings accounts, which are considered as representing a single generation.

During the saving phase, the provision is measured as the difference between expected average savings deposits and expected minimum savings deposits, determined in both cases on a statistical basis taking into account observed historical customer behaviours.

During the borrowing phase, the provision concerns outstanding loans not yet due at the reporting date and future loans that are considered as statistically probable based on statement of financial position deposits at the calculation date and observed historical customer behaviours.

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

The net present value of future income is assessed relative to the interest rates offered to retail customers on equivalent savings and lending products for similar periods and with similar commencement dates.

2.1.3.8 Share-based payments

Share-based payments consist of payments based on the equity instruments of Group subsidiaries that are equity settled or cash settled for amounts that reflect the value of the underlying shares.

Most of the share-based payment plans set up by Group entities are equity-settled plans.

IFRS 2 also applies to rights issues carried out under the Group’s employee savings plans.

The employee benefit corresponds to the difference, at the purchase date, between the fair value of the acquired shares, taking into account the deemed cost of the lock-up feature, and the price paid by employees, multiplied by the number of shares purchased. At the end of each reporting period, the number of options likely to vest is reviewed. Where appropriate, the estimates are revised and the effect of the revision is recognised in the income statement with a corresponding adjustment to equity.

2.1.3.9 Fixed assets

Fixed assets in the consolidated statement of financial position include owner-occupied property and equipment, intangible assets and investment property.

Owner-occupied property is held for use in the production or supply of goods or services and for administrative purposes. It corresponds to assets not leased to third parties under operating leases.

Investment property corresponds to property held to earn rentals or for capital appreciation or both.

Owner-occupied and investment properties are initially recognised at cost, corresponding to their purchase price, any directly attributable expenditure and any borrowing costs.

Land and leasehold rights are not depreciated. Other assets are depreciated from the date they are put into service by the straight-line method. This method consists of recording a constant annual charge to write off the cost of the asset less its residual value over the asset's estimated useful life.

Government grants are recorded as a deduction from the carrying amount of the assets they serve to finance.

When an asset comprises several items with different patterns of use that may require replacement at regular intervals or generate economic benefits at differing rates, each such item is recognised separately and depreciated over its estimated useful life when the amounts involved are material.

With regard to the real estate portfolio, the items of property and equipment and related depreciation periods are as follows:

- building shell: 20 to 100 years;
- roof/façade: 20 to 60 years;
- fixtures: 10 to 25 years;
- fittings and technical installations: 10 to 25 years;
- major maintenance work: 15 years.

The depreciable amount of each asset is determined by deducting the residual value from its cost, where said value is both material and measurable. Residual value is defined as the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

Software and development costs are recognised in assets and amortised over periods of between three and seven or ten years depending on their useful lives.

At the end of each reporting period, an impairment test is performed if there is any internal or external indication that an asset may be impaired. Impairment tests are performed by comparing the carrying amount of the asset with its recoverable amount.

If the recoverable amount is less than the carrying amount, the carrying amount is reduced to the recoverable amount by recording an impairment loss. If the recoverable amount increases in subsequent periods, the impairment loss is reversed.

Gains or losses on the disposal of fixed assets are recognised under "Gains and losses on other assets, net" in the income statement.

2.1.3.9.1 Contractual customer relationships

When an insurance business is acquired, the fair value of the future economic benefits expected to flow to the Group from the current contractual customer relationships is recognised as an intangible asset, provided that a sufficiently reliable estimate can be made of premium renewals (estimate already prepared for the calculation of MCEV). Contractual customer relationships are amortised on a straight-line method over their useful life, as estimated based on the period during which the economic benefits are expected to be consumed (as projected for MCEV calculation purposes):

- unit-linked savings policies in Italy and individual death & disability insurance policies in Brazil: 10 years;
- individual death & disability policies in France: 15 years;
- individual pension policies in Brazil: 20 years.

2.1.3.9.2 Distribution agreements

The value of a distribution agreement represents the future cash flows expected to be generated by new business written through the partner network under the agreement. The intangible asset recognised for a distribution agreement is determined based on the agreement's specific terms and conditions and is amortised over the term of the agreement taking into account a residual value where appropriate.

Amortisation and impairment of contractual customer relationships and distribution agreements are recognised in "Depreciation, amortisation and impairment of property and equipment and intangible assets" in the income statement.

2.1.3.9.3 Acquired in-force business

On acquisition of an insurance business, the insurance liabilities assumed and related insurance assets acquired are measured at fair value. Under IFRS 4, the net fair value may be allocated between:

- a liability measured in accordance with the insurer's accounting policies for insurance contracts written by the insurer;
- an intangible asset for the Value of Business Acquired (VOBA), representing the difference between:
  - the fair value of the contractual rights acquired and the contractual obligations assumed, and
  - the above liability.

When the Group acquired control of CNP Assurances, VOBA was calculated and recognised as an intangible asset. VOBA is excluded from the scope of IAS 36 and IAS 38 (IFRS 4, Paragraph 33).

VOBA is tracked by entity and sub-segments and amortised over the remaining life of the contracts in line with the expected pattern of estimated future profits. These periods are shown in the table below:

(in number of years)	France	Italy	Brazil	Spain	Ireland
Traditional savings and pensions	11.9-19	4.5-19	3.8-12	6.3-12	11.9-19
Unit-linked savings	10.5	4.8	10.5	7.7	10.5
Term Creditor Insurance	5.9	6.4	6.8	3.3	1.7
Death & Disability	1.3-7.5	1.3-7.5	4.8-7.1	1.3-7.1	1.3-7.5

2.1.3.10 Impairment of non-amortisable intangible assets and goodwill

Goodwill and other intangible assets with an indefinite useful life are not amortised but are tested for impairment at annual intervals.

The impairment tests are performed at the level of cash-generating units (CGUs), representing the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Impairment tests are performed by comparing the recoverable amount of the asset or CGU to its carrying amount.

The recoverable amount of an asset or a CGU is the higher of its fair value less the costs of disposal and its value in use.

If the carrying amount is greater than the recoverable amount, an impairment loss is recognised in the income statement for the difference between these two amounts.

Impairment losses recognised on goodwill related to subsidiaries and intangible assets with indefinite useful lives cannot be reversed.

2.1.3.11 Leases

The Caisse des Dépôts Group may be the lessor or lessee in a lease.

2.1.3.11.1 Leases in which the Caisse des Dépôts Group is the lessor

Leases are analysed based on their substance and financial reality. They are recognised as either finance leases or operating leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee, regardless of whether or not ownership is ultimately transferred.

Leases are classified as finance leases in particular when:

- the lease transfers ownership of the underlying asset;
- the lessee has the option to purchase the underlying asset at a price sufficiently lower than its fair value at the date the option becomes exercisable;
- the lease term is for the major part of the economic life of the underlying asset;
- the present value of the future lease payments amounts to substantially all of the fair value of the leased asset at the inception of the lease;
- the leased asset is of such a specialised nature that only the lessee can use it without major modifications.

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of the underlying asset to the lessee.

2.1.3.11.1.1 Finance leases

Finance leases are considered equivalent to the sale of an asset to the lessee financed by a loan from the lessor. Based on an analysis of the economic substance of the finance lease transactions, the lessor:

- removes the leased asset from the statement of financial position;
- records a receivable due from the customer/lessee under "Loans and receivables due from customers at amortised cost" in an amount representing the lease payments receivable by the lessor under the lease, discounted using the interest rate implicit in the lease, plus any unguaranteed residual value accruing to the lessor;
- recognises deferred taxes for temporary differences relating to the receivable and the net carrying amount of the leased asset;
- breaks down the income corresponding to lease payments into interest and repayment of principal.

2.1.3.11.1.2 Operating leases

The lessor recognises leased assets in the statement of financial position under "Investment property" and "Owner-occupied property and equipment" depending on the nature of the underlying asset. Lease income is recognised on a straight-line basis within net banking income under "Income from other activities" in the income statement.

2.1.3.11.2 Leases in which the Caisse des Dépôts Group is the lessee

Leases are recognised in the statement of financial position on the date on which the leased asset is made available. The lessee recognises a right-of-use asset representing its right to use the underlying leased asset for the estimated term of the contract and a lease liability representing its obligation to make lease payments over the same term. Depending on the underlying leased asset, the right-of-use asset is presented either in "Investment property" or in "Owner-occupied property and equipment" in the statement of financial position. The lease liability is presented in "Accrued expenses, deferred income and other liabilities" in the statement of financial position.

The lease term is the non-cancellable period of the lease adjusted together with the periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option and an option to terminate the lease if the lessee is reasonably certain not to exercise that option. It cannot be longer than the period during which the contract is enforceable. The contract is no longer enforceable when the lessee and the lessor each has the right to terminate the lease with no more than an insignificant penalty.

The lease liability is recognised as the present value of lease payments remaining over the lease term. Lease payments include fixed payments, variable lease payments that depend on an index or rate, and amounts expected to be payable by the lessee under residual value guarantees, purchase options or penalties for early termination of the lease. Variable lease payments that do not depend on an index or a rate are excluded from the lease liability calculation and are recognised in "General operating expenses" in the income statement.

The discount rate used to calculate the lease liability and right-of-use asset is the lessee's incremental borrowing rate over the lease term at the date the contract is signed, where the implicit rate cannot be readily determined.

Cash repayments of the lease liability are broken down into a principal portion and an interest portion.

The right-of-use asset is measured as the amount of the initial measurement of the lease liability plus any lease payments made at or before the commencement date, and any costs of restoration. It is depreciated over the estimated term of the lease.

The lease liability and the right-of-use asset may be adjusted if the lease is modified, the lease term is reassessed, or the lease payments are revised due to application of indices or rates.

Deferred taxes are recognised for temporary differences related to the right-of-use asset and the lease liability.

2.1.3.12 Provisions

Provisions recorded under liabilities, other than those relating to losses on financial instruments, commitments to home savings contracts and employee benefits, are mainly provisions for claims and litigation, fines and tax risks.

A provision is recorded when the Group has a present obligation arising from past events, the settlement of which is expected to result in an outflow of resources embodying economic benefits without there being any expectation that economic benefits with at least an equivalent value will be received. The obligation may be legal, regulatory, contractual or constructive. The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Provisions are discounted when the effects of discounting are material, using a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. Increases in the provision to reflect the passage of time are recognised in “Interest expense”.

2.1.3.13 Current and deferred taxes

Deferred taxes are recognised using the liability method for temporary differences between the carrying amount of assets and liabilities and their tax base. Under this method, deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The effects of changes in tax rates are recognised in the period in which the change is enacted or substantively enacted.

Deferred taxes are calculated at the level of each tax entity, and are recognised only when it is probable that sufficient taxable profits will be available to permit their recovery.

Certain directly or indirectly held Group entities form part of a tax group.

Income tax expense is recognised in the income statement, except for tax on items recognised directly in equity, which is also recorded in equity.

Deferred taxes are not discounted.

2.1.3.14 Share capital

In light of its status, Caisse des Dépôts does not have any share capital.

2.1.3.15 Revenue from contracts with customers

Revenue from contracts with customers has been recognised in accordance with IFRS 15 since 1 January 2018.

This standard covers the recognition of revenue applicable to all contracts with customers regardless of business sector, with the exception of leases, insurance contracts and financial instruments, which fall within the scope of IFRS 16, IFRS 4 and IFRS 9, respectively.

How revenue is recognised in the income statement must reflect the pattern of transfer to the customer of control of the good or service sold, for the amount to which the seller expects to be entitled in exchange for that good or service. This recognition method applies to sales of goods and merchandise, the provision of services and long-term contracts.

The approach developed in IFRS 15 consists of a series of five steps, from identifying the contract with the customer to recognising revenue in profit or loss:

- identifying the contract;
- identifying performance obligations;
- determining the transaction price;
- allocating the transaction price to performance obligations; and
- recognising revenue when performance obligations have been satisfied.

Depending on the conditions for the transfer of control of the goods and services promised to the customer, revenue is recognised:

- at a point in time, when control of the goods and services is transferred to the customer on a given date; or
- over time, reflecting how the performance obligation is satisfied by the seller.

These provisions mainly concern the Caisse des Dépôts Group entities that conduct an industrial or commercial activity.

Revenue from contracts with customers is reported in the income statement under “Income from other activities”.

2.1.3.16 Insurance investments

Investments in insurance activities are not presented separately in assets but broken down by category in the same way as the Group’s other assets. Similarly, income from insurance activities is not presented separately in the income statement.

These various asset and income items are presented in a specific note.

In liabilities, “Insurance company technical provisions and shadow accounting reserves” include:

- technical provisions relating to insurance contracts (life, non-life);
- the deferred participation reserve.

2.1.3.17 Interest income and expense

Interest income and expenses are recognised in the income statement under "Interest income" and "Interest expense" for all financial instruments measured at amortised cost using the effective interest rate method, namely loans and borrowings from credit institutions and customers, the securities portfolio at amortised cost, debt securities, subordinated debt and lease liabilities. Accrued interest and interest due on debt instruments recognised in the portfolio of financial assets at fair value through other comprehensive income and hedging derivatives is also recorded, it being specified that accrued interest on cash flow hedging derivatives is recorded in the income statement together with accrued interest on the hedged item.

In accordance with the IFRS IC decision of January 2015, interest income resulting from a negative effective interest rate on a financial asset does not meet the definition of interest revenue in the meaning of IFRS 15. Since 1 January 2021 it has therefore been recognised under "Interest expense" in the income statement, and not under "Interest income". The same applies to interest expense resulting from a negative effective interest rate on financial liabilities, which has been recognised under "Interest income" in the income statement since 1 January 2021.

2.1.3.18 Fee and commission income and expense

In accordance with IFRS 15 "*Revenue from Contracts with Customers*", fee and commission income is recognised in profit or loss when the related performance obligations are satisfied:

- when the performance obligation (service) is satisfied over time, the fee is recognised over the service period (payment media processing fees);
- when the performance obligation is satisfied at a point in time or concerns a significant transaction, the fee or commission is recognised in the income statement when the service is provided or the transaction is executed (intermediary commission, payment incident fee);
- variable fees are recognised in profit or loss only when it is highly probable that the fee will not be reduced significantly compared to the recognised amount.

These fees are presented under "Fee and commission income" and "Fee and commission expense" in the income statement.

However, fees that represent additional interest (loan fees) are an integral part of the effective interest rate and are recognised in interest income and expense ("Interest income" and "Interest expense" in the income statement), and not as fees and commissions.

2.1.3.19 Cost of credit risk

"Cost of credit risk" includes:

- impairment losses and reversals on financial assets at amortised cost and at fair value through other comprehensive income that may be reclassified to profit or loss;
- impairment losses and reversals on finance lease receivables;
- changes in provisions relating to financial guarantees given and financing commitments;
- discounts on restructured loans and recoveries of loans written down in full;
- bad debt write-offs.

2.2 Repayment holidays, government-backed loans and government-backed stimulus loans

The Caisse des Dépôts Group has taken firm action to support the French economy. With a focus on the credit business arranged by Banque des Territoires, La Banque Postale and SFIL, several measures have been introduced, some combined with special government aid schemes for businesses and individuals.

2.2.1 Banque des Territoires

Caisse des Dépôts has offered legal professionals a deferral option for loan repayments until 15 September 2021, with no late payment penalties or incidental charges. In addition, the Central Sector has contributed to the government-backed stimulus loans fund (PPR) to the tune of €200 million. Distributed by the banking networks, 90% of the new scheme is financed by the fund in order to help SMEs and mid-sized companies eligible for the 30% government guarantee.

2.2.2 La Banque Postale

2.2.2.1 Repayment holidays

La Banque Postale offered support to its individual, business and professional customers who were experiencing financial hardship due to the lockdown, the total or partial suspension of their business, short-time working or furlough schemes. This support took various forms including repayment holidays of up to six months:

- at the customer's request; or
- at La Banque Postale's initiative, in the case of specifically targeted vulnerable customers.

2.2.2.1.1 Business customers

For its corporate and professional customers, La Banque Postale set up a system in line with the practices of the French banking industry.

For markets and products representing high volumes but small amounts (such as professionals, SMEs, equipment leases, etc.), all monthly payments were deferred unilaterally by La Banque Postale (unless this went against the customer's wishes) through to 30 September 2020. This amounted to a six-month extension of the term of the loan, without adjusting the nominal interest rate. In some cases, the interest accruing during the repayment holiday was also waived by La Banque Postale.

For major and/or structured loans (key accounts, real estate, BFI customers, etc.), repayment holiday requests were handled on a case-by-case basis. The compulsory criteria applied for each repayment holiday were that the term had to be six months or less and the accrued interest was not waived.

Counterparties classified in Stage 2 and Stage 3 for the application of IFRS 9 prior to the crisis were examined on a case–by–case basis by the department responsible for dealing with customers in difficulties.

As soon as the EBA guidelines (EBA/GL/2020/08) were published, repayment holidays were extended by six months for tourist sector customers who requested an extension (tourist businesses listed in the decree of 13 July 2020 – Appendix 7, amending the decree of 23 March 2020, as published in the Official Journal). No repayment holidays were granted for periods over 12 months.

No repayment holidays were granted in late 2020 or in first-quarter 2021 further to the decision published on 2 December 2020 authorising repayment holidays through 31 March 2021 on loans granted prior to 2 December 2020, and on loans already eligible for a repayment holiday of up to nine months through 30 September 2020.

Business loan recovery efforts were stepped up in 2020 and 2021 to enhance risk identification and oversight of the portfolio affected by the COVID-19 crisis.

Since the measures were introduced, repayment holidays have been granted to around 4,300 customers, representing a cumulative exposure of some €2.7 billion (corporates for 90%, micro-enterprises/professionals for 8% and local public sector customers for 2%). As of 31 December 2021, 99.6% of repayment holidays (by amount) had expired. The default rate and specific loss allowance rate on these loans were limited. Loans still subject to repayment holidays at 31 December 2021 amounted to €10 million. These repayment holidays will expire in more than one year.

2.2.2.1.2 Retail customers

Repayment holidays granted to retail customers concerned home loans and consumer credit.

For consumer credit, the repayment holidays were mainly set up at the customer's request under a contractual agreement.

For home loans, repayment holidays were granted at the customer's request or at La Banque Postale's initiative, depending on whether or not the customer's revenues had been affected as a result of the crisis.

The system was particularly intended for vulnerable customers whose situation was likely to worsen or whose revenues were likely to be directly affected by the deteriorating economic conditions (for example, traders, craftspeople and self-employed workers).

All told, La Banque Postale granted non-contractual repayment holidays on loans representing total outstanding principal of €1,732 million. Of this amount, only €2.3 million in outstanding loans were still subject to repayment holidays as of 31 December 2021. Loans classified as in default at the end of the repayment holiday represented just €51 million in outstanding principal.

2.2.2.2 Government-backed loans

On 16 March 2020, the French government announced it was setting up a system of government-backed loans specifically for businesses in order to help them ride out the economic and health crisis brought on by COVID-19. These government-backed loans (PGEs) were made available between 16 March 2020 and 30 June 2022 through France's main banking institutions, including La Banque Postale.

The loans are designed to assist businesses experiencing cash flow problems. No repayments are due in the first year, after which the borrower has the option of either repaying the loan immediately or spreading the repayments over a period of up to five years. The loans are backed by a government guarantee covering between 70% and 90% of the principal, interest and incidental fees, depending on the size of the borrower's business. It applies throughout the term of the loan unless the acceleration clause is triggered due to a credit event. The cost of the loan comprises each lender's financing cost (interest rate), without any margin, plus the fee for the government guarantee which is fixed by law.

Following the French government's announcement of 14 January 2021, repayment may be deferred for a further year at the customer's request.

The guarantee comes into effect two months after the loan is granted.

Outstanding government-backed loans at 31 December 2021 amounted to €927 million, of which 17% for professional customers and micro-enterprises and 83% for other business customers. The loans are currently being consolidated, based on customer decisions at the end of the first year to repay the loan either immediately or in instalments over a maximum of five years. Most customers opt to repay their loan in instalments over a fairly long period (not exceeding five years).

2.2.2.3 Government-backed stimulus loans (PPR)

The government-backed stimulus loan system was included in the Government Economic Stimulus Plan and the 2021 Finance Act. The loans are available to SMEs (companies with revenue of at least €2 million) and mid-sized companies (revenue of up to €1.5 billion) in a healthy financial position. The deadline for applying for the loans is 30 June 2022.

They consist of eight-year subordinated loans with a deferred repayment period of at least four years. The loan amount is capped at 12.5% of revenue in the case of SMEs and 8.4% of revenue for mid-sized companies. The loans are intended to strengthen the borrowers' balance sheets, support their growth and finance necessary capital expenditure, especially on projects in favour of the environmental or digital transition.

They are originated by La Banque Postale and 90% of the amount is subsequently transferred to a government-backed fund. The 10% retained by La Banque Postale is unsecured.

As of 31 December 2021, €5.6 million worth of PPR loans had been granted to 22 counterparties. Due to deferred repayment facility, the total amount of the loans (€5.6 million) was still outstanding at 31 December 2021.

2.2.3 SFIL

SFIL has offered to public hospitals a mechanism to defer repayments by up to six months - without any late interest or penalties being invoiced - for their loan contract maturities between 12 March 2020 and 30 June 2020, together with extended payment deadlines granted on a case-by-case basis for certain local authorities and French public sector bodies.

2.3 Notes to the consolidated income statement

2.3.1 Interest income and expense

	31.12.2021			31.12.2020		
(in millions of euros)	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	**3,523**	**(1,328)**	**2,195**	**2,768**	**(535)**	**2,233**
Credit institution transactions	1,357	(666)	691	1,065	(343)	722
Customer transactions	1,354	(395)	959	1,052	(449)	603
Securities at amortised cost	781	(11)	770	651		651
Debt securities and subordinated debt	31	(256)	(225)		257	257
Financial assets at fair value through OCI	**1,752**	**(17)**	**1,735**	**435**		**435**
Hedging transactions	**2,008**	**(1,400)**	**608**	**1,195**	**(501)**	**694**
Other		**(105)**	**(105)**		**(98)**	**(98)**
Total interest income and expense	**7,283**	**(2,850)**	**4,433**	4,398	(1,134)	3,264

Including €436 million in negative interest on financial liabilities at 31 December 2021 in income, and €251 million in negative interest with a negative impact on financial assets at 31 December 2021 in expenses.

2.3.2 Fee and commission income and expense

	31.12.2021		31.12.2020	
(in millions of euros)	Income	Expense	Income	Expense
Credit institution and similar transactions	1		58	(9)
Customer transactions	1,101	(4)	671	(6)
Securities and derivatives transactions	366	(322)		(18)
Insurance services	16	(2,953)	48	(2,415)
Financial services transactions	664	(215)	1,010	(570)
Fee and commission income and expense	**2,147**	**(3,494)**	1,787	(3,018)

2.3.3 Gains and losses on financial instruments at fair value through profit and loss, net

(in millions of euros)	31.12.2021 Total	31.12.2021 of which fair value option	31.12.2020 Total	31.12.2020 of which fair value option
Disposal gains and losses, net	644	(33)	272	32
Fair value adjustments, interest income or expense	4,598	90	2,430	(86)
Debt instruments	**5,242**	**57**	**2,702**	**(54)**
Disposal gains and losses, net	(190)		(418)	
Fair value adjustments, interest income or expense	3,985		1,501	
Dividend income	1,479		1,364	
Equity instruments	**5,274**		**2,447**	
Disposal gains and losses, net	4		(5)	
Fair value adjustments, interest income or expense	4,411		284	
Futures and options (excluding hedging instruments)	**4,415**		**279**	
Disposal gains and losses, net	6		(8)	
Fair value adjustments, interest income or expense	(114)		(63)	
Loans	**(108)**		**(71)**	
Fair value adjustments, interest income or expense	(27)	34	8	71
Other income and expense, net	(223)	(7)	(311)	(89)
Debt securities, borrowings and securities issued	**(250)**	**27**	**(303)**	**(18)**
Ineffective portion of fair value hedges	82		(688)	
– change in fair value of hedged items	1,199		(816)	
– change in fair value of hedging derivatives	(1,117)		128	
Ineffective portion of cash flow hedges	5		10	
Fair value macro hedging	261		58	
Hedging instruments	**348**		**(620)**	
Discontinuation of cash flow hedges			**1**	
Currency instruments			**(3)**	
Total gains and losses on financial instruments at fair value through profit or loss, net	**14,921**	**85**	4,432	(72)

2.3.4 Gains and losses on financial instruments at fair value through other comprehensive income, net

(in millions of euros)	31.12.2021	31.12.2020
Disposal gains and losses, net	(1,168)	(193)
Debt instruments	**(1,168)**	**(193)**
Dividend income	643	409
Equity instruments	**643**	**409**
Total gains and losses on financial instruments at fair value through OCI, net	**(525)**	216

2.3.5 Gains and losses resulting from derecognition of financial assets at amortised cost, net

(in millions of euros)	31.12.2021	31.12.2020
Gains resulting from derecognition	37	24
Losses resulting from derecognition		(6)
Total net gains or losses resulting from derecognition of financial assets at amortised cost	**37**	18

The carrying amounts of financial assets at amortised cost derecognised during the period are as follows:

(in millions of euros)	31.12.2021	31.12.2020
Securities at amortised cost	565	4,557
Loans and receivables due from credit institutions and related entities at amortised cost		
Loans and receivables due from customers at amortised cost	2,528	349
Total carrying amounts of financial assets at amortised cost derecognised	**3,093**	4,906

2.3.6 Income and expense from other activities

	31.12.2021		31.12.2020	
(in millions of euros)	Income	Expense	Income	Expense
Income and expense from investment property	2,149	(888)	1,951	(928)
Income and expense from other activities	37,665	(4,647)	30,097	(4,082)
Income and expense from insurance and reinsurance activities	32,947	(39,422)	22,298	(20,842)
Total income and expense from other activities	**72,761**	**(44,957)**	54,346	(25,852)

2.3.7 General operating expenses

(in millions of euros)	31.12.2021	31.12.2020
Employee benefits expense	**(18,477)**	**(16,314)**
Other expenses and external services	(17,785)	(13,790)
Provision (charges)/reversals	(6)	(10)
Other general operating expenses	**(17,791)**	**(13,800)**
Total general operating expenses	**(36,268)**	(30,114)

2.3.8 Cost of credit risk

(in millions of euros)	31.12.2021	31.12.2020
Impairment of loans and receivables due from credit institutions at amortised cost	43	263
Impairment of loans and receivables due from customers at amortised cost	(258)	(570)
Impairment of debt instruments measured at fair value through OCI	(90)	(345)
Impairment of securities at amortised cost	5	(69)
Impairment of off-balance sheet commitments	11	(87)
Impairment for expected credit losses	**(289)**	**(808)**
Other provisions for counterparty risk	44	(10)
Other provisions for counterparty risk	**44**	**(10)**
Loan losses and bad debts	(46)	(174)
Recoveries on loans and receivables written off in prior years	8	6
Losses and recoveries	**(38)**	**(168)**
Cost of credit risk	**(283)**	(986)

2.3.9 Gains and losses on other assets, net

(in millions of euros)	31.12.2021	31.12.2020
Gains and losses on disposals of property and equipment and intangible assets	(102)	(80)
Gains and losses on disposals of property and equipment and intangible assets	**(102)**	**(80)**
Gains or losses on disposals of securities	92	269
Other gains and losses on long-term equity interests	10	6
Gains and losses on long-term equity interests	**102**	**275**
Other gains and losses	(4)	(9)
Other gains and losses	**(4)**	**(9)**
Total gains and losses on other assets, net	**(4)**	186

2.3.10 Income tax expense

2.3.10.1 Analysis of income tax expense

(in millions of euros)	31.12.2021	31.12.2020
Current taxes	(1,455)	(932)
Deferred taxes	444	(144)
Income tax expense	**(1,011)**	(1,076)

2.3.10.2 Reconciliation of theoretical and effective tax rates

(in millions of euros)	31.12.2021	31.12.2020
Net profit (loss) attributable to owners	3,861	566
Non-controlling interests	1,535	(157)
Share of profit (loss) of equity-accounted companies	(1,289)	(1,746)
Change in value of goodwill	139	111
Net profit (loss) from discontinued operations	(1)	(3)
Income tax expense	1,011	1,076
Profit (loss) before tax, change in value of goodwill and share of profit (loss) of equity-accounted companies	**5,256**	**(153)**
Theoretical tax rate[1]	28.41%	32.02%
Theoretical tax expense	**(1,493)**	**49**
Effect of differences in tax rates	46	52
Effect of permanent differences	(63)	(65)
Effect of the SIIC regime and other exempt real estate operations	148	110
Net effect of deferred tax recognition[2]	329	(1,201)
Tax credits	38	17
Other	(16)	(38)
Consolidated income tax expense	**(1,011)**	(1,076)

(1) Including the 3.3% social solidarity contribution.
(2) In 2020, impact of the COVID-19 health crisis for La Poste group.

The effective tax rate at 31 December 2021 was 19.2% based on profit (loss) before tax, adjusted to exclude share of profit (loss) of equity-accounted companies and changes in value of goodwill, of €5,256 million.

2.4 Notes to the consolidated statement of financial position

2.4.1 Financial assets and liabilities at fair value through profit or loss

(in millions of euros)	31.12.2021 Mandatory classification	31.12.2021 Fair value option	31.12.2020 Mandatory classification	31.12.2020 Fair value option
Government paper and equivalents	878	3,498	2,161	3,784
Bonds and other fixed-income securities	11,027	2,180	10,816	2,256
Negotiable debt securities	4,515		6,885	
UCITS	77,840		63,913	
Venture capital funds	2,780		2,451	
Assets backing unit-linked contracts	73,742		57,236	
Other securities	6,284	99	2,026	90
Debt instruments	**177,066**	**5,777**	**145,488**	**6,130**
Equities	44,305		38,897	
Assets backing unit-linked contracts	4,737		4,071	
Other securities	1,324		933	
Equity instruments	**50,366**		**43,901**	
Derivative instruments held for trading	2,350		1,470	
Derivative instruments held for trading	**2,350**		**1,470**	
Loans to credit institutions	40		32	
Customer loans	11,605		15,532	
Loans	**11,645**		**15,564**	
Total financial assets at fair value through profit or loss	**241,427**	**5,777**	206,423	6,130

(in millions of euros)	31.12.2021 Mandatory classification	31.12.2021 Fair value option	31.12.2020 Mandatory classification	31.12.2020 Fair value option
Bonds		1,577		1,215
Negotiable debt securities		461		384
Other		470		400
Debt securities		**2,508**		**1,999**
Securities-related liabilities				
Derivative instruments held for trading	2,998		2,741	
Derivative instruments held for trading	**2,998**		**2,741**	
Total financial liabilities at fair value through profit or loss	**2,998**	**2,508**	2,741	1,999

2.4.2 Hedging instruments

	31.12.2021				31.12.2020			
(in millions of euros)	Positive fair value	Negative fair value	Notional amount	Change in fair value used to calculate ineffectiveness	Positive fair value	Negative fair value	Notional amount	Change in fair value used to calculate ineffectiveness
Interest rate derivatives	3,703	3,728	141,901	(1,000)	5,906	5,039	148,681	181
Currency derivatives	800	540	60,234	(117)	708	1,112	53,613	(52)
Other derivatives						(31)		
Fair value hedges	**4,503**	**4,268**	**202,135**	**(1,117)**	**6,614**	**6,120**	**202,294**	**129**
Interest rate derivatives	378	681	4,017		566	1,061	4,033	
Currency derivatives	47	196	3,994		(4)	151	3,405	
Other derivatives							17	
Cash flow hedges	**426**	**877**	**8,012**		**562**	**1,213**	**7,455**	
Hedges of net investments in foreign operations			**6**			**(2)**	**6**	
Fair value macro hedging	**1,159**	**1,922**	**38,429**	**272**	**1,641**	**2,748**	**40,532**	**(114)**
Total hedging instruments	**6,088**	**7,067**	**248,582**	**(845)**	8,817	10,079	250,287	15

2.4.2.1 Breakdown of items covered by fair value hedges (FVH)

2.4.2.1.1 Micro-hedging

	31.12.2021			31.12.2020		
(in millions of euros)	Carrying amount of hedged items	o/w accumulated adjustment of fair value hedge	Change over the period in fair value used to calculate ineffectiveness	Carrying amount of hedged items	o/w accumulated adjustment of fair value hedge	Change over the period in fair value used to calculate ineffectiveness
Securities at amortised cost	42,649	(126)	(250)	48,770	114	(1)
Loans and receivables due from credit institutions at amortised cost	19,550			16,939		
Loans and receivables due from customers at amortised cost	51,159	(371)	(429)	48,054	81	77
Financial assets at fair value through OCI to be reclassified	21,114	(6)	(336)	24,781	330	(27)
Financial assets at fair value through OCI not to be reclassified						
Assets – items covered by fair value hedges	**134,472**	**(503)**	**(1,014)**	**138,544**	**525**	**49**
Debt securities	94,093	(180)	(2,219)	93,365	1,790	859
Due to credit institutions	11,401	(59)	6	13,171	(15)	6
Due to customers	80,258			75,689		
Liabilities – items covered by fair value hedges	**185,752**	**(240)**	**(2,213)**	**182,225**	**1,775**	**865**

2.4.2.1.2 Macro-hedging

	31.12.2021	31.12.2020
(in millions of euros)	Carrying amount of hedged items	Carrying amount of hedged items
Securities at amortised cost	11,585	13,300
Assets – items covered by fair value hedges	**11,585**	**13,300**
Debt securities	14,079	14,144
Liabilities – items covered by fair value hedges	**14,079**	**14,144**

2.4.2.2 Contractual maturities for the notional on hedging derivatives

	31.12.2021					
(in millions of euros)	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total notional amount
Interest rate derivatives	5,904	4,143	12,035	60,917	58,903	141,901
Currency derivatives	8,151	14,840	26,270	6,869	4,104	60,234
Fair value hedges	**14,055**	**18,983**	**38,306**	**67,786**	**63,007**	**202,135**
Interest rate derivatives		326	98	1,423	2,169	4,017
Currency derivatives		50	40	177	3,727	3,994
Commodities						
Cash flow hedges		**376**	**138**	**1,601**	**5,897**	**8,012**
Hedges of net investments in foreign operations	**6**					**6**
Total notional on hedging derivatives	**14,060**	**19,358**	**38,444**	**69,387**	**68,904**	**210,153**

	31.12.2020					
(in millions of euros)	< 1 month	1-3 months	3-12 months	1-5 years	> 5 years	Total notional amount
Interest rate derivatives	3,494	5,011	9,775	66,554	63,847	148,681
Currency derivatives	5,724	12,699	24,888	6,592	3,710	53,613
Fair value hedges	**9,218**	**17,710**	**34,663**	**73,146**	**67,557**	**202,294**
Interest rate derivatives	88	7	159	1,810	1,969	4,033
Currency derivatives	8		388	2,601	408	3,405
Commodities	15		2			17
Cash flow hedges	**111**	**7**	**549**	**4,411**	**2,377**	**7,455**
Hedges of net investments in foreign operations	**6**					**6**
Total notional on hedging derivatives	9,335	17,717	35,212	77,557	69,934	209,755

2.4.3 Financial assets at fair value through other comprehensive income

2.4.3.1 Financial assets at fair value through other comprehensive income to be reclassified

	31.12.2021			31.12.2020		
(in millions of euros)	Fair value	o/w hedged portion (fair value hedge)	o/w unrealised gains and losses	Fair value	o/w hedged portion (fair value hedge)	o/w unrealised gains and losses
Government paper and equivalents	125,911		(1,658)	129,935	213	1,870
Bonds and other debt securities	101,741	(6)	576	102,930	114	2,087
Negotiable debt securities	7,526		7	6,226		15
Other securities	1,428		13	1,036	3	23
Accrued interest	1,951			2,219		
Debt instruments	**238,557**	**(6)**	**(1,062)**	**242,346**	**330**	**3,995**
Total financial assets at fair value through OCI to be reclassified	**238,557**	**(6)**	**(1,062)**	242,346	330	3,995

2.4.3.1.1 Impairment for expected credit losses recognised against assets measured at fair value through other comprehensive income to be reclassified

(in millions of euros)	31.12.2021	31.12.2020
Debt instruments	(471)	(380)
Total impairment losses	**(471)**	(380)

2.4.3.1.2 Exposure to credit risk on gross carrying amounts of financial assets measured at fair value through other comprehensive income to be reclassified

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total gross carrying amounts[1]
Opening position at 01.01.2021	**237,764**	**637**		**238,401**
Additions	35,293	123		35,416
Repayments	(47,349)	(542)		(47,891)
Transfer between stages	(139)	139		
Other movements	14,172	(2)		14,170
Closing position at 31.12.2021	**239,741**	**355**		**240,096**

(1) The gross carrying amount of financial assets measured at fair value through other comprehensive income to be reclassified is calculated excluding unrealised gains and losses.

2.4.3.1.3 Breakdown of impairment for expected credit losses recognised in other comprehensive income to be reclassified

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total impairment for expected credit losses
Opening position at 01.01.2021	**(370)**	**(10)**		**(380)**
Allocations on acquisitions during the period	(70)	(2)		(72)
Other allocations	(465)	(7)		(472)
Reversals used with write-off	8			8
Reversals related to asset disposals	417	11		428
Other unused reversals	18			18
Transfer between stages				
Other movements	(1)			(1)
Closing position at 31.12.2021	**(463)**	**(8)**		**(471)**

2.4.3.2 Financial assets at fair value through other comprehensive income not to be reclassified

	31.12.2021			31.12.2020		
(in millions of euros)	Fair value	o/w hedged portion (fair value hedge)	o/w unrealised gains and losses	Fair value	o/w hedged portion (fair value hedge)	o/w unrealised gains and losses
Equities	29,708		13,496	23,788		8,605
Other equity instruments	27		9	17		1
Total financial assets at fair value through OCI not to be reclassified	**29,735**		**13,505**	23,805		8,606

2.4.3.2.1 Assets at fair value through other comprehensive income not to be reclassified sold during the period

(in millions of euros)	31.12.2021 Fair value on date of sale	31.12.2021 Gain or loss at time of sale[(1)]	31.12.2021 Dividends received during the period	31.12.2020 Fair value on date of sale	31.12.2020 Gain or loss at time of sale[(1)]	31.12.2020 Dividends received during the period
Equities	**1,532**	**613**	**30**	**1,360**	**651**	**7**
Credit institutions	85	15	3	12	(3)	
Other financial firms	123	61		131	85	
Non-financial firms	1,324	537	27	1,217	569	7
Other equity instruments	**10**	**9**	**10**	**72**	**37**	
Other financial firms			10	34	34	
Non-financial firms	10	9		38	3	
Total	**1,542**	**622**	**40**	1,432	688	7

(1) Before tax.

2.4.4 Securities at amortised cost

(in millions of euros)	31.12.2021	31.12.2020
Government paper and equivalents	45,278	47,165
Bonds and other fixed-income securities	9,925	6,725
Negotiable debt securities	12,322	20,680
Other securities	168	91
Accrued interest	722	821
Provisions for expected credit losses	(75)	(81)
Total securities at amortised cost	**68,340**	75,401

2.4.4.1 Exposure to credit risk on gross carrying amounts of securities at amortised cost

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total gross carrying amounts[(1)]
Opening position at 01.01.2021	**71,823**	**3,542**	**4**	**75,369**
Additions	21,236	286	34	21,556
Disposals	(26,384)	(2,003)		(28,387)
Transfer between stages	(18)	18		
Other movements	1		2	3
Closing position at 31.12.2021	**66,658**	**1,843**	**40**	**68,541**

(1) The gross carrying amount of securities at amortised cost is calculated excluding unrealised gains and losses.

2.4.4.2 Breakdown of impairment for expected credit losses on securities at amortised cost

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total impairment for expected credit losses
Opening position at 01.01.2021	**(28)**	**(47)**	**(6)**	**(81)**
Allocations on acquisitions during the period	(10)			(10)
Other allocations	(10)	(34)	(5)	(49)
Reversals used with write-off	18	18		36
Reversals linked to asset disposals	4	18		22
Other unused reversals	1		6	7
Transfers between stages				
Other movements				
Closing position at 31.12.2021	**(25)**	**(45)**	**(5)**	**(75)**

2.4.5 Loans and receivables due from credit institutions and related entities at amortised cost

(in millions of euros)	31.12.2021	31.12.2020
Ordinary accounts in debit and overnight loans	11,881	52,073
Accrued interest	3	7
Loans to credit institutions repayable on demand	**11,884**	**52,080**
Accounts and loans with fixed maturities	13,676	12,168
Receivables due from Savings Funds	65,049	67,521
Securities and other assets purchased under collateralised reverse repurchase agreements	337	2,807
Subordinated loans	78	101
Accrued interest	51	38
Guarantee deposits	15	
Impairment for expected credit losses	(7)	(3)
Loans and receivables due from credit institutions with fixed maturities	**79,199**	**82,632**
Total loans and receivables due from credit institutions and related entities at amortised cost	**91,083**	134,712

2.4.5.1 Exposure to credit risk on gross carrying amounts of loans and receivables due from credit institutions and related entities at amortised cost

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total gross carrying amounts
Opening position at 01.01.2021	**134,715**			**134,715**
Payments	18,472			18,472
Repayments	(62,392)			(62,392)
Transfers between stages				
Other movements	295			295
Closing position at 31.12.2021	**91,090**			**91,090**

2.4.5.2 Breakdown of impairment for expected credit losses on loans and receivables due from credit institutions and related entities at amortised cost

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total impairment for expected credit losses
Opening position at 01.01.2021	**(3)**			**(3)**
Allocations on acquisitions during the period	(8)			(8)
Other allocations				
Reversals used with write-off	1			1
Reversals linked to asset disposals	2			2
Other movements	1			1
Closing position at 31.12.2021	**(7)**			**(7)**

2.4.6 Loans and receivables due from customers at amortised cost

(in millions of euros)	31.12.2021	31.12.2020
Ordinary accounts in debit	2,231	2,141
Accrued interest	49	46
Impairment for expected credit losses	(96)	(72)
Ordinary accounts in debit	**2,184**	**2,115**
Loans to financial sector customers	215	580
Cash facilities	17,738	18,472
Equipment financing	58,124	55,355
Housing loans	89,623	86,118
Export credit	4,826	3,727
Advances on securities transactions	257	294
Finance lease receivables	3,564	3,337
Securities and other assets purchased under collateralised reverse repurchase agreements	6,938	13,193
Other loans	5,153	4,513
Accrued interest	534	530
Impairment for expected credit losses	(1,475)	(1,379)
Other loans and receivables due from customers	**185,497**	**184,740**
Total loans and receivables due from customers at amortised cost	**187,681**	186,855

2.4.6.1 Exposure to credit risk on gross carrying amounts of loans and receivables due from customers at amortised cost

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total gross carrying amounts
Opening position at 01.01.2021	**170,439**	**15,341**	**2,456**	**188,236**
Payments	42,351	4,388	484	47,223
Repayments	(40,330)	(4,714)	(993)	(46,037)
Transfers between stages	1,553	(1,878)	325	
Other movements	37	164		201
Closing position at 31.12.2021	**174,050**	**13,301**	**2,272**	**189,623**

2.4.6.2 Breakdown of impairment for expected credit losses on loans and receivables on customers at amortised cost

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total impairment for expected credit losses
Opening position at 01.01.2021	**(236)**	**(475)**	**(740)**	**(1,451)**
Allocations on acquisitions during the period	(75)	(219)	(68)	(362)
Other allocations	(56)	(177)	(253)	(486)
Reversals used with write-off	11	3	22	36
Reversals linked to asset disposals	68	193	74	335
Other unused reversals	51	118	183	352
Transfers between stages				
Other movements	(7)	16	(4)	5
Closing position at 31.12.2021	**(244)**	**(541)**	**(786)**	**(1,571)**

2.4.7 Current and deferred taxes

2.4.7.1 Breakdown of balance sheet tax accounts

(in millions of euros)	31.12.2021	31.12.2020
Current taxes	924	1,398
Deferred taxes	972	1,058
Total current and deferred assets	**1,896**	2,456
Current taxes	261	403
Deferred taxes	4,671	3,783
Total current and deferred liabilities	**4,932**	4,186

2.4.7.2 Deferred taxes by source of assets and liabilities

(in millions of euros)	31.12.2021	31.12.2020
Assets and liabilities recognised at fair value through OCI not to be reclassified	(3,548)	(2,162)
Assets and liabilities recognised at fair value through OCI to be reclassified	108	(91)
Temporary differences – other	(259)	(471)
Total recognised deferred tax assets and liabilities, net(1)	**(3,699)**	(2,724)

(1) Tax assets are positive amounts, while tax liabilities are negative amounts.

2.4.8 Prepayments, accrued and deferred income and other assets and liabilities

(in millions of euros)	31.12.2021	31.12.2020
Prepaid expenses and accrued income	1,665	1,580
Other accruals	1,802	1,662
Prepayments and accrued income	**3,467**	**3,243**
Margin calls paid	3,510	3,864
Securities settlement accounts	3	2
Inventories	998	897
Guarantee deposits paid	970	877
Costs of contracts	6	4
Contract assets	102	215
Accounts receivable	5,750	6,161
Other	5,494	4,026
Impairment	(379)	(470)
Other assets	**16,454**	**15,576**
Reinsurance companies' share of technical provisions	21,392	21,365
Insurance and reinsurance receivables	2,803	3,180
Loans and receivables	232	257
Miscellaneous insurance assets	2,069	1,368
Other insurance assets	**26,496**	**26,170**
Total prepayments, accrued income and other assets	**46,418**	**44,989**

(in millions of euros)	31.12.2021	31.12.2020
Accrued expenses and deferred income	2,806	2,945
Other accruals	2,757	3,043
Accrued expenses and deferred income	**5,563**	**5,988**
Margin calls received	3,103	3,074
Accounts payable	5,475	5,159
Lease liabilities	5,299	5,248
Miscellaneous payables	2,485	2,829
Securities settlement accounts	6	8
Various liabilities	7,456	8,064
Other liabilities	**23,824**	**24,382**
Insurance and reinsurance payables	13,001	13,324
Miscellaneous insurance liabilities	220	139
Other insurance liabilities	**13,221**	**13,463**
Total accrued expenses, deferred income and other liabilities	**42,608**	**43,833**

2.4.8.1 Exposure to credit risk on gross carrying amounts of accounts receivable and contract assets

(in millions of euros)	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total gross carrying amounts
Opening position at 01.01.2021	**5,952**	**424**	**6,376**
Increase	21	(12)	9
Decrease	(43)		(43)
Transfer between stages			
Other movements	(205)	(285)	(490)
Closing position at 31.12.2021	**5,725**	**127**	**5,852**

In accordance with the simplified method, credit risk on accounts receivable and contract assets is measured based on lifetime expected credit losses.

2.4.8.2 Breakdown of impairment for expected credit losses on accounts receivable and contract assets

(in millions of euros)	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired assets	Total impairment for expected credit losses
Opening position at 01.01.2021	**(240)**	**(165)**	**(405)**
Allocations on acquisitions during the period	(56)	(42)	(98)
Other allocations	(39)	(2)	(41)
Reversals used with write-off	104	36	140
Reversals related to asset disposals	6	5	11
Other unused reversals			
Transfer between stages			
Other movements	(9)	79	70
Closing position at 31.12.2021	**(234)**	**(89)**	**(323)**

2.4.8.3 Breakdown by due date of accounts receivable and contract assets

	31.12.2021				
(in millions of euros)	Outstandings: less than 30 days	Outstandings: more than 30 days	Outstandings: more than 60 days	Outstandings: more than 90 days	Total outstandings
Accounts receivable and contract assets	1,239	4,215	32	366	5,852
Provisions for expected credit losses	(44)	(141)	(2)	(136)	(323)
Rate of expected credit losses estimated based on the total gross carrying amount by maturity	**4%**	**3%**	**6%**	**37%**	**6%**

2.4.9 Non-current assets and liabilities held for sale

2.4.9.1 Assets

(in millions of euros)	31.12.2021	31.12.2020
Securities and derivative financial instruments portfolios		1
Owner-occupied property	35	67
Other assets held for sale[1]	2,237	
Assets held for sale	**2,272**	**68**
Other assets		152
Assets of discontinued operations		**152**
Total non-current assets held for sale	**2,272**	220

(1) Mainly concerns the assets of the Egis group for €1,981 million. The estimated market value of investment property held for sale recognised at amortised cost was €185 million at 31 December 2021. The method used to calculate the fair value of investment property corresponds to Level 3 in the fair value hierarchy.

2.4.9.2 Liabilities

(in millions of euros)	31.12.2021	31.12.2020
Liabilities related to non-current assets held for sale[1]	1,362	127
Liabilities related to non-current assets held for sale	**1,362**	**127**
Other liabilities	5	16
Liabilities related to discontinued operations	**5**	**16**
Total liabilities related to non-current assets held for sale	**1,367**	143

(1) Liabilities of the Egis group.

In 2021, Caisse des Dépôts began a search for an institutional investor to become the key shareholder of Egis.

On 7 January 2022, Caisse des Dépôts and Tikehau Capital announced that Tikehau Capital had finalised the purchase of a 40% stake in Egis. Following the transaction, Caisse des Dépôts has significant influence over Egis and will consolidate its interest as from early 2022 using the equity method.

2.4.10 Investments in equity-accounted companies

(in millions of euros)		Type of control	31.12.2021 Carrying amount	31.12.2021 o/w goodwill net of adjustment	31.12.2021 Contribution to the Caisse des Dépôts Group net profit (loss)	31.12.2020 Carrying amount	31.12.2020 o/w goodwill net of adjustment	31.12.2020 Contribution to the Caisse des Dépôts Group net profit (loss)
Caisse des Dépôts division			**3,551**	**76**	**68**	**2,718**	**10**	**98**
CDC Habitat group entities								
– Adoma		JV	282		14	259		24
– FLI		ASS	181			182		1
Compagnie Nationale du Rhône		ASS	89	42	128	272		46
ADL Participations		ASS	78		14	64		(29)
Terres d'Énergie		ASS			(92)	92		7
Prédica Énergies Durables		ASS	136	34	(9)			
Verdun Participations 1		ASS	83		2	80		1
HIN Orange Concessions		JV	698		(5)			
CDC PME Croissance		JV	945		15	858		39
CDC EURO Croissance		JV	557		5	501		1
CDC TECH Croissance		JV	85			62		
CDC Croissance Durable		JV	70			54		
Other equity-accounted entities			349		(4)	294	10	8
Management of Strategic Investments division			**3,820**	**15**	**251**	**3,065**	**16**	**208**
GRT Gaz		ASS	1,784		58	1,035		53
Coentreprise de Transport d'Électricité	2.12	JV	1,811		186	1,749		150
Other equity-accounted entities			224	15	8	281	16	5
Bpifrance group	**2.12**	**JV**	**14,135**		**894**	**12,017**		**(48)**
La Poste group entities[(1)]			1,900		75	935	68	1,489
Investments in equity-accounted companies			**23,406**	**91**	**1,289**	18,733	94	1,747

ASS: Associates.

JV: Joint ventures.

(1) Including GRTGaz for €803 million at 31 December 2021, and €427 million at 31 December 2020.

2.4.11 Investment property, owner-occupied property and equipment and intangible assets

2.4.11.1 Gross value (excluding right-of-use assets)

(in millions of euros)	31.12.2020	Additions	Disposals	Other movements	31.12.2021
Land	5,872	324	(39)	177	6,334
Buildings	18,798	979	(295)	1,136	20,618
Technical installations and fixtures	199		(2)	5	202
Woodland and land banks	69	1			70
Government grants	(314)	(1)		4	(311)
Assets under construction	2,401	2,080	(65)	(1,439)	2,978
Intangible assets related to investment property	10		(10)		
Investment property	**27,035**	**3,383**	**(411)**	**(117)**	**29,891**
Land	1,570	51	(35)	30	1,616
Buildings	5,823	31	(97)	373	6,130
Technical installations and fixtures	5,952	165	(121)	184	6,180
Vehicles	2,910	323	(347)	30	2,916
Computer hardware	864	61	(44)	14	895
Prepayments	42	75		(29)	88
Government grants	(16)	(2)		2	(16)
Assets under construction	779	760	(7)	(489)	1,043
Other operational equipment	4,027	134	(136)	127	4,152
Owner-occupied property and equipment	**21,951**	**1,598**	**(787)**	**242**	**23,004**
Software	3,586	104	(96)	388	3,982
Concessions, licences and patents	2,193	37	(7)	(6)	2,217
Intangible assets in progress	779	666	(14)	(703)	728
Other intangible assets	1,090	56	(262)	261	1,145
Distribution agreements	3,434			31	3,465
Acquired in-force business	1,044			541	1,585
Contractual customer relationships	726			4	730
Intangible assets	**12,852**	**864**	**(379)**	**515**	**13,852**

2.4.11.2 Depreciation, amortisation and impairment (excluding right-of-use assets)

(in millions of euros)	31.12.2020	Increases	Decreases	Other movements	31.12.2021
Land	(134)	(22)	1	21	(134)
Buildings	(5,223)	(619)	168	104	(5,570)
Technical installations and fixtures	(156)	(8)	2		(162)
Woodland and land banks	(2)				(2)
Government grants	154		8	(5)	157
Assets under construction	(2)				(2)
Intangible assets related to investment property	(10)		10		
Investment property	**(5,373)**	**(649)**	**188**	**121**	**(5,713)**
Land	(6)	(5)	1	2	(8)
Buildings	(2,677)	(245)	68	17	(2,837)
Technical installations and fixtures	(4,183)	(327)	109	13	(4,388)
Vehicles	(1,700)	(295)	289	6	(1,700)
Computer hardware	(697)	(80)	44		(733)
Government grants	3		1	(1)	3
Assets under construction		(2)	1	(7)	(8)
Other operational equipment	(3,325)	(324)	117	371	(3,161)
Owner-occupied property and equipment	**(12,585)**	**(1,277)**	**629**	**401**	**(12,832)**
Software	(2,901)	(390)	91	90	(3,110)
Concessions, licences and patents	(1,655)	(56)	7	118	(1,585)
Intangible assets in progress	(169)	(87)	327	(74)	(3)
Other intangible assets	(813)	(482)	335	103	(857)
Distribution agreements	(118)	(141)		(1)	(260)
Acquired in-force business	(466)	(360)	1	(4)	(829)
Contractual customer relationships	(46)			(176)	(222)
Intangible assets	**(6,168)**	**(1,516)**	**762**	**56**	**(6,866)**

2.4.11.3 Right-of-use assets – Gross value

(in millions of euros)	31.12.2020	Additions	Disposals	Other movements	31.12.2021
Right-of-use assets – Land	33				33
Right-of-use assets – Investment property	**33**				**33**
Right-of-use assets – Land	112		(1)	(2)	109
Right-of-use assets – Buildings	6,229	273	(79)	71	6,494
Right-of-use assets – Technical installations and fixtures	322	34	(7)	69	418
Right-of-use assets – Vehicles	2,164	250	(302)	58	2,170
Right-of-use assets – Computer hardware	6			(6)	
Right-of-use assets – Other operational equipment	145	12	(8)	(82)	67
Right-of-use assets – Owner-occupied property and equipment	**8,978**	**569**	**(398)**	**109**	**9,258**

2.4.11.4 Right-of-use assets – Depreciation, amortisation and impairment

(in millions of euros)	31.12.2020	Increases	Decreases	Other movements	31.12.2021
Right-of-use assets – Land	(2)	(1)		(1)	(4)
Right-of-use assets – Investment property	**(2)**	**(1)**		**(1)**	**(4)**
Right-of-use assets – Buildings	(2,935)	(771)	415	433	(2,858)
Right-of-use assets – Technical installations and fixtures	(162)	(76)	4	36	(198)
Right-of-use assets – Vehicles	(1,174)	(314)	32	350	(1,106)
Right-of-use assets – Other operational equipment	(104)	(15)		77	(41)
Right-of-use assets – Owner-occupied property and equipment	**(4,375)**	**(1,176)**	**452**	**896**	**(4,203)**

2.4.11.5 Total investment property, owner-occupied property and equipment, intangible assets and right-of-use assets

(in millions of euros)	31.12.2020	31.12.2021
Investment property[1]	21,693	24,207
– of which right-of-use assets	31	29
Owner-occupied property and equipment	13,969	15,227
– of which right-of-use assets	4,603	5,055
Intangible assets	6,684	6,986
Total	42,346	**46,420**

(1) The estimated market value of investment property excluding held-for-sale investment property recognised at amortised cost was €34,943 million at 31 December 2021 versus €31,666 million at 31 December 2020. The method used to calculate the fair value of investment property corresponds to Level 3 in the fair value hierarchy.

2.4.12 Goodwill

2.4.12.1 Changes in goodwill

(in millions of euros)	31.12.2020	Increases (acquisitions)	Decreases (disposals)	Impairment losses for the period	Other movements	31.12.2021
Icade group	39					39
Compagnie des Alpes group	208	8	(3)			213
Transdev group	639			(139)	8	508
Egis group[1]	168	42			(210)	
La Poste group	110	311			1	422
Total goodwill	1,164	361	(3)	(139)	(201)	**1,182**

(1) The goodwill of the Egis group has been reclassified within "Non-current assets held for sale".

2.4.12.2 Compagnie des Alpes group impairment tests

Due to the crisis environment created by COVID-19, Compagnie des Alpes faces uncertainties that make it extremely complicated to assess the various impacts on its results in the very short and even medium term. Although all sites have now reopened, business is still suffering from the impacts of the health crisis and the changing restrictions imposed by the governments in the countries where the Group operates.

Given this uncertainty, the Group has modelled its business plans based on a central scenario and sensitivities. These plans are based on realistic assumptions that are consistent with what has been observed in the past, and incorporate the measures needed for a gradual return to profitable growth at holiday parks and ski resorts:

- cost control;
- more targeted investments and priority for expenditure for increasing the appeal of the holiday parks;
- EBITDA margins and visitor numbers that take into account the estimated impact of the health crisis based on the specific nature of the group's business (in particular the reliance on foreign customers).

These business plans assume a gradual return to normality in 2022–2023, with the aim of a full return to pre-pandemic margins in 2024.

As the risks are reflected in the cash flows of each business, a single discount rate has been determined for the two businesses tested. This rate, which stands at 7% (no change on last year), was determined based on analyses by external experts. A WACC of 11% was used for the impairment tests for the Travelfactory sub-group, in order to take account of the level of risk of its business as a tour operator.

Beyond the five-year period of the plan, the terminal value is calculated on the basis of cash flows to perpetuity using an average growth rate of between 1.5% and 2% (this being adjusted on the basis of the specific outlook for each entity and its positioning). This growth rate is considered reasonable for the leisure sector in the medium and long term.

These valuations are supported by additional tests (including sensitivity analyses) carried out on the basis of criteria monitored internally (investments and margins).

2.4.12.2.1 Impairment test results

No impairment was recorded at 31 December 2021 as a result of the impairment and sensitivity tests performed by Compagnie des Alpes. As stated previously, due to the health crisis, an impairment loss of €111 million was recognised at 31 December 2020.

2.4.12.3 Transdev group impairment tests

Impairment tests were carried out by Transdev group on cash-generating units (CGUs), based on the long-term plan approved by the Group’s Strategy Committee on 14 January 2022.

2.4.12.3.1 Key assumptions used to determine recoverable amounts

The discount rates and average perpetual growth rates used in 2021 are as follows:

	Method for determining the recoverable amount	Discount rate[1]	Perpetual growth rate
France	Value in use	4.7%	1.6%
Germany	Value in use	5.0%	2.1%
Sweden	Value in use	5.4%	1.9%
United States	Value in use	5.5%	2.2%

(1) After factoring in right-of-use assets.

2.4.12.3.2 Impairment losses recorded during the year

At 31 December 2021, the goodwill balances of the France and Sweden CGUs was written down respectively by €112 million and €26 million for the Caisse des Dépôts Group.

2.4.12.3.3 Sensitivity of impairment tests

The recoverable amounts determined for the impairment tests were subject to sensitivity tests based on a discount rate plus 0.5%, a perpetual growth rate minus 0.5% and operating cash flows minus 5%. These fluctuation assumptions are considered reasonable given the Group’s business activities and the regions in which it operates.

On the measurement date, the recoverable amount of the Transdev group (100%) for the France, Sweden and Germany CGUs would be €154 million below the carrying amount of the CGUs in the event a 0.5% increase in the discount rate, €129 million in the event of a 0.5% fall in the perpetual growth rate and €273 million in the event of a 5% fall in operating cash flows.

2.4.12.4 Impairment tests for other Group entities

No impairment was recorded at 31 December 2021 as a result of the impairment tests performed for the other Group entities.

2.4.13 Debt securities

(in millions of euros)	31.12.2021	31.12.2020
Medium- and long-term issues	74,857	70,518
Short-term issues	20,516	21,639
Accrued interest	542	685
Interbank and negotiable debt securities	**95,915**	**92,842**
Bonds and similar debt securities	36,395	35,393
Accrued interest	289	286
Bonds and similar debt securities	**36,684**	**35,679**
Total debt securities	**132,599**	128,521

2.4.14 Amounts due to credit institutions

(in millions of euros)	31.12.2021	31.12.2020
Ordinary accounts in credit and overnight borrowings	1,345	1,478
Demand deposits from Savings Funds	7,063	6,630
Accrued interest	1	2
Amounts due to credit institutions repayable on demand	**8,409**	**8,110**
Accounts and borrowings with fixed maturities	22,330	21,519
Securities and other assets sold under collateralised fixed repurchase agreements	20,807	24,571
Accrued interest	132	38
Amounts due to credit institutions with fixed maturities	**43,269**	**46,128**
Total amounts due to credit institutions	**51,678**	54,238

2.4.15 Amounts due to customers

(in millions of euros)	31.12.2021	31.12.2020
Livret A passbook savings account	65,403	64,815
Home savings plans and accounts	34,032	35,536
Other regulated savings accounts	25,669	24,203
Regulated savings accounts	**125,104**	**124,553**
Current accounts in credit	150,947	143,449
Overnight accounts and borrowings	3,324	2,881
Other amounts due	1,094	1,160
Customer demand deposits	**155,364**	**147,489**
Accounts and borrowings with fixed maturities	15,110	13,651
Term deposits	560	122
Securities sold under collateralised term repurchase agreements	23,500	24,859
Amounts due to customers with fixed maturities	**39,171**	**38,632**
Total amounts due to customers	**319,639**	310,674

2.4.16 Offsetting of financial assets and liabilities

(in millions of euros)	31.12.2021 Gross amount of financial assets/ liabilities	Amounts offset in the statement of financial position	Closing balance	Impact of master netting agreements and similar arrangements	Financial instruments given/received as collateral	Net
Assets						
Derivative financial instruments	8,580		8,580	5,485	953	2,142
Reverse repurchase agreements, securities borrowing agreements and similar	9,228	1,965	7,263	142	5,119	2,002
Liabilities						
Derivative financial instruments	10,115		10,115	4,814	2,135	3,166
Repurchase agreements, securities lending agreements and similar	46,237	1,965	44,302	723	27,416	16,163

(in millions of euros)	31.12.2020 Gross amount of financial assets/ liabilities	Amounts offset in the statement of financial position	Closing balance	Impact of master netting agreements and similar arrangements	Financial instruments given/received as collateral	Net
Assets						
Derivative financial instruments	10,197		10,197	6,066	1,705	2,427
Reverse repurchase agreements, securities borrowing agreements and similar	18,696	2,713	15,983	1,821	11,811	2,351
Liabilities						
Derivative financial instruments	12,821		12,821	6,132	2,318	4,371
Repurchase agreements, securities lending agreements and similar	52,111	2,713	49,398	2,031	34,263	13,104

2.4.17 Provisions

(in millions of euros)	31.12.2020	Increases	Reversals (utilisations)	Reversals (surplus provisions)	Other movements	31.12.2021
Provisions for employee benefit obligations[1]	3,942	668	(633)	(34)	(277)	3,666
Provisions for home savings schemes	52	32		(20)		64
Provisions on commitments and guarantees	140	101	(105)	(9)	2	129
Provisions for counterparty risks	69		(9)		5	65
Other provisions	2,807	440	(291)	(88)	(153)	2,715
Total provisions	7,010	1,242	(1,038)	(151)	(422)	**6,641**

(1) Including a decrease of €151 million due to changes in the calculation of certain post-employment benefits following the IFRS IC decision of May 2021.

2.4.18 Non-controlling interests

(in millions of euros)	Control percentage and ownership interest of non-controlling interests	31.12.2021 Non-controlling interests: Net profit (loss) for the period attributable to owners of non-controlling interests	Amount in equity at year-end attributable to non-controlling interests	Dividends paid to owners of non-controlling interests	Financial information published by subsidiaries[1]: Total assets	Equity	Net banking income/ revenue	Net profit (loss)
La Poste group[2]	34%	1,329	17,775		796,365	32,650	34,609	2,597
Icade	60.4%	198	2,717	180	17,609	8,639	1,662	637
Compagnie des Alpes	58.55%	(41)	535		2,246	884	241	(123)
Other entities		49	616					
Total		**1,535**	**21,643**					

(in millions of euros)	Control percentage and ownership interest of non-controlling interests	31.12.2020 Non-controlling interests: Net profit (loss) for the period attributable to owners of non-controlling interests	Amount in equity at year-end attributable to non-controlling interests	Dividends paid to owners of non-controlling interests	Financial information published by subsidiaries[1]: Total assets	Equity	Net banking income/ revenue	Net profit (loss)
La Poste group[2]	34%	(106)	18,769		758,188	31,959	31,185	2,084
Icade	60.6%	54	2,621	180	12,818	3,751	1,447	63
Compagnie des Alpes	60.7%	(103)	467	10	1,990	790	616	(104)
Other entities		(1)	498					
Total		(156)	22,355					

(1) The summarised financial information represents the data of sub-groups based on a 100% holding and before elimination of intra-group transactions.
(2) Contribution of La Poste group within the Caisse des Dépôts Group: La Poste, La Banque Postale, CNP Assurances.

2.5 Insurance activities

2.5.1 Insurance investments

(in millions of euros)	31.12.2021	31.12.2020
Financial assets at fair value through profit or loss	226,404	187,678
Hedging instruments with a positive fair value	55	
Financial assets at fair value through OCI to be reclassified	216,584	216,883
Securities at amortised cost	84	155
Investment property	3,393	3,083
Insurance investments	**446,520**	407,799

2.5.1.1 Financial assets at fair value through profit or loss

(in millions of euros)	31.12.2021	31.12.2020
Debt instruments	**180,952**	149,028
Government paper and equivalents	4,316	4,744
Bonds and other fixed-income securities	20,438	17,523
UCITS	76,849	62,680
Assets backing unit-linked contracts	73,742	57,236
Loans and advances	5,607	6,845
Equity instruments	**44,038**	38,120
Equities and other variable-income securities	39,301	34,049
Assets backing unit-linked contracts	4,737	4,071
Derivative financial instruments	**1,413**	531
Financial assets at fair value through profit or loss	**226,403**	187,678

2.5.1.2 Financial assets at fair value through other comprehensive income to be reclassified

	31.12.2021		
(in millions of euros)	Fair value	o/w impairment	Unrealised gains/ losses
Government paper and equivalents	121,945	(70)	(1,670)
Bonds and other fixed-income securities	94,639	(360)	492
Total debt instruments	**216,584**	**(430)**	**(1,178)**
Financial assets at fair value through OCI to be reclassified	**216,584**	**(430)**	**(1,178)**
Tax			603
Gains and losses recognised directly in equity on debt instruments measured at fair value through OCI to be reclassified to profit or loss (net of tax) – insurance investments			**(575)**

	31.12.2020		
(in millions of euros)	Fair value	o/w impairment	Unrealised gains/ losses
Government paper and equivalents	122,018	(56)	1,847
Bonds and other fixed-income securities	94,865	(308)	2,017
Total debt instruments	**216,883**	**(364)**	**3,864**
Financial assets at fair value through OCI to be reclassified	216,883	(364)	3,864
Tax			(815)
Gains and losses recognised directly in equity on debt instruments measured at fair value through OCI to be reclassified to profit or loss (net of tax) – insurance investments			**3,049**

2.5.2 Insurance company technical provisions and shadow accounting reserves

(in millions of euros)	31.12.2021 Before reinsurance	Reinsurance	Net of reinsurance
Non-life insurance	9,627	869	8,758
Life insurance	261,940	17,050	244,890
of which life insurance mathematical reserves	*248,849*	*16,656*	*232,193*
Financial contracts with a discretionary participation feature	107,284	3,195	104,089
of which mathematical reserves	*97,942*	*2,942*	*95,000*
Financial contracts without a discretionary participation feature	3,713	278	3,435
Technical provisions	**382,564**	**21,392**	**361,172**

(in millions of euros)	31.12.2021 Before reinsurance	Reinsurance	Net of reinsurance
Net deferred participation reserve	31,834		31,834
Shadow accounting reserves	**31,834**		**31,834**
Total technical provisions and shadow accounting reserves	**414,398**	**21,392**	**393,006**

The deferred participation reserve results from the use of shadow accounting. It represents the life insurance policyholders' share of unrealised gains and losses and impairment recognised on assets whose yields determine the yield paid to policyholders.

(in millions of euros)	31.12.2020 Before reinsurance	Reinsurance	Net of reinsurance
Non-life insurance	9,502	775	8,727
Life insurance	222,155	17,202	204,953
of which life insurance mathematical reserves	*209,860*	*16,846*	*193,014*
Financial contracts with a discretionary participation feature	112,374	3,144	109,230
of which mathematical reserves	*103,133*	*2,905*	*100,228*
Financial contracts without a discretionary participation feature	3,931	245	3,686
Technical provisions	347,961	21,365	326,596

(in millions of euros)	31.12.2020 Before reinsurance	Reinsurance	Net of reinsurance
Net deferred participation reserve	31,870		31,870
Shadow accounting reserves	31,870		31,870
Total technical provisions and shadow accounting reserves	379,831	21,365	358,467

2.5.2.1 Mathematical reserves

(in millions of euros)	31.12.2021 Before reinsurance	31.12.2021 Reinsurance	31.12.2021 Net of reinsurance
Mathematical reserves at 01.01.2021	**312,993**	**19,751**	**293,242**
Premiums	27,453	568	26,885
Extinguished liabilities (benefit payments)	(26,731)	(1,192)	(25,539)
Locked-in gains	4,568	384	4,184
Change in value of linked liabilities	4,717	155	4,562
Changes in scope of in-force business	2,066	(1)	2,067
Outstanding fees	(1,983)	(74)	(1,909)
Translation adjustments	173		173
Newly-consolidated companies	24,194	52	24,142
Changes in assumptions	20	1	19
Other	(679)	(47)	(632)
Mathematical reserves at 31.12.2021	**346,791**	**19,597**	**327,194**

2.5.2.2 Deferred participation

(in millions of euros)	31.12.2021	31.12.2020
Deferred participation on remeasurement of assets at fair value through profit and loss	9,546	2,731
Deferred participation on remeasurement of assets at fair value through OCI	(368)	2,848
Other deferred participation	22,656	26,291
Total deferred participation	**31,834**	31,870

2.5.3 Insurance income statement

(in millions of euros)	31.12.2021	31.12.2020
Premiums written	32,849	23,169
Change in unearned premiums	(176)	(169)
Earned premiums	**32,673**	**23,000**
Revenue from other activities	**90**	**135**
Other operating income	**14**	
Investment income, net of expenses	5,289	4,886
Gains and losses on disposals of investments	(1,209)	(602)
Change in fair value of financial assets at fair value through profit or loss	10,458	526
Change in impairment losses on investments	(68)	(333)
Impact of the overlay approach	(1,074)	(679)
Investment income net of expenses	**13,396**	**3,799**
Total revenue	**46,173**	**26,935**
Claims and benefits expenses	(39,216)	(21,039)
Ceded expenses and income	205	120
Income and expenses from other activities	5	(1)
Acquisition costs	(4,013)	(3,286)
Amortisation of acquired in-force business and distribution agreements	(552)	(431)
Administrative costs	(285)	(246)
Other recurring operating income and expenses	(489)	(455)
Total recurring operating income and expenses, net	**(44,345)**	**(25,338)**
Recurring operating profit (loss)	**1,828**	**1,597**
Other non-recurring operating income and expenses, net	(5)	(28)
Operating profit (loss)	**1,823**	**1,569**
Finance costs	(99)	(56)
Change in value of intangible assets	(122)	(11)
Share of profit of equity-accounted companies	88	95
Income tax expense	(468)	(420)
Consolidated net profit (loss)	**1,222**	1,177
Non-controlling interests	**474**	724
Net profit (loss) attributable to owners of the parent	**748**	453

2.5.4 Impact of applying the overlay approach for La Banque Postale group's insurance activities

The net impact of applying the overlay approach by type of financial asset is presented below:

	31.12.2021			
(in millions of euros)	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact
UCITS	46,964	130	(32)	98
Equities and other variable-income securities	33,598	944	(56)	888
Bonds	6,160	(9)	2	(7)
Other financial assets	18,559	9	36	45
Total	**105,281**	**1,074**	**(50)**	**1,024**

	31.12.2020			
(in millions of euros)	Carrying amount	Gross overlay impact	Deferred tax	Net overlay impact
UCITS	45,751	152	(6)	146
Equities and other variable-income securities	29,263	529	(172)	357
Bonds	6,230	(4)	(41)	(46)
Other financial assets	19,028	2	6	8
Total	100,272	679	(214)	465

The impact on the income statement of applying the overlay approach is presented below:

	31.12.2021		
(in millions of euros)	IAS 39	IFRS 9	Overlay impact
Net banking income excluding overlay	51	1,125	
Overlay impact			**(1,074)**
Net banking income	**51**	**1,125**	**(1,074)**
Deferred taxes	(25)	(75)	50
Net profit (loss)	**26**	**1,050**	**(1,024)**

	31.12.2020		
(in millions of euros)	IAS 39	IFRS 9	Overlay impact
Net banking income excluding overlay	(68)	611	
Overlay impact			**(679)**
Net banking income	**(68)**	**611**	**(679)**
Deferred taxes	16	(198)	214
Net profit (loss)	(52)	413	(465)

2.6 Commitments given and received

2.6.1 Commitments given and received

(in millions of euros)	31.12.2021	31.12.2020
Commitments given	**151,367**	145,194
Financing commitments		
To credit institutions	7,006	8,408
To customers	31,852	32,024
Guarantee commitments		
To credit institutions	1,381	1,285
To customers	3,615	3,689
Securities-related commitments		
Securities to be delivered	18,240	15,938
Other commitments given		
To credit institutions	62,420	60,045
To customers	26,852	23,805
Commitments received	**155,243**	156,777
Financing commitments		
From credit institutions	47,573	53,933
From customers	400	495
Guarantee commitments		
From credit institutions	50,188	47,769
From customers	23,991	22,084
Securities-related commitments		
Securities to be received	2,943	2,633
Other commitments received		
From credit institutions	27,157	27,199
From customers	2,991	2,664

2.6.1.1 *Crédit Logement* commitments

La Banque Postale is committed to maintaining *Crédit Logement*'s Tier 1 capital at a level equivalent to its interest in the company, i.e. 6%, so that the company can maintain its capital ratio. La Banque Postale is also committed to replenishing *Crédit Logement*'s mutual guarantee fund if required. This fund underwrites borrower defaults on loans guaranteed by the fund.

The amount of this commitment, which corresponds to the share of outstanding *Crédit Logement* loans distributed by La Banque Postale, was €184 million at 31 December 2021 (€197 million at 31 December 2020). The amount reported for guarantee commitments received from credit institutions primarily corresponds to guarantees received from *Crédit Logement*.

2.6.2 Exposure to credit risk on financing commitments and guarantees given

2.6.2.1 Exposure to credit risk on financing commitments and guarantees given

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired commitments	Total commitments given
Opening position at 01.01.2021	**38,883**	**6,413**	**110**	**45,406**
Increase	17,584	738	21	18,343
Decrease	(18,449)	(1,385)	(71)	(19,905)
Transfer between stages				
Other movements		12		12
Closing position at 31.12.2021	**38,018**	**5,778**	**60**	**43,856**

2.6.2.2 Breakdown of provisions for expected credit losses

(in millions of euros)	Stage 1 – 12-month expected credit losses	Stage 2 – Lifetime expected credit losses	Stage 3 – Lifetime expected credit losses – credit-impaired commitments	Total provisions for expected credit losses
Opening position at 01.01.2021	**(64)**	**(60)**	**(16)**	**(140)**
Allocations on movements during the period	(25)	9	1	(15)
Other allocations	(34)	(46)	(6)	(86)
Reversals used with write-off	51	49	10	110
Other unused reversals	3			3
Other movements	(1)		(1)	(2)
Closing position at 31.12.2021	**(70)**	**(48)**	**(12)**	**(130)**

2.7 Fair value of financial instruments

2.7.1 Fair value of financial assets and liabilities measured at amortised cost

(in millions of euros)	31.12.2021 Carrying amount	31.12.2021 Estimated market value	31.12.2020 Carrying amount	31.12.2020 Estimated market value
Assets				
Securities at amortised cost	68,340	70,875	75,401	80,234
Loans and receivables due from credit institutions and related entities at amortised cost	91,083	91,096	134,712	134,853
Loans and receivables due from customers at amortised cost	187,681	184,571	186,855	185,867
Total financial assets measured at amortised cost	**347,104**	**346,542**	396,968	400,954
Liabilities				
Debt securities	132,599	131,982	128,521	128,829
Due to credit institutions	51,678	52,086	54,238	54,348
Due to customers	319,639	315,277	310,674	307,567
Subordinated debt	10,104	10,283	10,325	10,587
Total financial liabilities measured at amortised cost	**514,020**	**509,628**	503,758	501,331

2.7.2 Financial instruments measured at fair value

(in millions of euros)	Quoted on an active market: Level 1	Measured using observable inputs: Level 2	Measured using unobservable inputs: Level 3	Total 31.12.2021
Financial assets at fair value				
Financial assets at fair value through profit or loss – Mandatory classification	101,924	30,145	28,529	160,598
Financial assets at fair value through profit or loss – Fair value option	5,244	34	499	5,777
Assets backing unit-linked contracts	73,594	4,806	79	78,479
Derivative instruments held for trading	1	2,348	1	2,350
Hedging instruments with a positive fair value		5,865	223	6,088
Financial assets at fair value through OCI to be reclassified	222,435	13,420	2,702	238,557
Financial assets at fair value through OCI not to be reclassified	27,112	2,217	406	29,735
Cumulative fair value adjustments to portfolios hedged against interest rate risk – assets		346		346
Total financial assets at fair value	**430,310**	**59,181**	**32,439**	**521,930**
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss	619	1,890		2,509
Derivative instruments held for trading		2,939	58	2,997
Hedging instruments with a negative fair value		6,690	377	7,067
Cumulative fair value adjustments to portfolios hedged against interest rate risk – liabilities	145		175	320
Total financial liabilities at fair value	**764**	**11,519**	**610**	**12,893**

(in millions of euros)	Quoted on an active market: Level 1	Measured using observable inputs: Level 2	Measured using unobservable inputs: Level 3	Total 31.12.2020
Financial assets at fair value				
Financial assets at fair value through profit or loss – Mandatory classification	87,425	33,999	22,221	143,645
Financial assets at fair value through profit or loss – Fair value option	5,613	30	487	6,130
Assets backing unit-linked contracts	56,364	3,536	1,406	61,306
Derivative instruments held for trading		1,453	19	1,472
Hedging instruments with a positive fair value		8,492	325	8,817
Financial assets at fair value through OCI to be reclassified	227,722	13,027	1,598	242,347
Financial assets at fair value through OCI not to be reclassified	21,547	1,517	741	23,805
Cumulative fair value adjustments to portfolios hedged against interest rate risk – assets		128		128
Total financial assets at fair value	**398,671**	**62,182**	**26,797**	**487,650**
Financial liabilities at fair value				
Financial liabilities at fair value through profit or loss	593	1,406		1,999
Derivative instruments held for trading		2,595	146	2,741
Hedging instruments with a negative fair value	1	9,491	587	10,079
Cumulative fair value adjustments to portfolios hedged against interest rate risk – liabilities	11	4	8	23
Total financial liabilities at fair value	**605**	**13,496**	**741**	**14,842**

The Group's financial instruments are partly measured using prices "quoted on an active market" (Level 1 of the fair value hierarchy).

These include:

- equities, measured on the basis of quoted prices on their reference market;
- bonds, EMTNs, BMTNs: for each instrument, the value is determined based on the most recent of the quoted prices available on the stock exchange, from brokers, trading rooms or trading platforms;
- units in UCITS and other funds, measured at net asset value;
- BTAN treasury notes, at the prices quoted under the Banque de France's centralised quotation system;
- derivative instruments traded on an organised market (futures, options, etc.).

Financial instruments "Measured using observable inputs" (Level 2 of the hierarchy) concern instruments that are measured using the prices of:

- similar-type instruments quoted on an active market, from the same issuer or guarantor. In that case, the prices and other observable market inputs are used and an adjustment may be made to account for the instrument's degree of illiquidity;
- or identical or similar-type instruments quoted on a non-active market on which regular, observable transactions take place, or financial instruments measured using inputs other than quoted prices that are observable.

These include:

- structured products valued by the Group, arrangers or external valuers;
- OTC derivatives contracts;
- money market securities other than BTANs measured based on the zero coupon price curve plus a spread.

Derivatives are classified based on an analysis that combines the observability of the market inputs used in the valuation and the robustness of the valuation models measured in terms of effectiveness in providing a valuation within market consensus. This approach shows that the derivatives used by the Caisse des Dépôts Group to hedge its activities fall mainly into Level 2.

Financial instruments "Measured using unobservable inputs" (Level 3 of the hierarchy) concern financial instruments measured using inputs not based on observable market data. These are defined as inputs based neither on observable market transactions involving the same instrument at the measurement date, nor on observable market data available at the same date.

These instruments are mainly unlisted participating interests, asset-backed securities and hedging derivatives.

The market value of unlisted participating interests classified as financial assets at fair value through other comprehensive income is calculated by reference to certain criteria such as net assets, future profitability and discounted future cash flows.

2.7.3 Change in value of financial instruments measured at fair value using a technique based on unobservable inputs (Level 3)

(in millions of euros)	Financial assets designated at fair value through profit or loss	Financial assets at fair value through OCI to be reclassified	Financial assets at fair value through OCI not to be reclassified	Hedging instruments	Total
Balance at 01.01.2020	5,049		467		**5,516**
Additions	5,074	1,065	90	91	6,320
Disposals and repayments	(2,330)		(90)		(2,420)
Transfers to or from Stage 3	(140)	(50)			(190)
Gains and losses in the period recognised in OCI		14	(70)		(56)
Gains and losses in the period recognised in profit or loss	(205)			(9)	(214)
Effect of changes in scope of consolidation	16,685	569	344	243	17,841
Balance at 31.12.2020	24,133	1,598	741	325	**26,797**
Additions	6,358	690	28	46	7,122
Disposals and repayments	(4,176)			(96)	(4,272)
Transfers to or from Stage 3	(18)	(283)			(301)
Gains and losses in the period recognised in OCI		(47)	(12)		(59)
Gains and losses in the period recognised in profit or loss	1,185			(53)	1,132
Translation adjustments			6		6
Effect of changes in scope of consolidation and other movements(1)	1,626	744	(357)	1	2,014
Balance at 31.12.2021	29,108	2,702	406	223	**32,439**

(1) Mainly an opening correction for CNP Assurances.

2.8 Benchmark interest rate reform

Regulation (EU) 2016/1011 (Benchmark Regulation or “BMR”), is the European legislative response to the need to strengthen the regulatory framework applicable to benchmark interest rates, particularly Interbank Offered Rates (IBOR). IBOR reform implies changing the method for determining a current benchmark interest rate, or replacing it with an alternative benchmark adopted by all market players. It will impact euro zone rates (Eonia, Euribor) but also rates outside of the euro zone (Libor).

The Benchmark Regulation has been applicable since 1 January 2018, but existing benchmarks can continue to be used during a transition period due to the operational and legal complexities. The deadline for changing to the new BMR-compliant interest rates is 1 January 2022.

For each entity concerned, the Caisse des Dépôts Group has made operational arrangements to examine the various impacts of compliance with the BMR and the elimination of certain benchmark rates.

	Exposure at 31.12.2021		
(in millions of euros)	Outstanding principal amount		Notional amount
Current benchmark rate	**Financial assets (excluding derivatives) affected by the reform**	**Financial liabilities (excluding derivatives) affected by the reform**	**Derivatives affected by the reform**
EONIA	4,984	438	8,493
EURIBOR	25,100	2,661	99,423
LIBOR GBP	319		468
LIBOR USD	666	566	4,210
LIBOR CHF	222		212
Other	232	2,025	375

2.9 Risk factors

2.9.1 Risk factors and risk appetite strategy

To carry out its public-interest missions and fulfil its role as a long-term investor, Caisse des Dépôts has adopted risk appetite principles that meet the following objectives:

- **protect the savings and deposits** entrusted to it as a fiduciary manager of private funds;
- implement a strategy that focuses on a **long-term vision** (at least five years) to maintain the ability to take **countercyclical** action;
- support investment and financing projects **conducive to the balanced and sustainable development of the economy and society,** with the aim of generating future financial, environmental and social benefits, and develop innovation to serve the regions, their people and the economic fabric;
- apply a **financial, management and diversification policy** to its investments and financing in order to **consolidate its financial base** and strengthen its equity for the benefit of its public-interest missions, especially through the integration of systemic risks such as climate change;
- **protect Caisse des Dépôts' reputation** by complying with applicable laws and regulations, adopting best ethical practices and **carefully managing non-financial risks** that might hurt its image.

The subsidiaries of Caisse des Dépôts adhere to this general framework and integrate specific measures in their own risk management policies based on the nature of their business and their business models.

Risk appetite means the level of risk of any nature that the Group or a Group entity is prepared to accept or tries to avoid in order to achieve its strategic and operational objectives. For entities governed by banking or financial regulations, their risk appetite is defined by the regulations applicable to financial institutions.

Every year, the Caisse des Dépôts Supervisory Board issues an opinion on the risk appetite levels that have been expressed in a risk appetite statement. For each major category of risk, qualitative principles and/or metrics are used to manage risk appetite. These metrics sometimes include thresholds and/or limits, taking into account Caisse des Dépôts' financial objectives as well as its public-interest activities and the mandates entrusted to it by the public authorities.

This risk appetite statement is based on a consolidated risk map covering all the risks to which the Caisse des Dépôts Group is exposed. This map is updated every year under the coordination of the Group Risk Management division. It is submitted to the Executive Committee and the Supervisory Board.

The risk map is a financial and operational risk management tool used to identify and evaluate the significant risks faced by the Caisse des Dépôts Group by virtue of its structure and its business.

The business of Caisse des Dépôts and its subsidiaries generate risks that are classified using the following categories:

- strategic and governance risk;
- operational and compliance risk;
- financial risk;
- insurance risk.

The Group's entities ensure that their governing bodies discuss their own risk appetite at least once every year. This risk appetite must be compatible with the Group's risk appetite as approved by the Supervisory Board. It must be approved by the entity's executive and decision-making body.

2.9.2 General structure of the Group's internal control, risk management and compliance system

2.9.2.1 Applicable regulations

In accordance with article 4 of Decree No. 2020-94 of 5 February 2020, the internal and external control system of Caisse des Dépôts must include:

- controls for internal procedures and operations;
- accounting and information-processing divisions;
- systems for measuring risks and results;
- systems for monitoring and managing risks;
- a documentation and information system;
- a system for monitoring cash and securities flows.

In accordance with articles 5 and 6 of the said decree, Caisse des Dépôts must ensure that this policy is applied to the entire Group, which means:

- mobilising all the resources needed to ensure that it is respected by all companies over which it exercises exclusive or joint control within the meaning of amended Regulation No. 99–07 of the French accounting standards setter (*Comité de la réglementation comptable* – CRC) of 24 November 1999 or the IFRS standards, Decree No. 2020-94 or any other internal control provisions applicable to these companies;
- ensuring that the systems put in place by these companies are consistent between themselves so that the risks can be measured, monitored and managed at the consolidated level;
- verifying that these companies have suitable control systems and procedures for producing relevant information and data that can be used for monitoring risks at the consolidated level.

The decree makes applicable the prudential provisions, with the necessary adjustments, of Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms.

The internal control system must also comply with the General Regulations of the French financial markets authority (*Autorité des marchés financiers* – AMF) as well as with specific regulations applicable to the Group's different entities (in particular, the Decree of 3 November 2014 on internal control for companies in the banking sector, payment services and investment services under the supervision of the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR), and the Decree of 6 January 2021 on internal control and systems for combating money laundering and the financing of terrorism and the freezing of assets and the ban on the provision or use of economic resources or funds) and to the specialised businesses (e.g. portfolio management, insurance).

2.9.2.2 Key players for the internal control and risk management system

The Chairman and Chief Executive Officer of Caisse des Dépôts is responsible for the Group's entire internal control, risk management and compliance system. The Chairman and Chief Executive Officer defines the risk management and compliance policies for the Group, as well as the internal control principles (permanent controls and periodic controls). He receives key internal control and risk management reports.

The directors of the Caisse des Dépôts Central Sector and the heads of the subsidiaries are responsible for rolling out the policies defined by the Group within their own reporting scope, in accordance with any applicable regulations specific to them.

Within these entities, line managers set up effective risk management processes within their own divisions, particularly with regard to procedures and the segregation of tasks. They ensure that their operations comply with entity-specific provisions, including the applicable law and regulations, professional standards and management instructions, applied in line with the policies defined by the Group.

At Group level, the Group Risk Management division and the Permanent Control and Compliance division of Caisse des Dépôts form the second line of defence. The entities' risk management, permanent control and compliance functions implement the risk management (including compliance risk) and permanent control systems in their subsidiaries under the authority of the heads of these entities.

The Group Risk Management division is responsible for the Group risk management system. It develops and implements the risk management framework, taking into account the risk appetite defined by the Group.

The Group Permanent Control and Compliance Department is responsible for organising the second-tier permanent control system, which is independent from the operational functions, through a control plan that combines the principle of completeness of permanent controls with a risk-based approach. To that end, it is supported by the permanent control divisions of the subsidiaries, and ensures that they correctly implement the Caisse des Dépôts Group's Permanent Control Charter. It is also responsible for the system for preventing compliance risk, as defined in Decree no. 2020-94 of 5 February 2020. In particular, it monitors changes in the permanent control and compliance regulations applicable to Caisse des Dépôts and how they are implemented within the Group.

The Group Audit division is responsible for periodic controls within the internal control system and works across the scope of the Public Institution and any exclusively or jointly controlled subsidiaries. It exercises a right to audit the subsidiaries and coordinates the Group's internal audit network made up of the subsidiaries' audit divisions, notably in order to coordinate actions relating to periodic controls at Group level. The Group Audit division works independently, following a multi-year programme approved by the governing body of Caisse des Dépôts, to which it reports on a regular basis (performance of its engagements, implementation of recommendations).

2.9.2.3 Organisation

2.9.2.3.1 Permanent controls

The permanent control system covers all the activities of the divisions and subsidiaries and any other entities within their operational reporting scope, including activities deemed critical or important, within the meaning of banking and financial regulations, that have been outsourced to a service provider.

There are two levels of control: operational controls (tier 1) and work by control function staff (tier 2):

- the first tier consists of controls designed to ensure that all operations processed are conducted properly. They are performed by operational teams and their respective managers, who ensure that the activities for which they are responsible are properly conducted. First-tier controls are designed around the principles of segregation of functions, delegation of power and approval limits, and the accuracy and completeness of all entries and data flows processed. First-tier controls also include controls carried out by automated transaction processing systems;
- the second-tier controls are the responsibility of the Group's Permanent Control and Compliance division and the subsidiaries' Permanent Control and Compliance Officers. This second tier contributes to the control of the compliance, security and approval of the operations carried out. It also aims to ensure that the first-tier control systems are appropriate to the risks involved and activities carried out. The controls are defined in reference to the risk maps, warning flags and events.

Caisse des Dépôts' permanent control principles are set out in the "Group Permanent Control Charter" reference document, which has been approved by the Executive Committee. The charter applies to all divisions of the Caisse des Dépôts Central Sector (the "divisions") and the entities that it controls. Permanent control is based on written procedures and formally documented control processes.

All second-tier control plans, control results, control events and corresponding action plans for the Caisse des Dépôts Central Sector are archived in a Group-wide application. The other entities have developed applications for ensuring the reliability of the internal control audit trail as well as the traceability of any events identified.

2.9.2.3.2 Risk management

The Group's entities must deploy risk management and prevention systems adapted to their businesses and the degree of inherent risk, in compliance with the Group's overall risk management framework and without prejudice to any specific provisions applicable to them.

The risks of the Caisse des Dépôts subsidiaries are incorporated into the consolidated risk management system based on the different types of risk incurred and the nature of each subsidiary's business. In general terms, Caisse des Dépôts provides consolidated risk monitoring for:

- financial risks, covering the financial and real estate subsidiaries;
- non-financial risks, covering the main subsidiaries within the scope of consolidation.

Liquidity risk is managed by each of the Group entities.

2.9.2.3.3 Periodic controls

Periodic controls provide a third level of control and are performed by Group Internal Audit and the Audit network in accordance with the action principles and methodology set out in the Caisse des Dépôts Internal Audit Charter.

2.9.2.3.4 Supervision over the Group entities

The Group Risk Management and Permanent Control divisions have a functional relationship with the risk management divisions at each of the Group's entities.

The entities' Risk, Permanent Control and Compliance Officers report back to the Group Risk Management division on the risk management system and to the Group Permanent Control and Compliance division on the risks identified in the context of their compliance and permanent controls. They may subsequently ask the divisions to intervene directly.

Each Group financial subsidiary deploys risk monitoring applications and processes that are adapted to its own activities and structure.

Group-level indicators are monitored by the Group Risk Management division based on information provided by the subsidiaries (risk reporting, consolidated risk profile, etc.).

Directors from Caisse des Dépôts sit on the subsidiaries' audit and risk committees and ensure, working with the Group Risk Management division, that each entity complies with all of the Group's risk management measures as stated in the Group risk management charter.

2.9.2.3.5 Governance bodies and reporting

Twice a year, under the chairmanship of the Chairman and Chief Executive Officer, the Risk, Permanent Control and Compliance Committee examines the status of risk management and internal control within the Group.

The Group Risk Management division presents:

- a monthly risk summary for the Executive Committee;
- a quarterly report on the Group's risk profile for the Executive Committee and Supervisory Board, mainly to verify compliance with the risk appetite levels;
- the results of the risk mapping exercise for the Executive Committee and Supervisory Board.

The Permanent Control and Compliance division provides information on the status of the permanent controls put in place by the Public Institution and its main subsidiaries at a predefined frequency and in the appropriate formats.

The Group Permanent Control and Compliance division reports to the Supervisory Board, in particular through half-yearly reports, on permanent controls and compliance, in accordance with the requirements of Decree No. 2020-94 of 5 February 2020 on the internal and external control of Caisse des Dépôts.

The Group Audit division reports regularly to the governing bodies of Caisse des Dépôts. Its multi-year audit plan is updated every year and approved in turn by the Chairman and Chief Executive Officer (presentation to the Executive Committee) and the Supervisory Board (after a presentation to the Audit and Risk Committee). In addition, it provides these same bodies with an annual report on the work of the Group's internal audit network and a progress report on the auditors' and regulators' recommendations (quarterly presentation to the Executive Committee, and half-yearly to the Supervisory Board, after review by the Audit and Risk Committee). Every year, the Group Audit division also contributes to a presentation on the structure and objectives of Caisse des Dépôts' internal control system.

An annual internal control report is prepared, provided to the Supervisory Board and submitted to the French Prudential Supervisory and Resolution Authority (ACPR), in accordance with the decree of 3 November 2014.

2.9.3 Financial risks

2.9.3.1 Credit and counterparty risk

2.9.3.1.1 Definition of credit risk and scope

Credit risk is the current or prospective risk of a loss on a receivable, due to a deterioration in the borrower's credit standing that may result in an inability to meet its payments when they fall due.

Credit risk within the Caisse des Dépôts Group is managed in accordance with Chapter IV, Section 2 of Decree No. 2020-94 of 5 February 2020, and specifically article 63 which requires Caisse des Dépôts to have a credit risk selection and management procedure in order to:

- centrally identify the balance sheet and off-balance sheet risks from a single counterparty or several counterparties considered to be a single group of related customers;
- establish different risk level categories based on qualitative and quantitative information, including for daily credit risk, if significant for its activity;
- understand and manage concentration risk by means of documented policies and procedures;
- understand and manage residual risk by means of documented policies and procedures;
- ensure its commitments are adequately diversified in accordance with its credit policy.

Within the Group, credit risk mainly affects the Caisse des Dépôts Central Sector, La Banque Postale and SFIL as a result of loans and receivables portfolios and securities portfolios measured at amortised cost or at fair value through other comprehensive income.

2.9.3.1.2 Credit risk management and governance

2.9.3.1.2.1 Governance

The Executive Committee set the fundamental risk management principles (strategic guidelines, values, risk appetite, governance, umbrella Group standards), which are then approved by the Supervisory Board and used by each of the regulated entities to define its own risk management system via its own governance, and by each business line of the Caisse des Dépôts Central Sector to define its priority actions and manage the associated risks, under the supervision of the Group Risk Management division.

The regulated entities have a procedural handbook covering credit, counterparty and regulation risks. These rules and procedures are consistent with the risk appetite defined at Group level and incorporated in the risk appetite of each entity.

The entities have methods for setting limits and IT systems for monitoring compliance with these limits. The procedures include rules for dealing with breaches of these credit, counterparty and regulation risk limits, and for escalating cases where necessary.

2.9.3.1.2.2 Policies for granting and securing guarantees

The processes for examining and granting guarantees within the Group are based on formal risk selection systems specific to each customer segment or type of activity, via risk analyses, credit ratings and/or scores, delegation rules and specialist committees (regional and national commitment committees, credit committees) and limit-setting rules. In terms of investment limits, third parties are systematically scored and allocated an individual limit designed to contain the total amount of the commitment. If necessary, these individual limits are combined with "group" limits which apply to exposure from a group of third parties considered to belong to the same business grouping. Individual limits and group limits may also be combined with sector or geographical limits designed to mitigate concentration risk.

The Caisse des Dépôts Group strives to minimise its credit risk. To do so, in addition to the quality of the file and of the counterparty which are essential to decision-making, the Group's entities seek guarantees to limit their losses in the event the counterparty defaults. The nature and level of the guarantees for loans vary by customer segment:

- legal professions (Caisse des Dépôts Central Sector scope): loans are usually but not always accompanied by a guarantee, either from a guarantor institution or in the form of a mortgage or personal surety. The rules for guarantees (real, personal and mixed sureties), which vary depending on the type of commitment and client, are defined in the commitments handbook and the general scale;
- home loans (La Banque Postale scope): the general principle is that any finance must be 100% covered by a guarantee, which provides an adequate level of cover that complies with the Group's risk management policy. The main forms of cover are first-ranking mortgages, pledges of financial products (life insurance policies, securities accounts, REIT units) and guarantees from organisations authorised and approved by La Banque Postale's Guarantor Referencing Committee, which uses two main organisations in France: *Crédit Logement* and *Fonds de cohésion sociale* (FGAS);
- consumer credit (La Banque Postale scope): generally granted without guarantees or collateral;
- business loans (La Banque Postale scope): every commitment must be covered by a guarantee except where risk management rules provide otherwise. Their role is to limit La Banque Postale's loss in the event of a borrower default (LGD). The guarantees taken must comply with the risk management rules and, insofar as possible, security rights must qualify in prudential terms;
- export credit, customer loans (SFIL scope): the main providers of personal surety (guarantees) are sovereign institutions and local authorities.

Guarantees for market activities cover either the issuer risk or the counterparty risk:

- issuer risk (Caisse des Dépôts Central Sector scope): issuer, issue or transaction guarantees are recorded in the IT systems and used to calculate the credit risk exposure for the guarantors in question;
- counterparty risk: the Caisse des Dépôts Group is exposed to potential counterparty risk on its over-the-counter market transactions. The Group manages this risk through the systematic use of standard contractual arrangements requiring counterparties to put up collateral or to offset trades. For credit risk for its market activities, La Banque Postale group's standard calls for the inclusion of collateral from repo transactions as securities when the following eligibility criteria are met: sufficiently liquid asset included in the list of CRR assets (article 194.3); right to liquidate (Article 194.4) and match between the credit quality grade (CQS) and the assessments of the external organisation (article 197.1).

If the transactions are eligible, the Group clears the derivatives through clearing houses.

The Caisse des Dépôts Group does not use securitisation techniques to attenuate its risk exposures.

2.9.3.1.2.3 Credit risk monitoring (Watchlist and identification of non–performing exposures)

The governance and oversight of the Caisse des Dépôts Group's risks are underpinned by a group of committees, specific to the Caisse des Dépôts Central Sector and its subsidiaries, which enable them to comply – from the highest levels of responsibility down – with the applicable laws and regulations, and to ensure that all of risks are managed in a healthy and independent manner. Each entity has committees for:

Risk monitoring:

- counterparty Risk Committee or Counterparty Watchlist Committee for the Caisse des Dépôts Central Sector;
- watchlist Committees for La Banque Postale and SFIL.

  These committees monitor any assets that require special surveillance due to a deterioration in their credit risk.

Default monitoring and identification:

- defaulting Counterparties Committee and Provisions Committee for the Caisse des Dépôts Central Sector;
- loan Provisions Validation Committee and Disputes Committee for La Banque Postale;
- defaults, NPE and Forbearance Committee and Provisions Committee for SFIL.

  One of the key roles of these committees is to decide whether to apply or remove default status from borrowers, classify non-payments as a true default or technical non-payment, approve the list of counterparties with non-performing exposures and approve the list of restructured exposures.

2.9.3.1.2.4 Credit risk provisions

Provisions are calculated using IFRS 9.

2.9.3.1.2.4.1 Significant increase in credit risk

2.9.3.1.2.4.1.1 Group principles

The Caisse des Dépôts Group has defined seven principles for assessing a significant increase in credit risk, one of which is specific to retail customers and is applicable only to La Banque Postale.

Principle 1 – Monitoring of credit risk: in accordance with IFRS 9, credit quality is assessed from the beginning of the commitment. Credit quality is measured at each reporting date after initial recognition in order to determine the classification of the asset concerned.

A financial instrument is classified as sensitive when there has been a significant deterioration in credit quality since initial recognition (comparison of the asset's credit quality versus when it was first recorded in the balance sheet or recognised as an off–balance sheet commitment).

Principle 2 – Rating indicator to monitor credit quality: the Group monitors the credit risk of each contract using a system for rating the credit quality of the counterparty. The rating of a contract at a given time is determined on the basis of the counterparty's rating at that time, such that, at a given time, all contracts with a same counterparty have the same rating.

The Group's entities have a rating system derived from the internal rating models used to manage and monitor risks.

If no internal or external rating is available for a given customer and the related exposure, other methods are used to assess whether there has been a significant increase in credit risk since inception. For portfolios that do have an internal or external rating, assessment of a possible significant increase in credit risk is based on the rating, supplemented where appropriate by quantitative and/or qualitative analyses by the entity's Risk Management division.

Principle 3 – Monitoring of credit quality with the addition of a backstop: to supplement Principle 1, the Group's entities may use an absolute threshold criterion based on payments that are more than 30 days past due. In accordance with IFRS 9, payments more than 30 days past due are considered as an indicator of a significant increase in the credit risk as they point to a decline in credit quality. La Banque Postale and SFIL also use a rating indicator to take into consideration an absolute quality level beyond which there is considered to be a significant increase in the assets' credit risk. The level is set by customer segment and/or type of asset.

Principle 4 – Use by La Banque Postale of a 12-month indicator for retail customers: assessment of a significant increase in credit risk, which involves assessing at each reporting date the probability of a default occurring over the remaining life of the asset. Rather than basing the assessment on the lifetime probability of default, IFRS 9 allows the use of a 12-month probability of default if this is a reasonable approximation of the lifetime probability.

Principle 5 – Application of the low credit risk exemption: IFRS 9 allows entities to assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the instrument is determined to have low credit risk at the reporting date. A financial instrument is considered to represent a low credit risk when there has been no significant increase in its credit risk since initial recognition. "Low credit risk" can be equivalent to a widely accepted definition such as "investment grade", which according to the CRR scale would correspond to a rating below or equal to 3. The Group only applies this exemption to debt securities.

Principle 6 – Consideration of qualitative information: for the Group's portfolios, excluding La Banque Postale retail customers, the presumption of a transfer to Stage 2 requires a specific qualitative analysis by the Watchlist or Monitoring Committee to confirm or reject the assessment that a significant increase in credit risk has occurred.

Principle 7 – Transfer to Stage 2 before default: wherever possible, assets exposed to a significant increase in credit risk are identified before they default. Exceptionally, some commitments can be exempted from being reclassified to Stage 2 before they are recorded in default.

2.9.3.1.2.4.2 Process for assessing a significant increase in credit risk

The operational procedures in place enable events indicating a possible deterioration in the credit quality of a counterparty to be monitored/detected.

The criteria for classifying a commitment in Stage 2 are described by category of exposure:

- customer portfolios (Caisse des Dépôts Central Sector scope);
- sovereign debt and equivalent, central administrations and central banks;
- financial institutions, credit institutions;
- corporate debt;
- corporates (La Banque Postale scope);
- retail customers – individuals (La Banque Postale scope);
- retail customers – businesses (La Banque Postale scope);
- public sector entities (La Banque Postale and SFIL scope).

The main criteria used to place the contracts of a counterparty in Stage 2 if not yet eligible for Stage 3 are:

- it is placed on the Watchlist by an Asset Monitoring Committee due to deterioration in its credit risk or in Forbearance following a concession made by the entity in question to a counterparty in financial difficulty;
- it is strictly between thirty-one and ninety days past due;
- its rating is below an absolute level used to represent a highly impaired asset: for example, a non-investment grade rating (internal rating less than or equal to BB+) or a rating that has suffered or will suffer a high risk rating migration based on forward-looking scenarios.

The criteria do not represent an exhaustive list and the relevance of information depends on the exposure category observed (except for retail customers of La Banque Postale). Other events leading to a deterioration in credit quality or generating risk can be taken into account following an analysis by the Risk Management division of the entity concerned, in conjunction with the operating divisions responsible for monitoring their customers.

The operating divisions are responsible for the exposures they have generated and must detect immediately any events that indicate a deterioration in the credit quality of their customers.

All assets that are not in Stage 3 or Stage 2 are classified in Stage 1. These are assets that show no significant increase in credit risk since initial recognition.

An asset moved to Stage 2 following a significant increase in credit risk may be moved out of Stage 2 and reclassified in Stage 1 if all the criteria that led to this classification are no longer met and any arrears have been settled. Depending on the circumstances, an observation period may be required for vulnerable debtors to prevent recurrence.

Credit-impaired loans in Stage 3: IFRS 9 does not provide any definition of default, but it encourages the use of a definition that is consistent with the one used by the entity for the purpose of its risk management policy. The Group applies the definition of default set by article 178 of Regulation (EU) No. 575/2013 and the provisions of Regulation (EU) No. 2018/1845 of the European Central Bank in relation to the threshold for assessing the materiality of credit obligations past due. The definition of defaulted loans is therefore clarified by the introduction of a relative threshold and an absolute threshold to be applied to payments past due for the purpose of identifying situations of default, by clarifying the criteria for reclassifying loans as performing after a probationary period, and introducing explicit criteria for classifying restructured loans as defaulted loans.

In addition to identifying defaulted loans on the basis of regulatory criteria applicable to payments past due, a financial asset is considered to be credit impaired when one or several credit events have occurred that are indicative of financial difficulties:

- risk of non-payment (unlikely to pay): it is unlikely that the counterparty will pay all or part of its debt without recourse to actions such as realising security;
- the loan is considered high-risk under the Group's risk management policy;
- an application for relief from excessive levels of consumer debt has been made to the Banque de France, even if no payment incident has occurred (La Banque Postale scope);
- etc.

Removal from "default" status is subject to a probationary period, which may be no shorter than the period defined by the applicable regulations.

2.9.3.1.2.4.3 Provisioning – methodological approach – expected credit losses (ECL)

2.9.3.1.2.4.3.1 Expected credit losses

Expected credit losses (ECL) are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money and all available information.

2.9.3.1.2.4.3.2 12-month expected credit loss ($ECL_{12\ months}$)

At each reporting date, when there is no significant increase in the credit risk associated with a commitment since initial recognition, the provision is measured at an amount equal to the 12-month expected credit loss.

$ECL_{12\ months}$ represents the portion of the lifetime cash shortfalls that will result if a default occurs in the 12 months after the reporting date.

This formula applies to all commitments classified in Stage 1.

2.9.3.1.2.4.3.3 Lifetime expected credit loss ($ECL_{lifetime}$)

At each reporting date, when there is a significant increase in credit risk associated with a commitment since initial recognition, the provision is measured at an amount equal to the lifetime expected credit loss.

This formula applies to all commitments in Stages 2 or 3.

2.9.3.1.2.4.4 Definition of ECL calculation parameters

Expected credit losses are calculated using three main components: probability of default (PD), loss given default (LGD) and exposure at default (EAD). For contracts in Stage 2, the maturity of the exposure must also be taken into account.

Probability of default (PD): IFRS 9 introduces the notion of expected credit losses and, indirectly, that of the probability of default adjusted to the situation at the reporting date (point-in-time probability of default – PiT PD). This parameter does not correspond to the average over the cycle (through-the-cycle probability of default – TTC PD) applicable under the Basel framework for the internal ratings-based approach. This variable is used to estimate the probability that a commitment will go into default over a given period of time. A PiT PD estimate is based on future and current assessments and depends on the counterparty category.

PiT PD is used for all the Group's portfolios, excluding the Caisse des Dépôts Central Sector's customer portfolios, which are subject to specific treatment, based on the historical average of defaults over the previous ten years.

Loss given default (LGD): Loss given default corresponds to the ratio between contractual and expected cash flows taking into account the effects of discounting and other expenses incurred at the time that an instrument goes into default. LGD is expressed as a percentage of exposure at default.

This input under IFRS 9 differs from the Basel definition. For Basel II purposes, loss given default is adjusted to include a prudential buffer and to reflect losses occurring during a downturn in the business cycle and other costs.

As the Caisse des Dépôts Central Sector's portfolios do not have internal loss given default models, LGD is established by experts, based either on observed historical collections (customer portfolios) or on the levels generally used under the Basel standard (securities portfolios).

La Banque Postale has opted to use modelled LGDs adjusted in accordance with IFRS 9 for portfolios that have a loss given default model by type of product and guarantee, and to determine an LGD based on expert analyses for the other portfolios by segment, product and type of guarantee that will be revised at least once a year. SFIL uses modelled LGDs within the prudential framework, with adjustments to take into account IFRS 9 rules. This approach is applied to all significant portfolios, especially local authorities and unions with their own tax rules.

Exposure at default (EAD): Exposure at default corresponds to the basis used for calculating the expected credit loss. It is based on the value exposed to credit risk taking into account the type of repayment schedule, the passage of time and expected early repayments (projected cash flows).

The loss allowance is based on the outstanding amount recorded on balance sheet and off-balance sheet (undrawn portion) converted to its credit exposure equivalent using the credit conversion factor (CCF).

To take into account early repayments and the passage of time, an early repayment rate is applied, where necessary, to the basis used to calculate loss allowances by portfolio. This rate is reviewed periodically to take into account any economy-led change in early repayments.

Maturity refers to the final payment date for a loan commitment or a financial instrument on which the principal and interest must be settled in full or the date when the authorised amount or authorisation period expires.

It corresponds to the maximum contractual period including extension options, except in the case of revolving lines of credit, renewable credit card facilities and overdrafts for which a behaviour-based maturity is to be used (La Banque Postale scope).

For commitments within the scope of La Banque Postale without a contractual maturity, a 12-month maximum maturity is used as, in the case of insolvency of the debtor, the overdraft facility is cancelled within 12 months, in accordance with French banking law. Revolving lines of credit are financial instruments that do not have a fixed maturity, repayment schedule or cancellation period. The maturity taken into account for these instruments depends on their lifetime estimated by the Bank, which can be greater than the duration of the contractual commitment. The maturity used is based on observed behaviours.

2.9.3.1.2.4.4.1 Forward looking

In accordance with IFRS 9, expected credit losses take into account the effects of future economic conditions through the use of forward-looking data models and informed judgement. Macroeconomic rules apply to all the entities of the Caisse des Dépôts Group, but each entity is responsible for rolling them out to each of their exposure segments in order to reflect the future risk as accurately as possible. Some segments require ad hoc scenarios due to their specific nature, such as SFIL for its exposure to French local authorities, for which the forward-looking models used are designed to forecast the main variables likely to affect local authorities' accounts (tax bases, State payments, investment trends, etc.).

The macroeconomic framework used within the Group is based on four scenarios: a base scenario, two adverse scenarios and an upside scenario. They are defined by the Economic Research departments at Caisse des Dépôts and La Banque Postale. Five–year economic projections are used, with the following principles:

- consistent global scenarios are applied across all exposure segments with potentially opposite impacts on certain counterparty segments, to reflect the diversification of the portfolio. (By way of illustration, it is not possible, in a given scenario, to use a different interest rate projection to measure the lifetime probabilities of default of retail customers and those of sovereign customers);
- the proposed scenarios are not stress scenarios; the aim is not to use IFRS 9 scenarios to quantify the risk of losses in a highly adverse environment that are very unlikely to occur in light of the prevailing macroeconomic situation at the estimation date, but rather to develop generally plausible scenarios whose probability of occurrence is within one standard deviation of the occurrence of the central scenario;
- the scenarios used are generally the same as those used in other corporate processes (multi-annual financial planning process, etc.) to ensure a high degree of overall consistency in financial management and strong consolidation capabilities at the Group level.

These scenarios are documented and contain projections for all the macroeconomic variables needed to run the models developed to obtain lifetime PDs.

The system uses a significant number of models, allowing each Group entity to assess as accurately as possible the risks specific to its portfolios. All of the models used for IFRS 9 purposes are subject to an independent review by the Model Validation team of the entity concerned and are formally validated (Model Validation Committee, Audit division, etc.) before use.

For 2021, the Caisse des Dépôts Group used the following scenarios to calculate its loss allowances under IFRS 9:

2.9.3.1.2.4.4.2 Central scenario

- **Central scenario**: following the severe recession in France in 2020 due to the impact of COVID-19 (GDP down by 8.2%), the recovery in post-lockdown business activity thanks to mass vaccination and the various monetary and budgetary support plans announced to date led to a significant rally in GDP in 2021 (up 4%), which should continue into 2022 (up 3.5%). In the medium term, the fallout from the pandemic (bankruptcies, unemployment, risk aversion, debt burden) weigh heavily on the recovery, with GDP only returning to its pre-crisis level of 2019 in 2023 and to its potential level in 2025. As well as infra–annual (monthly or quarterly) volatility due to base effects, inflation is fairly low overall given the expected persistence of imbalances on the labour, goods and services markets (at aggregate level, wages and costs will increase very gradually), encouraging a long-term expansionist monetary policy (low base rates, long-term asset purchases) that will keep interest rates low. Financial market yields will remain low compared to historical yields, with the understanding that asset prices may be disrupted and disconnected from their fundamentals owing to abundant liquidity.

This scenario and its projections are presented below:

Central scenario variables	2022	2023	2024	2025	2026
French GDP	3.5	1.8	1.5	1.3	1.2
Unemployment rate (mainland France)	9.6	9.4	9.2	9.1	9.0
10-year OAT		0.2	0.4	0.6	0.8
CAC 40 (annual growth rate)	2.5	2.5	2.5	2.5	2.5
Real estate prices (nominal annual growth rate)	0.6	0.7	0.9	1.2	1.5
US inflation	2.1	2.1	2.1	2.0	2.0
US GDP	3.0	2.0	1.8	1.7	1.7
Eurozone GDP	3.0	1.7	1.3	1.2	1.1
Brent price in EUR	50.0	50.4	50.8	51.2	51.2
Brent price in USD	61.5	62.5	63.5	64.5	65.0
Eurozone investment grade (BBB) corporate spread in basis points	85	70	75	85	95
US unemployment rate	5.3	4.9	4.7	4.6	4.5
Eurozone unemployment rate	9.3	9.0	8.7	8.6	8.5
Key deposit rate (eurozone)	(0.50)	(0.50)	(0.50)	(0.40)	(0.15)
Key rate (US)	0.25	0.25	0.50	1.00	1.50

Central scenario Y-1	2021	2022	2023	2024	2025
French GDP	7.0	1.5	1.3	1.2	1.2
Unemployment rate (mainland France)	10.5	10.1	9.6	9.3	9.0
10-year OAT	0.1	0.3	0.5	0.7	0.8
CAC 40 (annual growth rate)	9.6	3.2	3.2	3.2	3.2
Real estate prices (nominal annual growth rate)	(5.0)	2.0	1.8	1.7	1.7
US inflation	1.5	1.7	1.8	1.9	2.0
US GDP	5.0	2.3	1.8	1.7	1.7
Eurozone GDP	6.0	1.5	1.2	1.1	1.1
Brent price in EUR	41.5	46.0	48.7	51.3	51.7
Brent price in USD	46.5	52.0	55.5	59.0	60.0
Eurozone investment grade (BBB) corporate spread in basis points	120	110	115	120	125
US unemployment rate	10.4	8.2	6.7	5.8	5.0
Eurozone unemployment rate	11.2	10.2	9.6	9.0	8.6
Key deposit rate (eurozone)	(0.50)	(0.50)	(0.50)	(0.40)	(0.15)
Key rate (US)	0.25	0.25	0.50	1.00	1.50

2.9.3.1.2.4.4.3 Adverse scenarios

- **Adverse scenario based on an L-shaped recovery**: the adverse scenario based on an L-shaped recovery is designed to stress the Group's financial activities. It includes a recessionary shock to GDP (health, financial or economic crisis), with a fall in stock markets and interest rates in 2022. Potential growth is weakened after the crisis, limiting the economic recovery, such that interest rates would remain structurally low.

This scenario and its projections are presented below:

L-shaped scenario variables	2022	2023	2024	2025	2026
French GDP	(0.5)		0.6	0.6	0.6
Unemployment rate (mainland France)	10.5	10.9	11.1	11.2	11.2
10-year OAT	(0.7)	(0.7)	(0.2)		
CAC 40 (annual growth rate)	(20.3)	1.8	1.8	1.8	1.8
Real estate prices (nominal annual growth rate)	(2.5)	(3.5)	(1.5)		
US inflation	0.4	0.5	0.7	0.8	0.8
US GDP	(1.5)		1.0	1.0	1.0
Eurozone GDP	(1.0)		0.6	0.6	0.6
Brent price in EUR	22.6	17.2	17.2	17.2	17.2
Brent price in USD	32.7	26.2	26.2	26.2	26.2
Eurozone investment grade (BBB) corporate spread in basis points	300	200	100	100	100
US unemployment rate	6.3	7.7	8.1	8.1	8.0
Eurozone unemployment rate	10.9	11.7	11.9	12.0	12.0
Key deposit rate (eurozone)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Key rate (US)	0.25	0.25	0.25	0.25	0.25

L-shaped scenario Y-1	2021	2022	2023	2024	2025
French GDP	(0.5)		0.6	0.6	0.6
Unemployment rate (mainland France)	10.9	11.3	11.5	11.6	11.6
10-year OAT	(0.9)	(0.7)	(0.2)		
CAC 40 (annual growth rate)	(11.3)	4.7	4.7	4.7	4.7
Real estate prices (nominal annual growth rate)	(5.5)	(3.0)	(1.5)		
US inflation	0.6	0.7	0.7	0.8	0.8
US GDP	(1.5)		1.0	1.0	1.0
Eurozone GDP	(1.0)		0.6	0.6	0.6
Brent price in EUR	17.0	12.9	12.9	12.9	12.9
Brent price in USD	22.6	18.1	18.1	18.1	18.1
Eurozone investment grade (BBB) corporate spread in basis points	300	200	100	100	100
US unemployment rate	11.4	11.0	10.1	9.3	8.5
Eurozone unemployment rate	11.7	12.5	12.7	12.8	12.8
Key deposit rate (eurozone)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Key rate (US)	0.25	0.25	0.25	0.25	0.25

- The **adverse bond crash scenario** is designed to stress the Group's real estate activities (notary deposits, real estate investments, etc.). It illustrates a long-term "sovereign debt" crisis, with a steepening of rate curves, an assumption that would place long-term restrictions on the real estate market and notary deposits.

This scenario and its projections are presented below:

Bond crash scenario variables	2022	2023	2024	2025	2026
French GDP	(0.5)		0.6	0.6	0.6
Unemployment rate (mainland France)	10.5	10.9	11.1	11.2	11.2
10-year OAT	4.0	4.0	4.0	4.0	4.0
CAC 40 (annual growth rate)	(22.8)	2.5	2.5	2.5	2.5
Real estate prices (nominal annual growth rate)	(7.5)	(10.0)	(5.0)	(2.5)	
US inflation	1.0	1.2	1.4	1.6	1.6
US GDP	0.9	1.3	1.5	1.6	1.7
Eurozone GDP	(1.0)		0.6	0.6	0.6
Brent price in EUR	41.4	37.2	37.2	37.2	37.2
Brent price in USD	47.6	42.8	42.8	42.8	42.8
Eurozone investment grade (BBB) corporate spread in basis points	300	300	300	300	300
US unemployment rate	5.7	5.5	5.4	5.3	5.2
Eurozone unemployment rate	10.9	11.7	11.9	12.0	12.0
Key deposit rate (eurozone)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Key rate (US)	0.25	0.25	0.25	0.50	0.75

Bond crash scenario Y-1	2021	2022	2023	2024	2025
French GDP	(0.5)		0.6	0.6	0.6
Unemployment rate (mainland France)	10.9	11.3	11.5	11.6	11.6
10-year OAT	1.1	1.1	1.1	1.1	1.1
CAC 40 (annual growth rate)	(14.6)	4.5	4.5	4.6	4.5
Real estate prices (nominal annual growth rate)	(10.0)	(13.0)	(7.0)	(2.5)	
US inflation	1.2	1.3	1.5	1.6	1.6
US GDP	1.0	1.4	1.6	1.7	1.8
Eurozone GDP	(1.0)		0.6	0.6	0.6
Brent price in EUR	31.2	28.1	28.1	28.1	28.1
Brent price in USD	32.8	29.5	29.5	29.5	29.5
Eurozone investment grade (BBB) corporate spread in basis points	300	300	300	300	300
US unemployment rate	10.8	8.8	7.4	6.5	5.7
Eurozone unemployment rate	11.7	12.5	12.7	12.8	12.8
Key deposit rate (eurozone)	(1.00)	(1.00)	(1.00)	(1.00)	(1.00)
Key rate (US)	0.25	0.50	0.75	1.00	1.25

- **Upside scenario**: recovery from the pandemic occurs faster than in the central scenario, thanks in particular to effective vaccination campaigns that allow restrictions to be lifted earlier than expected, in both the United States and Europe. Business returns to pre-crisis levels faster than in the central scenario, making the upside scenario an "accelerated" version of the central scenario.

Upside scenario variables	2022	2023	2024	2025	2026
French GDP	4.5	2.5	2.0	1.6	1.2
Unemployment rate (mainland France)	9.3	8.8	8.4	8.2	8.1
10-year OAT	0.2	0.5	0.9	1.1	1.2
CAC 40 (annual growth rate)	N/A	N/A	N/A	N/A	N/A
Real estate prices (nominal annual growth rate)	N/A	N/A	N/A	N/A	N/A
US inflation	2.3	2.4	2.4	2.3	2.3
US GDP	4.0	2.5	2.1	1.8	1.7
Eurozone GDP	4.0	2.4	1.8	1.5	1.1
Brent price in EUR	52.2	51.6	53.5	53.7	53.9
Brent price in USD	64.0	64.0	66.9	67.7	68.5
Eurozone investment grade (BBB) corporate spread in basis points	75	85	95	96	98
US unemployment rate	4.8	4.0	3.8	3.6	3.5
Eurozone unemployment rate	9.0	8.4	7.9	7.7	7.6
Key deposit rate (eurozone)	(0.50)	(0.40)	(0.20)	0.10	0.45
Key rate (US)	0.25	0.50	1.00	1.50	2.00

Upside scenario Y-1	2021	2022	2023	2024	2025
French GDP	9.0	3.5	2.0	1.8	1.4
Unemployment rate (mainland France)	9.6	8.3	7.3	6.9	6.5
10-year OAT	0.7	1.3	1.6	1.6	1.6
CAC 40 (annual growth rate)	N/A	N/A	N/A	N/A	N/A
Real estate prices (nominal annual growth rate)	N/A	N/A	N/A	N/A	N/A

2.9.3.1.2.4.4.4 SFIL scenarios

SFIL uses scenarios that are specific to the local authorities sector, designed to forecast the macroeconomic impacts and decisions taken in the French Finance Acts on changes in tax receipts, income from services and other revenue, French State payments and planned investment expenditure. It uses three scenarios:

- a central scenario whereby operating income for local authorities increases slightly faster than operating expense, leading to a significant rise in gross and net savings;
- an optimistic scenario which differs from the central scenario through more favourable macroeconomic assumptions (changes in GDP, inflation and unemployment), personnel costs that are not as closely linked to GDP and a greater increase in State payments;
- a pessimistic scenario with less favourable macroeconomic assumptions (changes in GDP, inflation and unemployment), a freeze on State payments, no change in volume of personnel costs and general expenses despite a fall in GDP and a faster rise in recovery expenditure.

The likelihood of occurrence for each of the scenarios used by the Group's entities is summarised in the table below:

	2022-2026			2021-2025 (Y-1)		
Scenarios	**CDC Central Sector**	**LBP**	**SFIL**	**CDC Central Sector**	**LBP**	**SFIL**
Central	60%	65%	N/A	75%	65%	N/A
L-shaped alternative	15%	15%	N/A	19%	15%	N/A
Bond crash	5%	N/A	N/A	6%	N/A	N/A
Upside	20%	20%	N/A	N/A	20%	N/A
Central (SFIL)	N/A	N/A	60%	N/A	N/A	60%
Pessimistic (SFIL)	N/A	N/A	25%	N/A	N/A	15%
Optimistic (SFIL)	N/A	N/A	15%	N/A	N/A	25%

The use of new macroeconomic scenarios for the Caisse des Dépôts Central Sector leads to a slight fall in the probability of default for the majority of exposure segments, thanks to forecasts for systemic factors being lower than in 2020 based on more optimistic macroeconomic assumptions arising from crisis management policies. However, there is still a moderate impact on ECL, with changes being largely due to reclassifications from Stage 2 to Stage 1, especially since the end of the scheme for placing several sectors of activity under monitoring. Changes in ECL for the La Banque Postale and SFIL scopes are detailed in their respective annual reports.

2.9.3.1.2.4.4.5 Impacts of COVID-19

As mentioned previously, the Caisse des Dépôts Group took firm action via its various entities to support the French economy. Specifically concerning the lending activities of Banque des Territoires, La Banque Postale and SFIL, several practical initiatives were organised around exceptional government measures to support businesses and individuals, including:

Banque des Territoires:

- loan repayment holidays for legal professions until 15 September 2021, without penalties or additional postponement costs.

La Banque Postale:

- loan repayment holidays of up to six months for legal professions and waiver of late payment penalties and incidental charges;
- distribution of government-backed loans (PGE);
- distribution of government-backed stimulus loans (PPR).

SFIL:

- repayment holidays of up to six months for public hospitals, without late interest fees or penalties, for their loan repayments falling due between 12 March 2020 and 30 June 2020;
- payment holidays for certain local authorities or French public sector bodies on a case-by-case basis.

Impact of the crisis on credit risk assessment

In 2021, the risk divisions of the Caisse des Dépôts Group's entities continued the work begun in 2020 to arrive at a level of cost of risk that reflected the actual risk on its customer loan portfolios and debt security portfolios.

Their work was based both on application of the current procedures for identifying significant deteriorations in risk (IFRS 9 bucket classification rules) and on specific assessments of the potential impacts of COVID-19 (Watchlist and industry-specific measures, identification of "high-risk" repayment holidays).

The impacts of the COVID-19 pandemic (and its macroeconomic consequences) on the credit risk assessment for Caisse des Dépôts can be divided into two major categories:

- general impact on exposures for which the models and scenarios underlying the statistical provisions have been recalibrated;
- individual or industry-specific impacts, determined after an analytical review was conducted of all its customer and securities portfolios.

In both cases, detailed information is provided by La Banque Postale and SFIL in their individual financial reports. Below is a summary of the main changes within the Caisse des Dépôts Group.

As regards the general measures for adjusting statistical provisions, the probability of default models used when calculating the IFRS 9 provisions for 2021 took full account of the expected effects of the pandemic on the economy, and all models were recalibrated in order to incorporate the new macroeconomic scenarios described above.

Customer portfolios

Up to now, the COVID-19 crisis has had only a limited impact on the main customer credit exposure segments of the Caisse des Dépôts Group. Despite the "stop and go" context due to the successive waves of infection from each of the variants, average growth in France in 2021 should be around 6.7%, confirming the expected recovery in the economy. The Caisse des Dépôts Group is not therefore expecting any massive downgrading in the risk profile of its customer portfolios in the coming months. However, the Group believes that there could still be significant impacts to come, especially for individual and corporate customers, segments handled mainly by La Banque Postale. In fact, there are still a number of uncertainties concerning the duration of the crisis and the extent of its impact on the economy, despite the rollout of the vaccination programme in France and Europe in particular.

- **Individual customers (La Banque Postale scope)**

Up to now, the COVID-19 crisis has had only a limited impact on La Banque Postale's retail banking credit exposures. Indeed, La Banque Postale's overall loan book has actually significantly improved since the onset of the crisis, reflecting government support for the economy and its impact on households (on the unemployment rate and protection of purchasing power, particularly for employees in the hardest hit sectors) as well as the effect of precautionary savings and the reduction in consumption observed during the lockdown periods. Developments in the economic and health situation in 2021 led to adjustments to the measures introduced in 2020 in order to better reflect the observed and/or expected impacts of credit risk on provisioning practices for retail banking exposures. As well as recalibrating the IFRS parameters used to calculate probability of default, a decision was also made to make certain adjustments to the financial statements at 31 December 2021, in particular: (i) reclassification as performing loans of socio-professional categories deemed to be exposed to the crisis and downgraded to a "sensitive" category (Stage 2) in December 2020 but for which the risks never materialised; and (ii) downgrade to a "sensitive" category (Stage 2) of retail banking credit exposures in the West Indies amid the health, economic and social crisis triggered by the decline in tourism.

Taking these factors into account, the cost of risk (gross value not expressed as Group share) for individual customers in 2021 amounts to €128 million (excluding online banking), of which €51 million relates to the consumer credit business and €45 million to the home loan business. The monitoring measures implemented for this scope by La Banque Postale's Group Risk department, along with the methodological and statistical adjustments, represent €44 million.

- **Corporate customers (La Banque Postale scope)**

At 31 December 2021, the cost of risk for Corporate and Investment Banking corporate customers reflected:

- the exposure monitoring process;
- specific provisioning decisions made by dedicated committees for outstanding loans under surveillance (included on the Watchlist and/or credit impaired and classified in Stage 2 and defaulted loans classified in Stage 3 under IFRS 9);
- application of sector-specific or other general loss provisioning principles.

After observing the effects of the COVID crisis, La Banque Postale chose to maintain a prudent provisioning strategy for certain sensitive sectors. Sector-specific loss allowances were recorded on exposures in the following sectors at 31 December 2021:

- tourism, hospitality and catering;
- private air and land passenger transport;
- certain segments of the retail sector;
- automotive;
- commercial real estate (sector added at 30 June 2021) other than city centre locations.

The related exposures were reclassified to IFRS 9 Stage 2 as La Banque Postale considered that there had been an increase in their credit risk since they were added to the loanbook.

At 31 December 2021, the Corporate and Investment Banking cost of risk (gross value not expressed as Group share) amounts to €107 million, mainly reflecting the "natural" deterioration of the portfolio (loss allowance decisions taken in respect of loans included on the Watchlist or in the Special Cases category for €53 million), and to a lesser extent in 2021 monitoring measures implemented ahead of potential deterioration in certain macroeconomic markers (sector-specific loss allowance for €19 million), along with methodological and statistical effects (€42 million).

- **Legal professions (Caisse des Dépôts Central Sector scope)**: the impact of COVID was primarily seen in the form of extensions on payment deadlines for contracts. The process of monitoring and analysing the exposures affected resulted in 5.7% of payment holidays (by value) being downgraded to Stage 3, with the number of sensitive cases in Stage 2 being non-material at 31 December 2021. The total ECL in Stage 2 also remained non-material (€2 million). The scheme ended on 15 September 2021, with €1.4 million in non-payments classified in default at 31 December 2021, compared to a total of €26 million in payments covered by payment holidays at the peak of the scheme.
- **French local authorities (SFIL scope):** the health crisis has had only a very limited impact on the financial situation of local authorities, thanks to the French government's support measures: suspension of the actual operating cost control scheme for local authorities established by the Cahors Agreement, support measures for authorities with cash flow problems, partial coverage of exceptional costs due to the pandemic, guaranteed tax and property revenues, repayable advances on transfer duties, and support measures for authorities promoting mobility.

  These measures helped mitigate the negative effects of the pandemic (COVID-related expenditure, fall in revenues) and regional authorities' internal cash flows should, in 2021, return to levels similar to those seen in 2019. In 2022, operating payments from the State to regional authorities will remain stable for the fifth year running.

  The payment deferrals granted by SFIL to public hospitals and French local authorities (€17 million at end-June 2020) have nearly all been settled. At 31 December 2021, residual non–payments totalled €0.2 million, from only two local authorities, with hospitals having paid all outstanding amounts.
- **Cruise sector (export credit, SFIL scope):** SFIL continued to support the cruise customer companies of Chantiers de l'Atlantique, by taking part in the second tranche of the debt holiday developed by European credit insurance companies to help them survive the crisis. The scheme involved deferring the repayment of the principal amount of the loans. For SFIL, the scheme represented nearly €184 million.

  Exposure to the cruise segment is 100% guaranteed by BPI Assurances Expert in the name and on behalf of the French government, for both the principal and interest. At 31 December 2021, cruise company exposures remained on the Watchlist and the related exposures were kept in Stage 2.

Securities portfolios (Caisse des Dépôts Central Sector scope)

The cost of credit risk for 2021 reflected:

- the portfolio exposure oversight procedure;
- specific decisions to downgrade internal ratings or include exposures on the Watchlist (resulting in classification in Stage 2) following reviews of financial analyses.

The collective provisioning mechanism implemented between June and December 2020 (downgrading to Stage 2 for all counterparties attached to industrial sectors weakened by the crisis) has been suspended, with the individual financial analysis reviews conducted in 2021 used to fine tune deteriorations in risk provisions.

These reviews found that for the whole of 2021, the portfolio counterparties demonstrated excellent resilience, with just 6.7% of internal ratings being downgraded. However, the many remaining uncertainties create a number of negative forecasts which, despite improving since last June, remain high (19% of the total number of counterparties at the end of December versus 30% in June) and could result in a rating downgrade within 12-18 months. Specifically as regards sovereign issuers, the one-year impacts of the crisis appear manageable despite the sharp rise in public debt ratios, whilst monetary policy remains accommodative and will make it possible to continue servicing the debt at sustainable levels. In absolute terms, the level of public debt remains a major risk factor in the medium term.

The end of the collective provisioning mechanism and the good overall resilience of internal ratings resulted in several counterparties being reclassified to Stage 1, and a reversal of €8 million in ECL from Stage 2 between the end of 2020 and the end of 2021.

Impact of the crisis on management practices

The Caisse des Dépôts Group generally left its management procedures and rules for both commitment decisions and portfolio monitoring unchanged. It has, however, implemented specific monitoring of customers across all of the Group entities who opted for repayment holidays, in order to ensure that payments resume when the repayment holiday ends. Customers reclassified to Stage 2 or 3 due to repayment holidays are subject to quarterly reviews.

No material change or adjustment was made to the rating or provision models. Lastly, no changes were made to the back–testing procedures used in the ongoing assessment of the models' robustness.

2.9.3.1.3 Group exposure to credit risk (excluding sovereign debt)

2.9.3.1.3.1 Maximum exposure to credit risk, including risk mitigation and hedging measures after provisions

Maximum exposure to credit risk corresponds to the carrying amount of loans and receivables, debt instruments and derivative financial instruments, after the effect of any netting agreements and impairment losses.

	31.12.2021			
(in millions of euros)	Carrying amount	Guarantees, collateral and other credit enhancements	Net maximum exposure to credit risk after guarantees, collateral and other credit enhancements	o/w ECL provisions
Financial assets at fair value through profit or loss – debt instruments (excluding assets backing unit-linked contracts)	109,101	(4,411)	104,690	
Financial assets at fair value through profit or loss – loans and commitments	11,645		11,645	
Trading derivatives	2,350		2,350	
Hedging instruments	6,088	(2,826)	3,262	
Debt instruments at fair value through OCI to be reclassified to profit or loss	238,557	(22)	238,535	(471)
Securities at amortised cost	68,340		68,340	(75)
Loans and receivables due from credit institutions and related entities at amortised cost	91,083	(13,534)	77,549	(8)
Loans and receivables due from customers at amortised cost	187,681	(86,629)	101,052	(1,571)
On-balance sheet exposure, net of impairment losses	**714,845**	**(107,422)**	**607,423**	**(2,125)**
Financing commitments	38,858	(6,428)	32,430	(109)
Guarantee commitments given	4,996		4,996	(20)
Off-balance sheet exposure	**43,854**	**(6,428)**	**37,426**	**(129)**
Total net exposure	**758,699**	**(113,850)**	**644,849**	**(2,254)**

	31.12.2020			
(in millions of euros)	Carrying amount	Guarantees, collateral and other credit enhancements	Net maximum exposure to credit risk after guarantees, collateral and other credit enhancements	o/w ECL provisions
Financial assets at fair value through profit or loss – debt instruments (excluding assets backing unit-linked contracts)	94,382	(7,068)	87,314	
Financial assets at fair value through profit or loss – loans and commitments	15,564		15,564	
Trading derivatives	1,470		1,470	
Hedging instruments	8,817	(3,028)	5,789	
Debt instruments at fair value through OCI to be reclassified to profit or loss	242,346	(153)	242,193	(380)
Securities at amortised cost	75,401		75,401	(81)
Loans and receivables due from credit institutions and related entities at amortised cost	134,712	(13,753)	120,959	(3)
Loans and receivables due from customers at amortised cost	186,855	(91,122)	95,733	(1,451)
On-balance sheet exposure, net of impairment losses	**759,547**	**(115,124)**	**644,423**	**(1,915)**
Financing commitments	40,432	(5,992)	34,440	(122)
Guarantee commitments given	4,974		4,974	(18)
Off-balance sheet exposure	**45,406**	**(5,992)**	**39,414**	**(140)**
Total net exposure	804,953	(121,116)	683,837	(2,055)

2.9.3.1.3.2 Concentration risk

Concentration risk is defined in article 8 of Decree No. 2020-94 of 5 February 2020 as the risk arising from exposure to a single counterparty, including central counterparties, to several counterparties considered to be a single group of related customers, or to counterparties operating in the same economic sector or region, or from granting credit to the same sector of activity, or from applying credit risk reduction techniques, especially sureties issued by a single issuer.

Each Group entity manages its own concentration risk in accordance with its risk framework, in line with the concentration indicators monitored at Group level, namely:

- nominal concentration: nominal concentration is the risk of an increase in the default or impairment risk on a portfolio due to a large unpaid amount from a single counterparty or several counterparties from the same group;
- sector concentration: sector concentration is the risk of an increase in the default or impairment risk on a portfolio due to lack of sector diversification in that portfolio, in the event of a specific event affecting a given sector and simultaneously impacting the activity of several counterparties. This can trigger several defaults or impairment losses for associated counterparties due to their involvement in or sensitivity to a given sector;
- geographic concentration: geographic concentration is the risk of an increase in the default or impairment risk on a portfolio due to lack of geographic diversification in that portfolio, in the event of a specific event affecting a given geographic area and simultaneously impacting the activity of several counterparties. This can trigger several defaults or impairment losses for associated counterparties due to their involvement in or sensitivity to a given region.

Aware of the importance of concentration risk, the Group has introduced monitoring and reporting procedures for nominal, sector and geographic concentration, which notably break down exposures by credit quality (financial rating). In order to contain concentration risks, the Group has set warning thresholds and limits to ensure its exposures remain consistent and appropriate for the amount of equity.

2.9.3.1.3.2.1 Geographic breakdown of exposure to credit risk

2.9.3.1.3.2.1.1 Assets at amortised cost

	31.12.2021		
	Assets at amortised cost		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
France (incl. overseas departments and territories)	298,313	9,644	2,121
Other EU countries	20,001	299	70
Other European countries	6,836	1,368	2
Other	6,648	3,833	119
Total breakdown by geographic area	**331,798**	**15,144**	**2,312**
Impairment losses	(276)	(586)	(791)

	31.12.2020		
	Assets at amortised cost		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
France (incl. overseas departments and territories)	345,340	13,686	2,210
Other EU countries	22,445	2,348	94
Other European countries	2,025	177	1
Other	7,166	2,672	155
Total breakdown by geographic area	376,977	18,883	2,460
Impairment losses	(267)	(522)	(746)

2.9.3.1.3.2.1.2 Financial assets at fair value through OCI to be reclassified

	31.12.2021		
	Financial assets at fair value through OCI to be reclassified		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
France (incl. overseas departments and territories)	125,620	21	
Other EU countries	72,250	231	
Other European countries	8,895	10	
Other	32,976	92	
Total breakdown by geographic area	**239,741**	**354**	
Impairment losses	(463)	(8)	

	31.12.2020		
	Financial assets at fair value through OCI to be reclassified		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
France (incl. overseas departments and territories)	119,675	30	
Other EU countries	69,884	308	
Other European countries	8,591	125	
Other	39,616	174	
Total breakdown by geographic area	237,765	637	
Impairment losses	(369)	(11)	

2.9.3.1.3.2.1.3 Off-balance sheet commitments given

(in millions of euros)	31.12.2021 Off-balance sheet commitments given Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired commitments
France (incl. overseas departments and territories)	35,294	1,794	57
Other EU countries	855	154	
Other European countries	64	3	
Other	1,804	3,826	2
Total breakdown by geographic area	**38,017**	**5,777**	**59**
Impairment losses	(70)	(48)	(12)

(in millions of euros)	31.12.2020 Off-balance sheet commitments given Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired commitments
France (incl. overseas departments and territories)	37,649	2,195	96
Other EU countries	425	215	
Other European countries	257	14	
Other	552	3,989	15
Total breakdown by geographic area	38,884	6,413	110
Impairment losses	(64)	(60)	(16)

2.9.3.1.3.2.2 Exposure to credit risk by rating and by counterparty

2.9.3.1.3.2.2.1 Assets at amortised cost – Credit quality analysis of gross carrying amounts

	31.12.2021		
	Assets at amortised cost		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
AAA	11,692	744	
AA	123,074	109	4
A	29,948	334	68
BBB	25,442	830	3
BB	632	1,426	
Retail banking customers	70,081	4,725	1,050
Other	70,929	6,976	1,187
Total breakdown by credit rating	**331,798**	**15,144**	**2,312**
Central banks			
Public authorities	170,051	3,075	445
Credit institutions	30,511	100	
Other financial firms	11,357	346	1
Non-financial firms	42,407	6,890	776
Retail banking customers	70,081	4,725	1,050
Other	7,391	8	40
Total breakdown by counterparty category	**331,798**	**15,144**	**2,312**
Impairment losses	(276)	(586)	(791)

Trade receivables are not recognised in this category – see Note 2.4.8 Prepayments, accrued and deferred income and other assets and liabilities.

(in millions of euros)	31.12.2021 Retail banking customers		
	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
PD < 1%	60,213	988	
1% < PD < 3%	7,654	641	
3% < PD < 10%	1,799	1,534	
PD > 10%	415	1,562	
Doubtful loans (subject to legal collection procedures)			1,050
Total retail customers	**70,081**	**4,725**	**1,050**

(in millions of euros)	31.12.2020 Assets at amortised cost		
	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
AAA	6,121	149	
AA	178,898	1,426	52
A	46,625	1,122	93
BBB	22,111	1,704	56
BB	366	1,382	
Retail banking customers	65,569	6,597	1,165
Other	57,287	6,503	1,094
Total breakdown by credit rating	376,977	18,883	2,460
Central banks	41,500		
Public authorities	173,837	3,652	593
Credit institutions	35,851	98	
Other financial firms	16,659	599	15
Non-financial firms	32,647	7,219	645
Retail banking customers	65,569	6,597	1,165
Other	10,914	718	42
Total breakdown by counterparty category	376,977	18,883	2,460
Impairment losses	(267)	(522)	(746)

Trade receivables are not recognised in this category – see Note 2.4.8 Prepayments, accrued and deferred income and other assets and liabilities.

(in millions of euros)	31.12.2020 Retail banking customers		
	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
PD < 1%	52,212	3,265	
1% < PD < 3%	10,355	1,090	
3% < PD < 10%	2,574	636	
PD > 10%	428	1,606	
Doubtful loans (subject to legal collection procedures)			1,165
Total retail customers	65,569	6,597	1,165

2.9.3.1.3.2.2.2 Exposure to credit risk on portfolios at fair value through OCI to be reclassified to profit or loss – Credit quality analysis of gross carrying amounts

	31.12.2021		
	Financial assets at fair value through OCI to be reclassified		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
AAA	13,398		
AA	109,977		
A	57,306	45	
BBB			
BB			
Other	59,060	309	
Total breakdown by credit rating	**239,741**	**354**	
Central banks	1,785		
Public authorities	131,841	21	
Credit institutions	54,765	7	
Other financial firms	6,214	51	
Non-financial firms	45,136	275	
Total breakdown by counterparty category	**239,741**	**354**	
Impairment losses	(463)	(8)	

	31.12.2020		
	Financial assets at fair value through OCI to be reclassified		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit–impaired assets
AAA	16,346		
AA	123,145		
A	54,895	25	
BBB	48		
BB			
Other	43,331	612	
Total breakdown by credit rating	237,765	637	
Central banks	2,612		
Public authorities	133,550	42	
Credit institutions	52,338	45	
Other financial firms	6,031		
Non-financial firms	43,234	550	
Total breakdown by counterparty category	237,765	637	
Impairment losses	(369)	(11)	

2.9.3.1.3.2.2.3 Off-balance sheet commitments given – Credit quality analysis of gross carrying amounts

	31.12.2021		
	Off-balance sheet commitments given		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit-impaired assets
AAA	2,205	38	
AA	1,027	590	8
A	3,144	50	
Retail banking customers	11,426	351	22
Other	20,215	4,748	29
Total breakdown by credit rating	**38,017**	**5,777**	**59**
Central banks	247		
Public authorities	7,757	865	23
Credit institutions	9,819	622	
Other financial firms	1,297	5	
Non-financial firms	7,446	3,884	14
Retail banking customers	11,426	351	22
Other	25	50	
Total breakdown by counterparty category	**38,017**	**5,777**	**59**
Impairment losses	(70)	(48)	(12)

	31.12.2021		
	Retail banking customers		
(in millions of euros)	Stage 1: 12-month expected credit losses	Stage 2: Lifetime expected credit losses	Stage 3: Lifetime expected credit losses – credit-impaired assets
PD < 1%	9,168	89	
1% < PD < 3%	1,707	72	
3% < PD < 10%	368	81	
PD > 10%	183	109	
Doubtful loans (subject to legal collection procedures)			22
Total retail customers	**11,426**	**351**	**22**

(in millions of euros)	31.12.2020 Off-balance sheet commitments given Stage 1: 12-month expected credit losses	 Stage 2: Lifetime expected credit losses	 Stage 3: Lifetime expected credit losses – credit–impaired assets
AAA	674	89	
AA	7,648	92	8
A	5,498	57	
Retail banking customers	7,721	423	28
Other	17,342	5,752	75
Total breakdown by credit rating	**38,883**	**6,413**	**111**
Central banks	82		
Public authorities	9,983	4	56
Credit institutions	10,884	24	
Other financial firms	1,775	8	
Non-financial firms	8,025	4,384	27
Retail banking customers	7,721	423	28
Other	413	1,570	
Total breakdown by counterparty category	**38,883**	**6,413**	**111**
Impairment losses	(64)	(60)	(16)

(in millions of euros)	31.12.2020 Retail banking customers Stage 1: 12-month expected credit losses	 Stage 2: Lifetime expected credit losses	 Stage 3: Lifetime expected credit losses – credit–impaired assets
PD < 1%	5,247	186	
1% < PD < 3%	2,002	76	
3 % < PD < 10 %	358	41	
PD > 10%	114	120	
Doubtful loans (subject to legal collection procedures)			28
Total retail customers	**7,721**	**423**	**28**

2.9.3.1.3.3 Exposures and provisions by stage

Stage 1, 2 and 3 exposures and provisions are presented in Notes 2.4.5 – Loans and receivables due from credit institutions and related entities at amortised cost, and 2.4.6 – Loans and receivables due from customers at amortised cost.

2.9.3.2 Exposure to credit risk on sovereign debt

2.9.3.2.1 Breakdown of the sovereign portfolio by country

Sovereign debt comprises all receivables and debt securities for which the counterparty is a given country, i.e. a national government or one of its agencies.

The net exposure shown below comprises all such amounts carried on the balance sheet (marked to market and less any impairment losses), net of guarantees.

2.9.3.2.1.1 Sovereign exposure

	31.12.2021				31.12.2020			
(in millions of euros)	Central Sector	La Banque Postale	SFIL	Net exposure	Central Sector	La Banque Postale	SFIL	Net exposure
South Africa	24			24	24			24
Germany	147	6,312	287	6,746	147	5,400	301	5,848
Argentina			121	121				
Austria	186	549	142	877	308	2,627	144	3,079
EIB (Supranational)	272	6,072		6,344	556	5,562		6,118
Belgium	61	12,608	40	12,709		12,280	50	12,330
Benin			26	26				
Brazil		17,293		17,293	38	15,133		15,171
Bulgaria	19			19	19			19
Canada		752		752		269		269
Chile	216			216	204			204
Colombia	150			150	137			137
South Korea					16	158		174
Croatia	95			95	91			91
Egypt			353	353				
United Arab Emirates			155	155				
Spain		15,052	318	15,370		13,036	340	13,376
United States			548	548				
Finland	25			25	25			25
France	31,524	176,992	6,907	215,423	31,331	225,535	11,021	267,887
Indonesia	236			236	208			208
Ireland		103		103				
Israel	621			621	107			107
Italy		15,311	2,067	17,378		9,326	2,286	11,612
Japan	3,571	105		3,676	5,466	539		6,005
Cayman Islands			1,578	1,578				
Lithuania	41			41	40			40
Luxembourg	652			652				
Mexico	228			228	236			236
Uzbekistan			99	99				
Panama			641	641				
Netherlands		309		309		346		346
Peru	204			204	145			145
Poland	44	362		406	56	391		447
Portugal		1,949	5	1,954		1,450	7	1,457
Qatar			1,259	1,259				
Czech Republic					43			43
Romania	241	175		416	214			214
United Kingdom			102	102			8	8
Slovenia	57			57	55			55
Sweden			17	17			17	17
Switzerland			185	185				
Togo	45			45				
Tunisia			51	51				
Ukraine			51	51				
Venezuela	33			33	32			32
Other countries		883		883		483		483
TOTAL	**38,692**	**254,827**	**14,952**	**308,471**	39,498	292,535	14,174	346,207

2.9.4 Market risks

2.9.4.1 Definitions and scope

Market risk is defined as the risk of loss (whether recorded in the income statement or directly in equity) resulting from fluctuations in the prices of the financial instruments held in a given portfolio.

The Caisse des Dépôts Group is exposed to market risks mainly through three portfolios:

- La Banque Postale exposures recognised at fair value and including its trading book within the regulatory meaning, as well as assets in the banking and insurance portfolio recognised at fair value through profit and loss or through other comprehensive income;
- a variable-income securities portfolio mainly managed by the Caisse des Dépôts Central Sector;
- certain positions or activities in the SFIL banking portfolio that, despite not presenting any market risk in the regulatory meaning of the term, are recognised at fair value through profit and loss or through other comprehensive income. They are mainly assets that do not meet the SPPI criteria.

2.9.4.2 Market risk governance and management

2.9.4.2.1 Market risk indicators

The risk management divisions at the Group's entities are responsible for monitoring market risk, mainly using one or more of the following indicators.

2.9.4.2.1.1 Sensitivities

Sensitivities are used to measure the exposure of the Group's portfolios to fluctuations in risk factors. The risk management divisions validate the method for calculating sensitivities and ensure that all risk factors identified as relevant and material have been taken into account.

2.9.4.2.1.2 VaR

VaR is an indicator of loss exposure that gives an estimate of the maximum potential losses over a specified period with a given probability. Each Group entity calibrates its VaR models in order to encompass the risks inherent to their portfolios as accurately as possible. They apply a certain number of shared principles, such as use of a prudent confidence interval (99%, one day for trading portfolios, 99%, one day or one month for banking portfolios) and use of a decay factor designed to give a higher weighting to recent market movements.

The risk management divisions back-test the results of the model used to calculate the VaR, in order to assess its robustness.

2.9.4.2.1.3 Stress scenarios

VaR is estimated under current market conditions and does not provide any information on the amount of the potential loss in extreme and targeted market conditions (bankruptcy of a systemically important group, pandemic, attacks etc.). That is why stress scenarios are defined. A distinction is made between two major stress families:

- historical stresses based on past financial crises;
- hypothetical stresses that adopt plausible variations that could threaten the Group if they were to materialise. These shocks are calibrated with assumptions based on historical statistics drawn from market data.

2.9.4.2.2 Market risk governance: limits and information

Depending on the portfolio in question, the risk indicators are subject to limits or are reported to the governance bodies of the entities concerned. A distinction is made between three levels of limits:

- limits set or metrics provided for information only by the supervisory body of the entity concerned (Caisse des Dépôts' Supervisory Board, La Banque Postale's Supervisory Board and SFIL's Board of Directors) in the Risk Appetite Statement (RAS);
- limits rolled down to each business unit in the entities' central risk management documents (e.g. their Risk Management Policy), and information for the executive bodies (Caisse des Dépôts' Executive Committee via the monthly risk report, La Banque Postale's Management Board and SFIL's Executive Committee);
- detailed operational limits, and information for the management committees (monthly portfolio management committees and market risk committees for La Banque Postale and SFIL).

Limit overruns trigger an alert procedure and related corrective actions and the maximum duration of the overrun are assessed by entities' risk management divisions based on the nature of the overrun and the operating and market context.

Detailed information about market risks is provided by La Banque Postale and SFIL in their respective annual financial reports.

2.9.4.2.3 Market risk for the equity portfolio of the Caisse des Dépôts Central Sector

The Group Risk Management division performs Value-at-Risk calculations for the equity portfolios: VaR (1 month, 99%) is calculated using the Monte Carlo method based on an annualised horizon in this document.

The VaR calculation uses pseudo-Gaussian distribution assumptions with fat-tailed distributions. This provides an accurate estimate of the maximum risk for the chosen holding period and confidence interval under actual market conditions, assuming the Group will continue as a going concern.

The VaR calculation method uses a large number of risk factors and a high-dimension Monte Carlo model that involves choosing from among these risk factors in the light of volatilities and historical correlations.

The historical depth of the data is high, and an exponential weighting is used for events (one half-life weighting is one year [decay factor]) that assigns a higher weighting to more recent events.

If the price of an instrument does not vary in line with the primary risk factor – as is the case with options – the calculation tool remeasures it under each of the scenarios using integrated pricing formulas.

Caisse des Dépôts Central Sector's equity portfolio risk is broken down by industry using the Industry Classification Benchmark (ICB2), which makes it possible to break out marginal VaR and to analyse the contribution of each industry to overall VaR.

Equity fund risk is calculated in the local currency, but does not factor in the underlying currency risk, and is then revalued at the equivalent euro amount. In fact, Caisse des Dépôts Central Sector's currency risk is measured for the Group as a whole and not at individual portfolio level.

Since models based on a Gaussian distribution cannot properly capture extreme movements in markets, the Group Risk Management division has been using a pseudo-Gaussian distribution with a fat tail since 2019. These methods are based on extreme distribution patterns which give a more accurate estimate of extreme events and how often they occur.

In addition to monitoring VaR indicators, the Group also performs sensitivity and stress test calculations.

/ Caisse des Dépôts Central Sector indicators at 31 December 2021

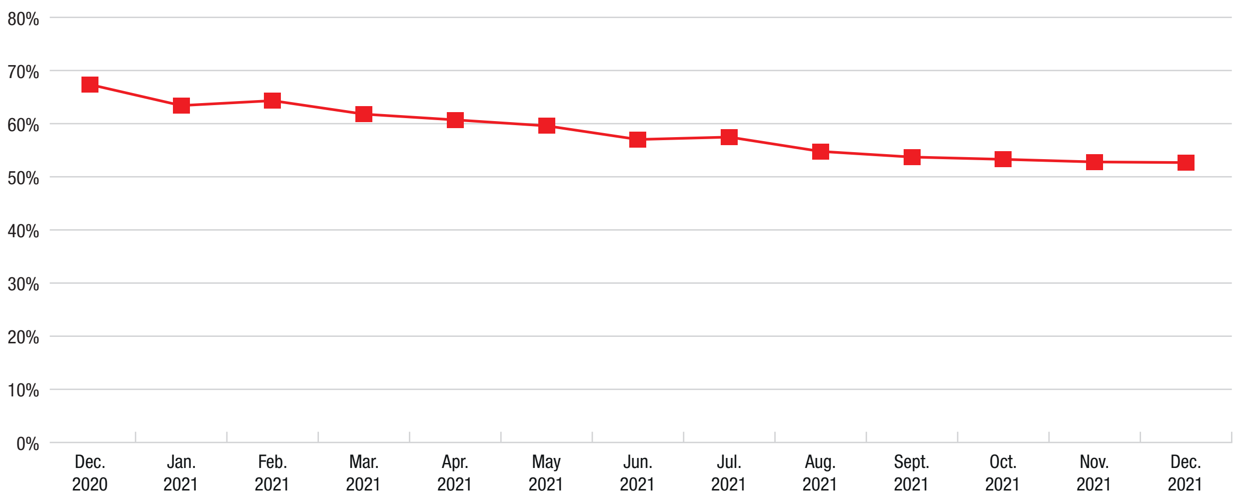
(in millions of euros)	**VaR (1 year, 99%)**
Equity portfolio	13,858
International equities:	
– US equities	296
– Japanese equities	165
– Emerging market equities	181
European small-caps portfolio	169
Innovation funds	90
Transition funds	42
Investment funds	77

/ Caisse des Dépôts Central Sector indicators at 31 December 2020

(in millions of euros)	**VaR (1 year, 99%)**
Equity portfolio	13,828
International equities:	
– US equities	254
– Japanese equities	170
– Emerging market equities	169
European small-caps portfolio	177
Innovation funds	64
Transition funds	40

/ Monthly changes in Caisse des Dépôts Central Sector equity portfolio VaR levels for 2021

Monthly changes in equity portfolio VaR with a confidence interval of 99% over a one-year horizon



Equity portfolio VaR fell steadily during the year, with the weight of the extreme changes from March to June 2020 being gradually absorbed into the historical data.

/ Breakdown of Central Sector equity portfolio VaR by risk factor at 31 December 2021

	Relative weight
Private consumer goods	24.8%
Industrial goods and services	19.0%
Pharmaceuticals/healthcare	8.4%
Food & beverage	3.1%
Banking	8.8%
Utilities	4.9%
Oil & gas	6.5%
Chemicals	3.8%
Technology	3.4%
Insurance	5.0%
Construction	3.3%
Automotive	2.8%
Commodities	0.9%
Telecommunications	1.3%
Financial services	1.1%
Media	0.8%
Travel & leisure	0.9%
Raw materials	0.5%
Real estate	0.5%
Retail	0.2%

2.9.4.2.4 Market risk for La Banque Postale asset portfolios

La Banque Postale is exposed to market risks due to its cash management and surplus liquidity management activities (portfolio of assets available for sale and hedging transactions), and through the transactions undertaken on behalf of customers. The market risk portfolio comprises the trading portfolio, as well as banking portfolio transactions measured at fair value, including transactions in available-for-sale securities and certain securities lending and borrowing transactions. The associated risks are assessed using:

- sensitivity, which measure the exposure of La Banque Postale's portfolio to change in risk factors;
- VaR. La Banque Postale uses a parametric VaR, calculated using a variance-covariance matrix that covers La Banque Postale's interest rate, spread, exchange rate, volatility and equity risks. The resulting VaR partly covers option-related risks, with second-degree risks not being taken into account. Although they are not currently material, an increase in option positions could lead the La Banque Postale's Risk department to adopt a more appropriate methodology. Moreover, option risk monitoring indicators are deployed.

La Banque Postale is primarily exposed to interest rate, credit spread and equities risks. Currency risks, particularly related to international mandates and financial activities, along with volatility risks, are moderate.

/ Trading room portfolio VaR (in millions of euros)

The VaR of the trading portfolio measured at fair value through profit and loss ranged from €0.6 million and 3.8 million in the second half of 2021, with the sharp rise occurring mainly in the fourth quarter. The increase was mainly due to the greater volatility of the risk factors (interest rates, share prices).

2.9.4.2.5 Market risk for SFIL asset portfolios

SFIL group, as a public development bank, does not conduct any trading transactions and is therefore not exposed to market risks in the regulatory sense of the term. Similarly, CAFFIL, as a *société de crédit foncier* (mortgage bank), is prohibited from holding trading portfolios or equity investments and is therefore not exposed to regulatory market risk. Certain positions or activities in the banking book are therefore sensitive to the volatility of market parameters and they are monitored as non-regulatory market risks. These are primarily:

- risks arising from fluctuations in the value of financial assets at fair value through profit or loss or other comprehensive income;
- certain risks arising from the export credit business (changes in the value of the specific export credit indicator and, for loans denominated in foreign currencies, changes in the value of currency swaps used to hedge this activity);
- changes in fair value adjustments to derivatives including credit valuation adjustments (CVA) and debt valuation adjustments (DVA), recognised in the income statement under IFRS;
- the French GAAP provision for marketable securities;
- risks that may affect SFIL's separate financial statements related to the derivatives intermediation activity carried out on behalf of CAFFIL, if the derivatives set up by SFIL with external counterparties are not perfectly replicated with CAFFIL.

2.9.5 Structural risks

2.9.5.1 Liquidity risk

2.9.5.1.1 Definition, scope and governance

Liquidity risk is the risk that a company cannot meet its commitments or cannot unwind or cover a position either because of the market situation or idiosyncratic factors, within a specific period or at a reasonable cost.

Liquidity risk is managed under the framework established by article 2 of Decree No. 2020-94 and there is no liquidity pool at Group level.

2.9.5.1.1.1 Group governance

Common principles for all Caisse des Dépôts Group entities are set out in the Group's financial risk management policy. First, the policy underlines the fact that there is no liquidity pool at CDC Group level. Each entity is therefore responsible for managing its own liquidity and financing.

Given its mission of supporting the country's economic development and its role as a trusted third-party manager, the Group's liquidity policy is designed to protect its financing capacity in the long term in all market conditions. As a shareholder, Caisse des Dépôts ensures that its subsidiaries apply a prudent liquidity policy that reflects the Group's objectives, their own objectives and their autonomous management.

Each entity is therefore required to have a documented liquidity policy setting out in risk terms its approach to the Caisse des Dépôts' liquidity policy. The policy should be reviewed at least once a year by the entity's governance body.

The policy should cover the following main points:

- liquidity governance at the entity;
- indicators and their limits;
- operational roll-down of the liquidity policy;
- stress tests and contingency procedures.

Regulated entities have a set of procedural documents that set out their liquidity risks, the liquidity risk indicators and their limits. Each entity asks its governance bodies to validate its financing plan at least once per year, specifying the nature of the target funding and the value of its issuance programmes.

Entities have IT systems for monitoring liquidity balances and financing transactions, as well as procedures for guaranteeing the diversification of their financing sources. If necessary, the entities document the method used to set limits. The document sets out the rules for dealing with and escalating limit overruns.

2.9.5.1.1.2 Liquidity risk management and governance

2.9.5.1.1.2.1 Liquidity management in the Central Sector

Given the importance of managing balance sheet liquidity throughout the Caisse des Dépôts Group, a number of mechanisms have been set up that are designed to:

- match sources to uses of funds as effectively as possible by controlling maturity mismatch risk on the balance sheet and therefore by limiting the need to refinance long-term investments with short-term liabilities;
- maintain conservative amounts of liquid assets to cover upcoming Public Institution repayment obligations;
- limit the need for market-based financing.

Liquidity is managed in accordance with the prudential model (reference document updated every year), supplemented by the ILAAP (Internal Liquidity Adequacy Assessment Process), which demonstrates the Group's robust mechanism for assessing and managing liquidity. It contains the documentation relating to Caisse des Dépôts' liquidity policy, as well as its operational deployment, governance and risk management.

Liquidity gap analysis measures differences in maturities of liabilities and assets on a monthly basis over the next five years. Gaps are calculated on a static and dynamic basis:

- static gap analysis measures the difference between the natural maturities of liabilities (including contractual deposit maturities) and assets, excluding new lending;
- dynamic gap analysis measures the reinvestment and new lending impacts.

Deposits are taken into account based on the same maturity assumptions as for the calculation of interest rate mismatches.

Warning thresholds and limits applied to the static liquidity gap analysis are set in relation to a component of the liquidity reserve, securities eligible for refinancing at the Central Bank and their runoffs. On average, they stand at around €25 billion. The thresholds and limits are approved every year by the governing body. If the thresholds are reached, the contingency plan described in the ILAAP is activated, in order to generate the necessary liquidity, mainly through market transactions and, if need be, investment reductions. Maximum liquidity gaps calculated at 31 December 2021 were well below the Group's warning threshold or overall risk limit.

The Public Institution's liquidity reserve is also calculated every month. It corresponds to the amount of liquidity likely to be obtained at short notice (a few hours to a few days) under high-stress conditions. This reserve remains at a very comfortable level.

The medium- to long-term issuance programme was carried out in line with the projections set out in the 2021 financing plan.

2.9.5.1.1.2.2 Liquidity management at La Banque Postale

Liquidity risk management is based on:

- a risk map;
- a system of guidelines and limits;
- a financing plan which ensures the equilibrium of La Banque Postale Group's refinancing position on an *ex-ante* basis;
- a buffer of high-quality unencumbered liquid securities (and its equivalent in Central Bank deposits).

La Banque Postale's Supervisory Board approved the entire Internal Liquidity Adequacy Assessment Process (ILAAP) in April 2021.

La Banque Postale has a strong liquidity position based on:

- customer deposits exceeding customer loans. La Banque Postale has a significant and diversified deposit base (in excess of €200 billion) consisting primarily of deposits from French retail customers;

- a significant HQLA portfolio (High-Quality Liquid Assets). La Banque Postale has traditionally invested a significant portion of its balance sheet in sovereign securities due to its historical activity as a deposit-taker. The customer credit business only began to develop in 2006. This portfolio contains only high–quality liquid assets in accordance with Delegated Regulation (EU) No. 2015/61, enabling La Banque Postale to raise its short-term liquidity ratio to above 150%;
- a forecast financing plan updated on a regular basis;
- proven access to capital market financing.

Since funds from customers mostly have no fixed maturity and may be payable at any time (deposits, passbook accounts), their runoff is modelled to determine their profile over time. La Banque Postale has taken a conservative approach to its liquidity assessments and has adopted very conservative runoff assumptions. Consequently, in calculating its resources, it applies upper limits for the volatility of outstanding amounts and lower limits for their liquidity duration.

Liquidity risk management

The Balance Sheet Monitoring Committee is responsible for managing liquidity risk in accordance with the principles and limits approved by the Group Risk Management Committee. Part of this responsibility is delegated to the ALM and Treasury Committee for liquidity risk.

In operational terms, La Banque Postale has implemented an Internal Liquidity Adequacy Assessment Process (ILAAP) which combines all of its liquidity limits, assessment, monitoring, reporting and management procedures. The process includes:

- a system of guidelines and limits;
- a financing plan which ensures the equilibrium of La Banque Postale's refinancing position on an *ex-ante* basis in its budget planning universe;
- maintaining and monitoring a buffer of high-quality, unencumbered liquid securities and amounts entrusted to the Central Bank's deposit facility;
- the Emergency Funding Plan (EFP), which is primarily intended to:
  - define alert thresholds to enable early detection of liquidity stress, whether specific to La Banque Postale or systemic,
  - identify all available liquidity-generating capacities (liquidity reserves and financing capacity),
  - mobilise governance to manage potential crises in a timely manner;
- measure La Banque Postale's room for manoeuvre via a stress test system in the context of historically high stress on its liquidity.

The liquidity risk prudential reporting systems cover the entire prudential consolidation scope. Some group entities are also subject to reporting requirements at the individual level.

Liquidity risk measurement

Short-term liquidity monitoring

Short-term liquidity monitoring is based primarily on the survival period and the Liquidity Coverage Ratio (LCR).

The LCR is a monthly short-term liquidity ratio which measures La Banque Postale's capacity to withstand a severe deterioration in its financial situation for up to 30 days in a systemic shock environment.

Under banking regulations, LCR must be greater than 100%. La Banque Postale's internal LCR target is higher than this, as previously mentioned, and its actual LCR at 31 December 2021 was significantly above the minimum level, at 186%.

This ratio is calculated by dividing the sum of unencumbered, high-quality liquid assets by the liquidity requirement in a stress environment over a 30-day period. An LCR proxy is calculated daily.

The survival period is the period during which the Group can fulfil its expected net cash outflows under stress conditions combining systemic and idiosyncratic shocks.

/ EBA LCR summary at 31 December 2021

(description)	31.12.2020	31.12.2021
Liquid asset buffer	48,137	53,398
Cash outflows	(33,501)	(34,987)
Cash inflows	6,608	6,316
Net cash outflows	(26,892)	(28,671)
Shortfall	21,245	24,727
LCR	**179.0%**	**186.2%**
Ratio inflows/outflows	**19.7%**	**18.1%**

The concentration, cost and structure of refinancing, and the concentration of the asset buffer, are assessed on a regular basis and are the subject of regulatory reports (ALMM) alongside publication of the LCR;

Long-term liquidity monitoring

Long-term liquidity monitoring is based on:

- the Net Stable Funding Ratio (NSFR);
- a financing plan, to ensure that a liquidity forecast is provided alongside the provisional budget trajectory;
- an assessment of forecast LCR as part of the financing plan implementation process, to ensure that adequate financing will be available over the long term;
- several stress scenarios developed as part of the ILAAP exercise;
- regular assessments of the concentration, cost and structure of refinancing, and the concentration of the asset buffer, and preparation of regulatory reports (ALMM) alongside publication of the LCR;
- twice-yearly market access tests to verify market access in different currencies;
- an assessment of the liquidity gap, described below.

La Banque Postale assesses its long-term liquidity level by reference to a liquidity gap. The liquidity gap includes static gap forecasts by maturity and limits defined at 1-, 3- and 5-year horizons. The assumptions used correspond to a stressed approach, resulting in a conservative view of La Banque Postale Group's liquidity position.

The liquidity gap assessment approaches are determined according to the type of asset (or liability) on the balance sheet:

- outstanding loans with fixed maturities (contractual runoff that may or may not be adjusted by a model);
- outstanding loans with no fixed maturities (conventional runoff);
- liquidity profile of the transferable assets;
- off-balance sheet items (liquidity commitments and guarantees).

Transactions with no contractual maturity (including customer deposits and passbook savings accounts) are included based on runoff conventions approved by the Balance Sheet Management Committee and the Group Risk department.

Off-balance sheet transactions are included, taking into account drawdown assumptions.

The transferability of certain transactions may be taken into account where appropriate.

The NSFR corresponds to the amount of available stable funding in relation to required stable funding. This ratio should be at least 100% at any time. "Available stable funding" (ASF) refers to the portion of resources that are not payable within the time frame considered, i.e. 1 year within the context of the NSFR. The amount of "required stable funding" (RSF) of a business depends on the characteristics of its liquidity and the residual maturity of its assets (and off-balance sheet positions).

At the date of this report, as part of the regulatory liquidity exercises carried out for the ECB, the NSFR liquidity ratio was 143%.

/ Long-term liquidity gap (in millions of euros) at 31 December 2021

Average spot gaps

(in millions of euros)	**1 year**	**3 years**	**5 years**
Uses	(205,851)	(151,477)	(110,684)
Resources	232,641	179,894	137,166
Off-balance sheet			
Liquidity gap at 31.12.2021	**26,790**	**28,417**	**26,482**
Liquidity gap at 31.12.2020	27,590	26,233	22,531
Adjustments	(801)	2,184	3,951

The liquidity gap (excess of liabilities over assets) increased slightly in 2021, due more to a model effect than any change in balance sheet structure. Some runoff conventions, particularly for savings products (home savings plans, home savings accounts, key account demand deposits) and for bonds were revised during the year, leading to an increase in medium-term liquidity.

"Dynamic" liquidity assessments take into account assumptions about La Banque Postale's loan origination and the refinancing of its budget and its medium/long-term business plan. These assumptions enable the group to draw up a "balance sheet forecast", a financing plan, and future LCR and NSFR estimates.

Emergency Funding Plan (EFP)

The EFP is monitored by the Group's funding governance bodies (the ALM and Treasury Committee and the Refinancing SubCommittee of the Group Risk Management Committee) and implemented by the Corporate and Investment Banking Division.

The EFP is part of the internal liquidity assessment process on which La Banque Postale reports each year. The EFP sets out the leading indicators selected to gauge the robustness of the (financial or banking) markets impacting the liquidity of La Banque Postale. These indicators can be broken down into two major groups:

- systemic indicators;
- entity-specific ("idiosyncratic") indicators.

A specific threshold (comfort, vigilance or warning) is defined for each indicator.

The EFP also makes provisions for a mechanism to be implemented in the event of a proven systemic or entity-specific crisis. This mechanism mainly takes the form of an inventory of the various sources of funds (or liquidity) available to La Banque Postale, based on the amounts involved and the speed with which they can be accessed. The EFP also makes provisions for specific governance through committees, which will monitor the leading indicators. The purpose of this governance organisation is to increase oversight of liquidity risk. In normal times, the indicators are presented at meetings of the ALM and Treasury Committee and periodically to the GRMC. They are also tracked during weekly meetings of the Refinancing Committee. The indicators selected, and the actions proposed, are tested on the markets in order to gauge their suitability along with market liquidity.

The funding test involves testing the market by issuing short-term debt. The aim of this type of test is to regularly verify La Banque Postale's ability to quickly raise funds on the markets to ensure that its estimated borrowing capacity remains valid. This type of test is carried out at least twice a year.

Liquidity reserve

The purpose of the liquidity reserve is to quantify the amount of cash and liquidity readily available through the sale or repurchase of securities in order to withstand a liquidity crisis.

The liquidity reserve is composed of:

- cash deposited with the Central Bank (excluding the average mandatory reserves calculated over the incorporation period);
- the securities in the HQLA (High-Quality Liquid Assets) buffer, consisting primarily of government securities, covered bonds and corporate securities meeting the liquidity criteria defined by regulations applicable to the LCR calculation, for which the valuation includes a regulatory haircut;
- other securities available from the ECB (primarily bank securities), including the ECB discount.

Very high quality secured home loans qualifying for refinancing by La Banque Postale Home Loan SFH through covered bond issues also represent an important source of liquidity.

/ Composition of the liquidity reserve in securities (in millions of euros) at 31 December 2021

Liquidity reserve

(in millions of euros)	**31.12.2021**
Cash and central banks	49,101
Unencumbered HQLA securities	4,282
Other eligible ECB securities	3,037
Total liquidity reserve	**56,421**

Ability to access external financing

In addition to the ALM Committee and the GRMC's prudent liquidity management, La Banque Postale has secured diversified sources of financing, including:

- a €20 billion NEU CP (Negotiable European Commercial Paper) programme and a €10 billion ECP (European Commercial Paper) programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- a €2 billion NEU EMTN programme to refinance a portion of La Banque Postale's short-term financing requirements and satisfy demand from institutional customers;
- a €20 billion retail EMTN programme enabling the issue of senior (vanilla and structured), non-preferred senior and Tier 2 debt;
- a €10 billion retail structured senior debt programme;
- a €30 billion EMTN programme for the issue of home loan bonds (*obligations de financement de l'habitat* – OFH) via its secure financing vehicle, La Banque Postale Home Loan SFH, a La Banque Postale SA subsidiary created in 2013;
- access to European Investment Bank (EIB) refinancing under La Banque Postale's eligible funds commitment;
- a portfolio of HQLA (High-Quality Liquid Asset) securities, consisting mainly of rapidly accessible, high-quality government bonds which represent a stable source of eligible assets enabling access to ECB refinancing operations or to the securities repo market;
- access to the Brokertec, Eurex Repo and Eurex GC Pooling and NGT Bondlend repo platforms;
- access to the interbank market.

La Banque Postale also has access to a secured financing vehicle via the Caisse française de financement local (CAFFIL), to which it regularly sells originated local public sector loans.

In addition, following the ECB's decision to relax the criteria for participating in longer-term targeted refinancing operations (TLTRO III), in early 2021 La Banque Postale decided to draw down its total available allocation.

/ Encumbered/unencumbered assets

	Carrying amount of encumbered assets		Fair value of encumbered assets		Carrying amount of unencumbered assets		Fair value of unencumbered assets	
(in thousands of euros)		o/w notionally eligible EHQLA and HQLA		o/w notionally eligible EHQLA and HQLA		Liquid asset buffer		o/w EHQLA and HQLA
Assets of the disclosing institution	116,398,646	24,117,400			770,149,130	2,357,035		
Equity instruments	169,112				285,831		285,831	
Debt securities	26,064,215	24,117,400	24,868,508	25,009,834	47,490,594	2,357,035	15,493,615	2,357,035
– of which covered bonds	682,474	663,724	682,474	663,724	4,609,808	703,876	2,059,621	703,876
– of which securitisations					2,757,941	195,385	396,104	195,385
– of which issued by general governments	23,967,382	23,114,772	23,867,206	24,017,835	9,145,839	601,140	2,113,611	601,140
– of which issued by financial corporations	2,222,423	997,777	998,876	987,148	32,371,129	841,087	11,819,431	841,087
– of which issued by non–financial corporations	20,766	609	2,730	609	5,973,627	629,613	1,560,572	629,613
Other assets	1,256,974				81,943,212			

2.9.5.1.1.2.3 Liquidity management at SFIL

SFIL group's liquidity is provided by the existing financing agreement with its shareholders and by the issue of bonds or certificates of deposit. In addition, CAFFIL can obtain financing from the Banque de France by pledging some of its assets. The proceeds from Banque de France financing would be used to redeem its covered bonds at maturity; the assets given as collateral are therefore excluded from the calculation of the coverage ratio.

Liquidity risk is managed by:

- the Asset-Liability Committee (ALCO), whose members include the ALM management unit of the Financial division, the Market and Financial Risks division and other relevant units of the bank. It decides on the ALM management strategy and ensures its proper implementation through management indicators;
- the ALM Liquidity Committee, which prepares all relevant information for the ALCO and implements the decisions taken.

The liquidity risk appetite is defined by SFIL management and approved by the Board of Directors. It is based on the financing plan, liquidity gap (P&L sensitivity to a spread shock) and stresses (survival period). It also includes a specific limit for Export Credit activity. The main limits of the risk appetite are as follows:

- as part of the budget process, preparation of a financing plan that authorises limited use of bank financing to take account of a potential delay in the renewal of a benchmark issue;
- a one-year survival period in stressed conditions: SFIL and CAFFIL must be able to finance their own activities for at least one year, with the possibility of using Banque de France financing or existing financing agreements with La Banque Postale and Caisse des Dépôts;
- consolidated 10-year static liquidity gap for SFIL group: the limit encompasses the sensitivity of the liquidity NPV to a deterioration in the financing spread;
- Export Credit: a limit is set for Export Credit in order to contain lost earnings compared to expected profitability, over the lifetime of the loans, arising from fluctuations in the refinancing spread during the drawdown period, or a fluctuation in the EUR/currency base between the transaction quotation date and the signature date (for transactions in USD or GBP).

The main liquidity risk indicators are:

- short- and medium-term dynamic liquidity requirements;
- regulatory liquidity indicators applicable to credit institutions (LCR, NSFR);
- regulatory indicators specific to CAFFIL as a *société de crédit foncier* (mortgage bank);
- a specific export credit indicator, in order to ensure compliance with the limit established in the risk appetite;
- a prefinancing rate for export credit transactions;
- the sensitivity of the liquidity gap NPV (monitoring the limit established in the risk appetite);
- the group survival period in a stress scenario;
- group financing costs;
- internal or market indicators for identifying any systemic liquidity crisis;
- limits on long-term debt maturity (to avoid an excessive concentration of due dates in the same period);
- changes in collateral and related financing requirements.

SFIL has developed a set of resistance tests to help identify, measure and manage liquidity risk. These tests use hypothetical scenarios and an assessment of their impact on SFIL's activities. They form part of the Internal Liquidity Adequacy Assessment Process (ILAAP) and co-exist with other risk measurement processes (ICAAP, recovery plan) in order to ensure that all stress factors are coherent and applied to the various types of risk.

The scenarios are reviewed at least once a year, based on harsh but plausible macroeconomic assumptions. They focus on risk factors that can have a significant impact on liquidity and regulatory and internal liquidity ratios. They are applied to SFIL and CAFFIL, incorporating the regulatory restrictions applicable to CAFFIL by virtue of its status as a *société de crédit foncier* (mortgage bank).

The scenarios are defined by the Risk department and the internal stress calculations are performed by the Finance – Balance Sheet Management department then checked by the Risk department. The scenarios and impacts are validated by the ALCO and the Risk Committee. They are also recorded in the quarterly risk review presented to the Risk and Internal Control Committee that meets every quarter.

The main stress factors used are:

- prolonged closure of the interbank market and mortgage bond market;
- a fall in the value of securities used as collateral for secured financing;
- an increase in the payment of collateral on derivatives;
- default of a derivatives counterparty;
- unpaid receivables to customers.

These assumptions will be revised in 2022 to include a climate stress in accordance with regulatory requirements.

2.9.5.1.1.3 Group exposure to liquidity risk

The tables below show the maturities of the Group's financial assets and liabilities by contractual maturity date.

Fixed-income securities, loans and debt are broken down by contractual maturity date. Equity investments and mutual funds are included in the "No fixed maturity" column. Demand deposits (assets and liabilities) are shown in the "< 3 months" column. The amounts presented in this table correspond to the balance sheet amounts (including the effects of discounting).

These tables present the balance sheet position at the reporting date; they do not take into account management decisions dealing with maturity mismatches, or the future production of assets and liabilities.

2.9.5.1.1.3.1 Financial assets by maturity

	31.12.2021					
(in millions of euros)	< 3 months	3-12 months	1-5 years	> 5 years	No fixed maturity	Total
Cash and amounts due from central banks	76,041					76,041
Financial assets at fair value through profit or loss	3,911	5,511	28,296	22,855	186,631	247,204
Hedging instruments with a positive fair value	410	661	703	1,516	2,798	6,088
Financial assets at fair value through OCI to be reclassified	9,183	26,443	79,835	123,026	70	238,557
Financial assets at fair value through OCI not to be reclassified	1	14		10	29,710	29,735
Securities at amortised cost	1,992	7,036	15,168	43,032	1,112	68,340
Loans and receivables at amortised cost	90,297	16,583	57,429	110,546	3,909	278,764
Cumulative fair value adjustments to portfolios hedged against interest rate risk – assets					346	346
Total financial assets by maturity	**181,835**	**56,248**	**181,431**	**300,985**	**224,576**	**945,075**

	31.12.2020					
(in millions of euros)	< 3 months	3-12 months	1-5 years	> 5 years	No fixed maturity	Total
Cash and amounts due from central banks	20,518					20,518
Financial assets at fair value through profit or loss	6,772	6,845	18,617	22,462	157,857	212,553
Hedging instruments with a positive fair value	35	886	874	1,961	5,061	8,817
Financial assets at fair value through OCI to be reclassified	6,706	33,074	87,406	115,141	19	242,346
Financial assets at fair value through OCI not to be reclassified				1	23,805	23,806
Securities at amortised cost	3,258	13,199	16,974	40,615	1,355	75,401
Loans and receivables at amortised cost	139,363	18,729	51,931	100,772	10,772	321,567
Cumulative fair value adjustments to portfolios hedged against interest rate risk – assets		4	100	23		127
Total financial assets by maturity	176,652	72,737	175,902	280,975	198,869	905,135

2.9.5.1.1.3.2 Financial liabilities by maturity

	31.12.2021					
(in millions of euros)	< 3 months	3-12 months	1-5 years	> 5 years	No fixed maturity	Total
Due to central banks						
Financial liabilities at fair value through profit or loss	36	166	1,769	2,119	1,416	5,506
Hedging instruments with a negative fair value	74	543	313	935	5,202	7,067
Debt securities	19,091	13,220	39,221	59,106	1,961	132,599
Due to credit institutions and related entities	27,913	4,809	10,453	8,503		51,678
Due to customers	287,933	752	865	13,026	17,063	319,639
Subordinated debt	20	1,103	204	7,972	805	10,104
Cumulative fair value adjustments to portfolios hedged against interest rate risk – liabilities					320	320
Total financial liabilities by maturity	**335,067**	**20,593**	**52,825**	**91,661**	**26,767**	**526,913**

	31.12.2020					
(in millions of euros)	< 3 months	3-12 months	1-5 years	> 5 years	No fixed maturity	Total
Due to central banks						
Financial liabilities at fair value through profit or loss	120	117	729	2,236	1,538	4,740
Hedging instruments with a negative fair value	365	403	423	465	8,423	10,079
Debt securities	17,467	10,006	32,089	51,472	17,487	128,521
Due to credit institutions and related entities	32,239	2,211	7,295	2,859	9,634	54,238
Due to customers	284,724	651	607	12,524	12,168	310,674
Subordinated debt	95	20	1,346	8,654	210	10,325
Cumulative fair value adjustments to portfolios hedged against interest rate risk – liabilities					23	23
Total financial liabilities by maturity	335,010	13,408	42,489	78,210	49,483	518,600

2.9.5.1.1.3.3 Financing by maturity

	31.12.2021				
(in millions of euros)	< 3 months	3-12 months	1-5 years	> 5 years	Total commitments given
Financing commitments given	17,341	11,594	3,284	6,639	38,858
Guarantee commitments given	2,098	725	851	1,322	4,996
Total commitments given	**19,439**	**12,319**	**4,135**	**7,961**	**43,854**

	31.12.2020				
(in millions of euros)	< 3 months	3-12 months	1-5 years	> 5 years	Total commitments given
Financing commitments given	18,635	5,762	13,553	2,482	40,432
Guarantee commitments given	2,276	1,054	542	1,102	4,974
Total commitments given	20,911	6,816	14,095	3,584	45,406

2.9.5.2 Overall interest rate risk

2.9.5.2.1 Definition, scope and governance

Interest rate risk arising from non-trading book activities – or overall interest rate risk – is defined as the potential risk resulting from changes in interest rates for all balance sheet and off-balance sheet transactions, with the exception, if applicable, of transactions subject to market risk as described in 2.9.4.

Overall interest rate risk is managed and monitored at Caisse des Dépôts in accordance with article 54 of Decree No. 2020-94 of 5 February 2020, which requires the Group to have risk measurement systems in place across its entire scope of consolidation, i.e. for each of its relevant entities, and for these systems to be adapted to the nature and volume of their transactions.

2.9.5.2.1.1 Group governance

The ALM teams at Central Sector and the subsidiaries manage overall interest rate risk within their respective scopes (interest rate gaps, trajectories, NPV sensitivity).

The supervision of interest rate risk is the responsibility of each entity's ALM Committee, which monitors indicators and forecasts trends based on multi-year trajectories and commitment and/or investment policy guidelines. Interest rate risks are generally reviewed on a monthly basis.

Common principles for all the Caisse des Dépôts Group's regulated entities are set out in the Group's financial risk management policy.

The regulated entities of the Caisse des Dépôts Group have a set of procedural documents that set out the interest rate risk indicators and their limits, which must reflect an interest rate risk appetite consistent with the interest rate risk appetite defined at Group level. In order to incorporate their own interest rate risks within the Group's risk appetite, each entity estimates the impacts of multi-year scenarios in the Group's macroeconomic framework.

Entities have IT systems for monitoring their interest rate risk. If necessary, the entities document the method used to set limits. The document sets out the rules for dealing with and escalating limit overruns.

2.9.5.2.2 Measuring and managing overall interest rate risk

2.9.5.2.2.1 Measuring and managing interest rate risk at the Central Sector

The Central Sector analyses assets and liabilities based on three types of interest rates: contractual, variable and fixed. The fixed rate position is monitored based on the fixed rate gap – corresponding to the excess of fixed rate liabilities over fixed rate assets – and changes in the gap over time as assets and liabilities fall due. The fixed rate position mainly comprises deposits originating from the legal professions on the liabilities side and fixed rate medium-term and long-term bond portfolios and fixed rate loans on the assets side. Deposits are taken into account applying a runoff assumption over time.

The sensitivity of annual interest margins to an unfavourable change in interest rates is calculated according to several scenarios, including a downside scenario in which rates are maintained at their current level for five years. The sensitivity of annual margins is calculated in terms of variance with the results obtained under baseline interest rate forecasts using macroeconomic data.

A prolonged situation of low interest rates results in a gradual reduction in the net banking income generated on fixed rate positions. This is because fixed rate liabilities exceed fixed rate assets, while the remuneration conditions for fixed rate investments deteriorate progressively as the portfolio is amortised. This effect is partly offset by the margin generated on the contractual rate position, which is higher when rates are low.

For deposits from notaries, sensitivity indicators are calculated using gross average outstandings. The deposits are not adjusted for seasonal variations.

/ Sensitivity of annual margins generated on fixed–rate positions to interest rates remaining at their current level (Central Sector)

(in millions of euros)	31.12.2021
Year	**Margin sensitivity**
2022	2
2023	4
2024	2
2025	(5)
2026	(15)

(in millions of euros)	31.12.2020
Year	**Margin sensitivity**
2021	(1)
2022	(3)
2023	(7)
2024	(13)
2025	(20)

2.9.5.2.2.2 Interest rate risk measurement and management at La Banque Postale

The unit responsible for supervising and managing overall interest rate risk is the Balance Sheet Risk department (DRF-RB) within the DRF, which reports to La Banque Postale's Group Risk department. The department has several goals:

- to provide periodic monitoring of the indicators used to manage La Banque Postale's overall consolidated interest rate risk and that of its banking subsidiaries;
- to carry out audits of the calculation processes for the various indicators (static and dynamic) and control the integrity of calculated exposures;
- to audit the methodologies used.

This risk is monitored using indicators showing the sensitivity of future margins and economic value to interest rates, and by modelling scenarios which assess the entity's capacity to withstand exogenous shocks.

The interest rate movements tested affect both uncertain cash flows from financial products and earnings from Retail Banking operations via behavioural models – particularly implicit options available to customers.

The supervision of interest rate risk is the responsibility of the ALM Committee, which monitors indicators and forecasts trends based on commercial policy guidelines and observed customer behaviour The interest rate risk indicators are also reviewed by the GRMC. Interest rate risks are generally reviewed on a monthly basis.

2.9.5.2.2.2.1 Assessing risk

Interest rate risk is managed so as to optimise the sensitivity of La Banque Postale's future net interest margin while ensuring compliance with the limits set for the value sensitivity indicators. A dynamic approach based on the business plan is used, applying interest rate derivatives (hedges) or adjusting commercial policies.

The balance sheet includes implicit and explicit options, leading to non-linear economic values based on interest rates. In this context, ALM proposes the regular rebalancing of structural positions using market instruments.

As required by the Basel Committee, significant interest rate risks in the banking book are identified and measured. Some of these risks may give rise to a specific follow-up procedure.

Interest rate risk is measured by maturity and by type of index for products dependent on variable or adjustable rates (Euribor, inflation, Eonia, etc.), taking into account likely runoff agreements, which are themselves dependent on market conditions. Interest rate risk includes several components:

- fixing risk related to differences between new interest rates applied to assets and to liabilities (depending on baseline rates and maturities);
- yield curve risk related to fixing risk: this is generated by changes in the yield curve (translation, rotation, etc.);
- baseline risks: these are related to the use of multiple baseline interest rates and arise from the imperfect correlation of different reference rates;
- option-related risks (contractual or behavioural);
- risks caused by positions exposed to actual interest and inflation rates.

The change in the net interest margin is therefore measured by reference to several interest rate scenarios. The interest rate risk on the balance sheet is simulated with dynamic modelling, taking into account future changes in outstanding amounts (early repayments, loan originations, etc.), in accordance with behavioural models and the business plan.

Fixed income trading desk transactions measured at fair value through profit or loss (trading portfolios) are not included in the overall interest rate risk management process as the risk associated with these transactions is monitored and managed according to the individual limits for each portfolio. These specific trading desk portfolios are subject to market risk-type limits.

2.9.5.2.2.2.2 Assessing overall interest rate risk

2.9.5.2.2.2.2.1 Agreements and models

The interest rate gap and interest rate sensitivity valuation methodologies used are determined according to the type of assets (or liabilities) comprising the balance sheet:

- outstanding loans with fixed maturities (contractual runoff that may or may not be adjusted by a model);
- outstanding loans with no fixed maturities (conventional runoff);
- off-balance sheet items (liquidity commitments and guarantees).

Transactions with no contractual maturity (including customer deposits and passbook savings accounts) are included based on runoff conventions approved by the ALM Committee and the Group Risk department.

Off-balance sheet transactions are included, taking into account drawdown assumptions.

2.9.5.2.2.2.2.2 Interest rate gap

For a given currency, the nominal interest rate gap is calculated for fixed-rate transactions and for variable-rate and adjustable rate transactions up to the next rate review or reset date. The nominal interest rate gap does not take into account interest rate payments.

The interest rate gap is the difference between the amount of fixed-rate assets and the average amount of fixed-rate liabilities including the effects of off-balance sheet items (swaps and amortisation of balancing payments), by maturity.

/ Interest rate gap by maturity at 31 December 2021 (in millions of euros)

(Negative amount = Surplus uses at fixed rates)

(in millions of euros)	0-1 year	1-5 years	5-10 years	> 10 years
Uses	(183,072)	(115,782)	(57,865)	(7,609)
Resources	185,929	126,427	61,203	5,375
Off-balance sheet	(294)	(1,952)	(142)	343
Rate gap at 31.12.2021	**2,564**	**8,694**	**3,197**	**(1,891)**
Rate gap at 31.12.2020	923	10,276	3,954	(2,402)
Adjustments	1,640	(1,582)	(757)	511

La Banque Postale's interest rate position was stable in 2021. It is a net borrower at 10-year rates and a net lender for longer dated assets and liabilities, corresponding to a mature mismatch model.

In March, the runoff model for home savings plans (*Plans épargne logement* – PEL) was updated, extending the duration of the old plans. Following this change, long-dated (up to 20 years) sovereign debt securities were purchased to hedge the related interest rate risk.

EVE (Economic Value of Equity) sensitivity

This corresponds to a negative change in value resulting from various shock scenarios applied to La Banque Postale's regulatory own funds. EVE is calculated using static modelling, based on the contractual maturities of balance sheet items. The following shock scenarios were modelled:

1. parallel 100 bps increases in short- and long-term rates;
2. parallel 100 bps decreases in short- and long-term rates;
3. steeper yield curve (decrease in short-term rates, increase in long-term rates);
4. flattening of yield curves (increase in short-term rates, decrease in long-term rates);
5. increase in short-term rates;
6. decrease in short-term rates.

EBA guidelines also require banks to model a regulatory floor for the risk-free rate. The floor starts at -1% and is increased in steps of 0.05% to 0% at 20 years.

/ EVE sensitivity by level of parallel interest rate shock at 31 December 2021 (in millions of euros)

(in millions of euros)	(200)	200	Flattening	Steepening	Increase in short-term rates	Decrease in short-term rates
EVE sensitivity at 31.12.2021	(100)	(769)	(117)	43	(111)	(29)
EVE sensitivity vs T1 capital at 31.12.2021	-0.52%	-4.00%	-0.92%	0.22%	-0.57%	-0.15%
EVE sensitivity at 31.12.2020	(137)	(207)	(514)	95	(134)	(109)
EVE sensitivity vs T1 capital at 31.12.2020	-0.86%	-1.31%	-3.25%	0.60%	-0.65%	-0.69%

The least favourable interest rate scenario for La Banque Postale is a 200 bps parallel increase in the yield curve (€769 million reduction in EVE, representing -4.00% EVE sensitivity vs Tier 1 capital). This compares to a regulatory limit of -15% (with an internal warning triggered at -13%).

2021 saw an increase in EVE sensitivity to a 200 bps rise in interest rates, mainly due to the Group's investments in sovereign debt with an average maturity of around 14 years.

At -200 bps, the main reason for the sensitivity's inertia was the fact that market interest rates are currently close to the floor rate set by the EBA, thereby reducing sensitivity to a fall in interest rates.

Net interest margin sensitivity

Net interest margin (NIM) sensitivity is defined as the difference between NIM in a modified interest rate scenario and NIM in a baseline interest rate scenario.

NIM sensitivity is calculated for each interest rate scenario taking into account interest rate-dependent behavioural models, and by maintaining levels of loan origination and deposits from the commercial business, along with assumptions related to equivalent financial transactions in the baseline scenario

Only the behavioural models show a reaction to the shock scenario. Their impacts on amounts outstanding modify the level of short-term financing.

Different interest rate scenarios featuring an instantaneous shock relative to the baseline curve:

1. parallel 100 bps increases in short- and long-term rates;
2. parallel 100 bps decreases in short- and long-term rates;
3. steeper yield curve (decrease in short-term rates, increase in long-term rates);
4. flattening of yield curves (increase in short-term rates, decrease in long-term rates);
5. increase in short-term rates;
6. decrease in short-term rates.

EBA guidelines also require banks to model a regulatory floor for the risk-free rate. The floor starts at -1% and is increased in steps of 0.05% to 0% at 20 years.

/ Net interest margin (NIM) sensitivity at 1 year/ Scenario at 31 December 2021 (in millions of euros)

(in millions of euros)	31.12.2020	31.12.2021
Translation +1	253	109
Translation -1	(124)	(86)
Steepening	(94)	53
Flattening	30	182
Rise in short-term rates	299	307
Drop in long-term rates	9	(58)

The least favourable scenario at one year for La Banque Postale is a -100 bps shock leading to a fall in NIM of €86 million, representing around 5% of NIM for the 2022 budget.

2.9.5.2.2.3 Measuring and managing interest rate risk at SFIL

SFIL does not accept interest rate risk as an entity. The interest rate risk hedging strategy consists of setting up perfect micro–hedges, either through the use of €STR swaps, or by matching asset and liability transactions based on the same index, or in the case of the export credit business, through hedging transactions carried out via the stabilisation mechanism. This hedging programme ensures that SFIL is not exposed to any interest rate risk.

CAFFIL implements two different interest rate hedging strategies, depending on the nature of the transactions on its balance sheet:

- a micro-hedging strategy for balance sheet items that are not natively at euro adjustable rates and which may breach the interest rate or currency risk limits due to their nature (currency, interest rate type, notional value, term, etc.). The items hedged are all currency transactions and structured rate securities and loans managed off-the-run. The items hedged are swaps against €STR;
- a macro-hedging strategy for other euro transactions: SPL loans, cash investments, public and private issues, etc. The macro-hedging strategy is mainly to unwind swaps (liability positions to cover asset positions and vice versa), and set up additional swaps if necessary;
- the residual risk rate is swapped €STR in order to protect profits against the basis risk resulting from the different periods for which the Euribor is quoted (one, three, six or twelve months) and against the fixing risk.

These hedges are set up on the market by CAFFIL either directly or through SFIL.

These hedging operations do not concern junior debt, corresponding to borrowings by CAFFIL from its shareholder to finance the mortgage bond over-collateralisation. These borrowings are directly indexed to Eonia or €STR, in which case they do not need to be swapped, or to Euribor, in which case the proceeds are used to finance Euribor assets. Where applicable, short-term fixed rate borrowings from the Banque de France are not hedged, but are used to finance assets that are also at fixed rates.

These different types of interest rate risk are monitored, analysed and managed via:

- static calculations of interest rate gaps (fixed rate, basis and fixing):

Fixed-rate gap	Difference between on- and off-balance sheet assets and liabilities for fixed-rate transactions, or transactions for which the rate has been fixed. It is calculated each month until the positions are extinguished.
Index gaps	Difference between on- and off-balance sheet assets and liabilities for a given index tenor that has not yet been fixed. This gap is calculated each month until the positions are extinguished.
Fixing gap	For a given index tenor: difference between adjustable rate on- and off-balance sheet assets and liabilities, by fixing date.

- production of monthly indicators of the sensitivity of net present value (NPV) to a 100–bps rate shock, intended to regulate CAFFIL's residual fixed/fixed rate positions (after hedging). These indicators are calculated over four predefined time buckets, and are framed by limits calibrated so as not to lose more than 6% of equity (i.e. €80 million) with a quantile of 99% calculated on the basis of ten-years' historical data:

Parallel increase/decrease of the yield curve	Limit of €25 million.
Steepening/rotation of the yield curve on distant points of the curve	Limit of €15 million on the ST time bucket, €10 million on the MT and LT, and €9 million on the VLT.
Steepening/rotation of the yield curve within a time bucket	Limit of €30 million on the absolute value of the sensitivities within a time bucket.

/ Interest rate risk sensitivity at 31 December 2021

Sensitivity	31.12.2021	30.11.2021	Change	Limit	EW RAF
Sensitivity by time bucket (CAFFIL only, €m/100 bp)					
Total	**(8.0)**	**8.6**	**(16.6)**	**25**	**22.5**
Short-term	(6.0)	4.7	(10.7)	15	12.5
Medium-term	(1.7)	6.0	(7.7)	10	
Long-term	(0.4)	(4.4)	4.1	10	
Very long-term		2.3	(2.3)	9	
Absolute sensitivity (CAFFIL only, €m/100 bp)					
Short-term	12.7	15.0	(2.3)	30	
Medium-term	12	23.9	(11.4)	30	
Long-term	18	12.8	5.3	30	
Very long-term	13	14.0	(1.0)	30	

2.9.5.3 Structural currency risk

2.9.5.3.1 Definition, scope and governance

Structural currency risk, excluding trading, is defined as the risk of volatility in profit or equity, whether recognised or unrealised, due to changes in the exchange rate against a reference currency.

Currency risk is managed and monitored at Caisse des Dépôts in accordance with article 54 of Decree No. 2020-94 of 5 February 2020, which requires the Group to have risk measurement systems in place across its entire scope of consolidation, i.e. for each of its relevant entities, and for these systems to be adapted to the nature and volume of their transactions.

2.9.5.3.1.1 Group governance

The Group's financial risk management policy defines common principles for all the Caisse des Dépôts Group's regulated entities:

- Caisse des Dépôts entities apply a prudent currency risk management policy. The list of authorised currencies is pre–approved by their governing bodies.
- The entities formalise their currency risk appetite and set their operational limits accordingly. The entities formalise their currency risk hedging strategy and ensure that it is both retrospectively and prospectively effective.
- Exposure to currency risk from holding monetary and non–monetary assets and liabilities that are not hedged against currency risk must be contained. Such exposure is deemed to be contained when it can be demonstrated that measures have been implemented such that any impacts from currency fluctuations are low. Any residual sensitivity to currency risk must be reported to the governing bodies.
- The hedging methods are documented and tested using the accounting standards applicable to the entity. The currency risk documentation sets out the rules for dealing with and escalating currency risk overruns.

The ALM teams at Central Sector and the subsidiaries manage currency risk within their respective scopes.

The supervision of currency risk is the responsibility of each entity's ALM Committee, which monitors indicators and forecasts trends based on multi-year trajectories and commitment and/or investment policy guidelines. Currency risks are generally reviewed on a monthly basis.

2.9.5.3.2 Measuring and managing currency risk

2.9.5.3.2.1 Measuring and managing currency risk at Caisse des Dépôts (Central Sector)

Caisse des Dépôts' (Central Sector) currency positions chiefly concern four currencies: the USD, GBP, CHF and JPY.

The Caisse des Dépôts' (Central Sector) currency risk hedging policy is to systematically finance foreign currency asset positions through real borrowing (issues) or synthetic borrowing (swaps). Exposure to currency risks on the carrying amount of foreign currency items is therefore fully neutralised. However, unrealised gains and losses on these positions are not hedged. This differential is taken into account in Value-at-Risk calculations.

2.9.5.3.2.2 Measuring and managing currency risk at La Banque Postale

Currency risk, particularly the risk related to international mandates and financial activities, remains very moderate despite the launch of a USD financing business by the Corporate and Regional Development department.

The balance sheet of La Banque Postale is managed almost exclusively in euros. Foreign currency market activities carried out by the cash management unit and portfolio-related activities are systematically hedged and converted into euros beyond a specified exchange rate position threshold.

The residual currency risk related to income earned from these activities is managed by converting said income into euros at least every six months or whenever it reaches the established threshold.

The retail bank's foreign currency operations, which mainly involve international mandates, are fairly small.

At 31 December 2021, La Banque Postale's currency position represented €78 million, of which around 89% denominated in USD.

2.9.5.3.2.3 Measuring and managing currency at SFIL

The reference currency of SFIL group is the euro; currency risk therefore reflects the change in value of assets and liabilities in a currency other than the euro due to that currency fluctuating against the euro.

Debt issues and assets denominated in foreign currencies are hedged by cross-currency swaps at the latest on initial recognition and until their final maturity, thus hedging the currency risk on the nominal value of these assets and liabilities and the related interest streams. Adjustable rate exposures are included in the management of interest rate risk.

Currency risk is monitored based on the net foreign exchange position in each currency, calculated on all recognised receivables, commitments and accrued interest in foreign currencies. The net foreign exchange position by currency must be zero, with the exception of positions in USD and GBP for which a small open position is tolerated for operational reasons.

2.9.6 Hedging transactions

The majority of balance sheet items generate interest income and expenses that are exposed to changes in interest rates and, to a lesser extent, currency rates, either through new transactions at rates that are not known in advance, or through comparative increases in the rate of existing transactions. In the first case, there is a risk of a change in cash flows, while in the second case, there is a fair value risk.

The Caisse des Dépôts Group's multi-annual financial planning process defines the Group's five-year investment policy by major asset class and by business line (Central Sector and subsidiaries), with a view to managing the resulting changes in the financial ratios (solvency, liquidity, earnings). The multi-annual financial planning process is approved every year by a committee chaired by the Chairman and Chief Executive Officer of Caisse des Dépôts. The risk appetite procedure rounds out the multi-annual financial planning process, establishing hedging thresholds and limits where necessary, approved by the governing bodies.

2.9.6.1 Risk hedging strategy and objectives

2.9.6.1.1 Type of hedge – management of associated risks

As part of its management of the interest rate and currency risks linked to the asset/liability balances on the balance sheets of its entities, the Group may use derivatives.

Accounting hedge documentation is generally prepared for such economic hedges, except when the hedged items are recognised at fair value through profit and loss. In the latter case, derivatives that are economic hedges of transactions recognised at fair value through profit and loss are not classified for accounting purposes as hedging derivatives but as derivatives held for trading.

Derivatives that form part of a hedging relationship which qualifies for hedge accounting under IFRS 9 and, where applicable, the provisions of IAS 39 concerning portfolio fair value hedges, are classified as either fair value hedges or cash flow hedges.

2.9.6.1.2 Fair value hedges – micro-hedging

A fair value hedge (micro-hedge) is a hedge of the exposure to changes in the fair value of specifically identified financial assets or liabilities.

In a fair value hedge of a financial asset or liability, the effective portion of the gain or loss on the hedging instrument offsets the loss or gain on the hedged item. The difference between the two amounts corresponds to the ineffective portion of the gain or loss on the hedging instrument, which is recognised in the income statement.

The economic relationship between the hedged item and the hedging instrument, to ensure the effectiveness of the hedging relationship that has been established, is created on inception of the hedging transaction. This hedging relationship is generally naturally effective insofar as one of the two legs of the swap accurately reflects the hedged item in terms of amount, maturity and interest rate.

2.9.6.1.3 Fair value hedges – macro-hedging

The Group applies the provisions of IAS 39 adopted by the European Union to macro-hedging transactions carried out as part of the asset/liability management of fixed-rate positions. Macro-hedging is mainly used to hedge entities' structural interest rate risk on fixed-rate financial assets and liabilities. Macro-hedging instruments are mainly interest rate swaps designated as fair value hedges of the Group's fixed-rate assets and liabilities.

2.9.6.1.4 Cash flow hedges and all-in-one cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows from financial assets or liabilities, firm commitments or future transactions. Cash flow hedges are used to hedge the interest rate risk on adjustable-rate assets and liabilities. Derivatives used for cash flow hedging fix the amount of future cash flows.

In the particular case of forwards, they act as an "all-in-one" cash flow hedge which is automatically effective because the contract covers both the derivative and the underlying to be delivered (hence the term "all-in-one").

Hedging instruments

The Group uses several types of hedging derivatives to manage the interest rate and currency risks on its balance sheet items.

An interest rate swap is an over-the-counter contract whereby a stream of fixed-rate interest payments on a notional amount is exchanged for a stream of variable-rate interest payments on the same amount. The swaps used by the Group are mainly Overnight Index Swaps.

The long-term currency swaps used by the Group are cross currency swaps whereby the Group pays principal and fixed-rate interest in foreign currency and receives principal and variable rate interest in euros. In this way, the cross currency swap provides both financing in foreign currency and an economic hedge of the currency risk.

2.9.6.1.5 Hedged items

The Group hedges balance sheet transactions (both with financial counterparties and customers) using derivatives set up with market counterparties.

These transactions stem from different hedging strategies that aim primarily to hedge the interest rate and, to a lesser extent, currency risk.

2.9.6.1.5.1 Hedged assets

The hedged risk corresponds to the amount represented by the interest rate risk on fixed-rate bonds and loans, and by the interest rate risk on future cash flows (purchases of long-term bonds).

2.9.6.1.5.2 Hedge liabilities

The hedged risk corresponds to the amount represented by the interest rate risk on fixed-rate customer deposits (demand deposits, PEL home-saving plan) and fixed-rate bond issues.

2.9.6.1.6 Sources of hedge ineffectiveness

2.9.6.1.6.1 Hedging of a security with a swap

There are two types of fair value hedges:

- Euribor hedges: Euribor hedges are valued using a Euribor discount curve for the securities and an Eonia or €STR curve for derivatives. The use of two different discount curves creates ineffectiveness that will become greater when the Eonia–Euribor (or €STR-Euribor) spread varies over time (ineffectiveness stemming from the changes in fair value of the variable leg of the swap, when this rate is not an overnight rate (like the Eonia or €STR) but a pre-set rate (like the Euribor));
- Eonia and €STR hedges: Eonia and €STR hedges are valued using an Eonia or €STR discount curve for both the securities and the derivatives The mathematical hedge is thus perfect between the security and the swap (security discounted using Eonia or €STR with adjustment of the credit component and swap discounted using Eonia or €STR), which is why this type of hedge is considered to be 100% effective and no effectiveness test is required.

2.9.6.1.6.2 Macro-hedging

Macro-hedging becomes ineffective if any of the hedged items disappear, especially if the early repayment rate exceeds the estimates used when initially setting up the hedges.

Effectiveness tests

Tests are conducted on a regular basis to assess hedge effectiveness.

2.9.6.2 Impact of hedging transactions in the Group's consolidated financial statements

The impacts of hedge accounting are presented in the consolidated financial statements and in Notes 2.3.1 – Interest income and expense, 2.3.3 – Gains and losses on financial instruments at fair value through profit or loss, and 2.4.2 – Hedging instruments.

2.9.6.3 Impact of hedging transactions on the amount and timing of cash flows

The contractual maturities of the notional amount of the hedging instruments are presented in Note 2.4.2 – Hedging instruments.

2.9.7 Risks specific to the insurance sector

2.9.7.1 Risks specific to the insurance sector

The only insurance-specific risks of the Caisse des Dépôts Group are found within La Banque Postale group via its insurance subsidiaries.

The Insurance division is dominant in La Banque Postale group's new structure, and exposure to insurance risks mainly concerns CNP Assurances, along with La Banque Postale's three legacy insurance subsidiaries.

Detailed information about risks specific to the insurance sector is provided by La Banque Postale in its annual financial report.

2.9.7.2 Management of insurance risks

All of La Banque Postale group's subsidiaries that operate in the insurance sector must meet the applicable regulatory requirements at all times. As head of a financial conglomerate, La Banque Postale group is responsible for ensuring that each of its subsidiaries respects all such requirements. More generally, for all of its insurance businesses, La Banque Postale group makes sure that the risk management procedures in place are consistent with the principles of the Risk Management Operational Policy (RMOP) set out in its Risk Appetite Statement and Risk Organisation Charter.

2.9.7.2.1 Types of insurance risks

The typology of insurance risks within La Banque Postale group's insurance business is as follows:

CNP Assurances:

CNP Assurances is exposed to the following risk factors, which are grouped into six categories:

- **financial market risk factors:** interest rate risk and equity price and yield risk;
- **credit and counterparty risk factors:** corporate and sovereign credit and counterparty risk and credit or counterparty concentration risk;
- **insurance underwriting risk factors:** surrender or cancellation risk;
- **operational risk factors:** outsourcing risk, product compliance risk, customer interaction compliance risk (financial security and AML-CFT procedures), information systems risk, data protection risk and cyber risk;
- **strategic and business risk factors:** strategic partnerships risk, country risk, regulatory risk, and business model risk;
- **climate change risk factors.**

Insurance division:

The La Banque Postale's Insurance division risks are classified in seven risk families aligned with the risk classification in Solvency II and the conglomerate risk map:

- strategic and business risks;
- credit and counterparty risks;
- market risks;
- liquidity risks;
- operational risks;
- insurance underwriting risks;
- other risks.

2.9.8 Non-financial risks

2.9.8.1 Operational and compliance risks

2.9.8.1.1 Definition and scope

Operational risk is defined in article 8 of Decree No. 2020-94 of 5 February 2020 as the risk of losses resulting from inadequate or flawed processes, personnel, internal systems or external events.

Operational risk within the Caisse des Dépôts Group is managed in accordance with Chapter IV, Section 9 of Decree 2020-94 of 5 February 2020, and specifically article 133 which requires Caisse des Dépôts to implement policies and procedures for assessing and managing its exposure to operational risk.

For Caisse des Dépôts, non-compliance risk is defined in article 8-13 of Decree No. 2020-94 of 5 February 2020 as the risk of legal, regulatory or disciplinary sanctions, significant financial losses or reputational damage due to failure to comply with provisions relating to banking and financial activities, regardless of whether these provisions are legal or regulatory, directly applicable national or European provisions, professional or ethical standards, compliance-related decisions by Caisse des Dépôts or, for its banking subsidiaries, instructions from company managers or executive bodies given in accordance with the guidelines of the supervisory bodies (decree of 3 November 2014).

2.9.8.1.2 Main operational risk factors

2.9.8.1.2.1 Banking and financial non-compliance

The risk of non-compliance with banking and financial regulations, specifically failure to comply with:

- regulations governing financial security (AML-CFT), know your client (KYC) obligations, financial sanctions and embargoes;
- rules governing financial ethics (market abuse) and customer protection;
- regulations governing loans and regulated savings.

This risk can lead to financial losses as well as financial, criminal or administrative sanctions. It can also damage the Group's reputation.

In order to protect itself against this risk, the Caisse des Dépôts Group is taking steps to strengthen the management of the main causes of this risk (lack of vigilance, insufficient training, system failures).

At the level of Caisse des Dépôts (Central Sector), work is continuing to ensure compliance with the PACTE Law.

At the Group level, the following risk management measures are deployed:

- Group coordination of AML-CFT measures (especially for cash transactions and specific outstandings);
- ongoing work on its compliance projects;
- improving employee awareness of these issues.

2.9.8.1.2.2 Non-compliance with rules of law

This risk encompasses all regulations that are not exclusive to the banking sector but which impact the Group's business, such as:

- fiscal and accounting rules;
- ethical and anti-corruption rules (especially Sapin II);
- GDPR rules for personal data protection;
- labour law (especially discrimination) and health and safety regulations;
- competition law;
- duty of care;
- the French Social Security Financing Act (LFSS) for pension management mandates;
- rules specific to each entity's specific sectors of activity (e.g. marketing rules).

The following risk management measures are deployed:

- stricter monitoring of regulatory affairs to keep abreast of rapidly changing regulations;
- stricter associated procedures and controls;
- improving awareness, information and training for employees, especially on GDPR rules and more sector-specific topics.

2.9.8.1.2.3 Cyber-security

Cyber risk is the risk of a cyber-attack or cyber-crime leading to a critical fault or failure in the IT systems, potentially resulting in a leak of confidential information, a partial or complete halt in production, a loss of strategic opportunity or reputational damage.

The size of the Group and its activities mean that every Group entity must be aware of the cyber-threat.

At the Group level, the following risk management measures are deployed:

- IT policy and IT management;
- penetration testing;
- access rights reviews;
- Group-wide procedures for production data access and data exports;
- alerts processing by the Group Security and Compliance division as part of the monitoring of internet/email flows (potential leaks of sensitive data);
- stricter procedures;
- secure data exchange.

There is a network of IT System Security Officers (RSSIs) coordinated by the Group Risk Management division (DCSG) who share knowledge and solutions.

2.9.8.1.2.4 IT efficiency

IT efficiency is the risk of a fault in an IT system or an IT project, aggravated by the age of certain systems that have undergone a number of internal upgrades, or by the fact that the Group is the last user of some external tools.

The risk is significant due the complexity of IT project implementation, which involves certain challenges in terms of organisational efficiency. It especially applies to BtoC activities such as pension payments at the level of the Caisse des Dépôts Central Sector. It also affects the interface between the Group IT systems and overall systems coordination.

The risk management measures deployed include improving the reliability of processes for IT projects and their implementation (use of indicators, documentation) and better coordination, especially via tools such as mapping (IT providers and software) and incident monitoring.

2.9.8.1.2.5 Process failure

This risk arises from a process failure that directly or indirectly affects the achievement of objectives and results from human error. It is a significant risk for the Caisse des Dépôts Central Sector, La Banque Postale and SFIL, mainly in terms of failures in processes and transactions processing, and can have a high financial impact.

The risk management measures deployed at the Group level include cross-entity solutions to:

- support management (including tracking tools and dashboards);
- improve the structure of procedures;
- strengthen tier 1 and tier 2 controls, especially by using automated controls and monitoring the associated losses.

2.9.8.1.2.6 Third party and outsourcing risk

This risk arises from possible dependency on software suppliers or key subcontractors, especially in the event of default by a supplier or a change in prices.

The risk also arises from the ability, of the Group entities concerned, to honour any obligations linked to key outsourced services, especially as regards the extent to which the relationship with third parties has been documented and in the event that the contract is insufficient.

At Group level, this risk derives from possible dependency on a subcontractor, especially software providers, or default by a subcontractor. In addition, new products have been introduced amid the economic and health crisis, thereby increasing the Group's exposure and vulnerability to outsourcing (especially for IT systems).

The risk management measures deployed by the Group entities include:

- compliance with Outsourced Essential Services regulations;
- expansion of purchasing departments, which are becoming more specialised (especially for software);
- diversification of providers and assessments of provider dependence;
- stricter monitoring (service quality, incident management, tier 1 controls).

2.9.8.1.2.7 Health and safety risk

This risk derives from natural or technical accidents (e.g. fire, flood) and/or wilful attacks (e.g. theft, damage, terrorism) that jeopardise people's health and safety. At Group level, it is also very important to take into account psychosocial risks for employees from internal or external factors.

2.9.8.2 Structure and governance of the operational and compliance risk management system

2.9.8.2.1 Operational risk management

2.9.8.2.1.1 Governance

The Group Risk Management division is responsible for analysing and measuring Group risks.

Work is under way to create a unit for coordinating operational risks, which will report to the Group Risk Management division. A Group operational risk management plan will also be prepared and the governance principles adapted accordingly.

The Permanent Control contributes to the management of operational and compliance risk through continuous improvement of permanent controls (standards, reporting, and compliance controls), in liaison with the Public Institution's divisions and the Group entities.

This division is also responsible for managing the permanent control and compliance system at Group level. It reports to Group senior management and the Supervisory Board.

The Permanent Control and Compliance division is also responsible for anti-money laundering and terrorist financing ("AML-CFT") and anti-corruption programmes, and tracks compliance with the principles set out in the Group's Code of Ethics.

2.9.8.2.2 Internal control system

The risk management system is based on three lines of defence that constitute the internal control framework.

2.9.8.2.2.1 First line of defence

The first line of defence consists of the operational divisions. The operational divisions are responsible for the risks arising on their activities. Therefore, based on the respective scopes of the other lines of defence, they are responsible for:

- identifying their risks;
- ensuring they comply with the entity's risk appetite;
- introducing risk management procedures and corrective actions if necessary.

2.9.8.2.2.2 Second line of defence

The second line of defence consists of a specialist unit whose role is to oversee and coordinate risks. It also comprises one or more units specialised in tier 2 permanent controls.

At Group level, the second line comprises the Group Risk Management division and the Caisse des Dépôts Permanent Control and Compliance division.

Each Group entity has a specialist unit that oversees and coordinates its risks. The entities' risk management units together form the Group Risk Control Function.

The Risk Control Function has sufficient hierarchical authority to carry out its duties in full. If and when it performs tasks not related to the second line of defence, the Function ensures that proper segregation of duties is implemented, so that it can provide the second line of defence with full autonomy.

2.9.8.2.2.3 Third line of defence

The third line of defence consists a specialised unit whose main role is to provide governance with objective, independent and overall assurance as to the efficacy of the governance and risk management procedures and internal controls and the achievement of risk management and control objectives by the first and second lines of defence.

At Group level, the third line is provided by the Group Internal Audit division.

2.9.8.2.3 Operational risk monitoring tools

The risk management, permanent control and compliance divisions of the Group entities, in collaboration with the operational divisions, ensure that adequate control measures are in place to provide reasonable assurance that all operational risks inherent to these processes are managed. A number of different tools have been developed:

2.9.8.2.3.1 Risk maps

For the Caisse des Dépôts Central Sector, the Permanent Control and Compliance division produces operational and compliance risk maps, in liaison with the operational divisions, which are updated every year.

Using their own methods, the Group entities also map their operational and compliance risk, in order to identify the major risks to be matched to permanent controls and the action plans to reduce their probability of occurrence and/or their potential impact.

The major risks identified for the Group are consolidated by the Group Risk Management division and presented to the Caisse des Dépôts Management Committee.

These maps and an assessment of the intensity of the risks (priority zones) provide the foundation for defining the risk appetite and for the Internal Capital Adequacy Assessment Process (ICAAP).

2.9.8.2.3.2 The “event” database

All control events reported within the Caisse des Dépôts Central Sector are recorded in a centralised database and significant events are monitored by the Permanent Control and Compliance division.

Significant events in the subsidiaries are reported to the Group Risk Management division and non-compliance events to the Permanent Control and Compliance division. The aim is to consolidate all types of events impacting the Caisse des Dépôts Group, highlight identified system failures, assess the potential or actual related losses and draw up appropriate corrective action plans. The action plans are implemented by the subsidiaries, at their own responsibility.

2.9.8.2.3.3 The second-tier control plan

The Permanent Control and Compliance division implements a second-tier control plan, which uses a risk–based approach, applied across the Caisse des Dépôts Central Sector scope.

This control plan is designed to test the appropriateness of permanent control and compliance processes in terms of the risks involved and activities performed.

These processes are evaluated based on the tests performed by the Permanent Control and Compliance division and the results are presented to the Caisse des Dépôts Management Committee and Supervisory Board.

The second-tier control plan is designed using the risk map produced by the Permanent Control division to identify the major operational and compliance risks.

The second-tier control plans for the subsidiaries are produced and implemented by their respective permanent control and compliance departments. The Group Permanent Control and Compliance division ensures the correct application of the Permanent Control Charter, which in particular requires that second-tier controls be performed.

2.9.8.2.3.4 Warning flags

The Caisse des Dépôts Central Sector and the Group subsidiaries have devised a series of indicators, including warning thresholds, to anticipate any deterioration in the quality of permanent controls or operational risk monitoring and control.

2.9.8.2.4 Coordinating the AML-CFT compliance programme

In accordance with the French Monetary and Financial Code, Caisse des Dépôts is responsible for setting up a programme to combat money laundering and the sponsoring of terrorism (AML–CFT).

The Permanent Control and Compliance division coordinates and supervises the Group's AML-CFT programme. It devises the guidelines that must be applied throughout the Group. Caisse des Dépôts has a zero-tolerance policy with respect to AML-CFT compliance risk.

The Permanent Control and Compliance division carries out anti-money laundering and terrorist financing compliance checks throughout the Caisse des Dépôts Central Sector and the subsidiaries, at least once a year.

Caisse des Dépôts has drawn up a country classification of AML–CFT risk based on a series of objective criteria and a pre–determined methodology. Accordingly, more stringent controls are applied to any files relating to high-risk countries.

Caisse des Dépôts has also compiled a blacklist to prohibit investments in Non-Cooperative Countries and Territories (*Etats et territoires non coopératifs* – ETNC) (see French government blacklist) or countries on the Financial Action Task Force's (FATF) List no. 1 and subject to counter-measures (Iran and North Korea).

2.9.8.2.5 Coordinating ethical compliance standards

As it has no appetite for compliance risk, Caisse des Dépôts applies ethical guidelines that consist of the Group's Code of Conduct and the Public Institution's Code of Conduct. The guidelines have been revised and are accompanied by implementation procedures contained in the ethical standards compendium available on the Caisse des Dépôts intranet.

Caisse des Dépôts has also adopted an anti-corruption policy for the Group and implemented a whistleblowing facility for all subsidiaries concerned, in accordance with law No. 2016-1691 of 9 December 2016 on transparency, anti-corruption and economic modernisation (the “Sapin II” law).

2.9.8.3 Contingency and business continuity plan

2.9.8.3.1 Coordinating the contingency and business continuity plan

Continuity planning at Caisse des Dépôts is led by:

- the Permanent Control and Compliance division, which develops policies for the Caisse des Dépôts Central Sector to ensure business continuity and maintain operational readiness, sets continuity standards and makes sure they are properly implemented;
- the Corporate Secretary's Office, which is responsible for the operational management of the business continuity plan;
- the divisions, which develop, implement and test their business continuity plans.

The major subsidiaries also use similar systems, in line with their own regulatory obligations.

2.9.8.3.2 Cyber-security

Cyber-security means all organisational measures and controls and all resources (e.g. human, technical) used to protect the Group's IT assets, comprising its information assets on the one hand and its communication networks and IT systems on the other, from logical attacks via physical or logical security breaches.

The Group Risk Management division defines the Group's IT systems security policy, which applies to Caisse des Dépôts and all subsidiaries within the scope of the risk appetite.

Each entity develops its own security policy incorporating the principles of the Group's IT Security Policy within its own scope, including its subsidiaries and any operational entities. The entities' policies are adapted to the entities' activities, the extent of the risks incurred and their context. They do not affect any of the legal, statutory or contractual provisions applicable to the Group entity or the entities within its scope, especially any secrecy or non-disclosure rules. Within each entity, divisions may design their own specific IT systems security policy, based on the Group policy. These local policies must as a minimum comply with the rules established in the Group policy and comply strictly with the reference framework.

IT systems security is focused on system availability, data integrity and confidentiality, and proof (or non-repudiation) of transmission, represented by the acronym AICP (i.e. availability, integrity, confidentiality, proof).

The IT Charter establishes the cyber-security principles applicable within the Caisse des Dépôts Central Sector and is binding on every employee. After consulting with the employee representative bodies (CSSCT and CUEP), the charter became effective through a decree signed by the Chairman and Chief Executive Officer.

IT systems security deployment is overseen by the Information Systems Strategy Committee, which meets twice a year.

In addition to internal cyber-security measures, the Group also uses an external cyber rating tool to round out its assessment of the external cyber risks threatening its information assets.

2.9.9 Other risks

2.9.9.1 Tax and legal risks

Legal risk is defined by article 8 of Decree No. 2020-94 of 5 February 2020 as the risk of any dispute with a counterparty.

Legal and tax risk comprises all risks related to ignorance, to non–compliance or to misinterpretation of current legislation and may result in lawsuits arising from erroneous application of procedures or regulations.

The Legal, Tax and Related Services division analyses and clarifies legal and tax guidelines to streamline processes and tighten up management practices. These guidelines apply to all Group operating activities. It is also involved in designing key projects to boost Group-wide legal compliance. It helps the operating divisions and subsidiaries with legal and tax matters in all aspects of their businesses as well as with cross-disciplinary issues such as secure IT development.

Lastly, the Legal, Tax and Related Services division monitors litigation risk both for the Public Institution and the Caisse des Dépôts Group.

2.9.9.2 Environmental risks

Environmental, social and governance (ESG) risks are the risks of any negative financial impacts stemming from the actual or future impacts of ESG factors on its counterparties or invested assets. ESG risks encompass climate change, biodiversity and social risks as well as risks deriving from counterparties' governance practices.

The assessment and management of ESG risks is a major priority for the Caisse des Dépôts Group.

For the Caisse des Dépôts Group, sustainable development and responsible investment are central to its values and missions. Its goal is to support all regions in their efforts to drive sustainable development and social cohesion. These challenges are described in the Group's Business Review and Sustainable Development Report and Responsible Investment Report.

All strategic, operational and financial management at the Caisse des Dépôts Group incorporates the United Nations Sustainable Development Goals (SDGs). Seven priority SDGs and six significant SDGs have been identified for the Group.

Faced with the climate emergency, the Caisse des Dépôts Group is committed to actively supporting the Paris Agreement, in the form of national objectives for combating climate change, as set out in the French National Low Carbon Strategy which has set a goal of carbon neutrality by 2050.

The aim is to finance an economy compatible with limiting global warming to 1.5°C by 2050, which is reflected in five core principles:

- increasing green financing;
- reducing financing that is harmful to the climate;
- supporting the decarbonisation of companies and asset portfolios;
- assessing and managing climate risk;
- steadily neutralising emissions from internal operations.

As part of its climate policy, the Group has set itself the objective of incorporating climate risks into its risk management and assessment systems, by:

- ensuring they are included in all risk management tools (risk management charter, internal control organisation principles, risk maps, risk appetite, etc.);
- incorporating them into internal credit ratings;
- participating in the ACPR climate stress test;
- mapping balance sheet exposure.

In terms of governance, an ESG Risks Committee has been set up, jointly led by the Sustainable Policy division and the Risk Management division and including members from all the various divisions concerned.

2.10 Related party transactions

Related parties include consolidated companies, the Savings Funds, pension funds and funds managed by Caisse des Dépôts in connection with the national loan.

2.10.1 Relations between consolidated companies

Transactions and balances existing at year-end between fully consolidated companies are eliminated in consolidation. The following information therefore only concerns intragroup transactions with jointly controlled companies (accounted for by the equity method), and with associates over which the Group exercises significant influence (accounted for by the equity method).

(in millions of euros)	31.12.2021	31.12.2020
Loans[1]	2,241	332
Other financial assets	251	264
Other assets	37	9
Total assets	**2,529**	605
Borrowings	224	237
Other financial liabilities	36	36
Other liabilities	6,485	6,496
Total liabilities	**6,745**	6,769
Interest income (expense), net	22	
Fee and commission income (expense), net	(47)	99
Net income (loss) from financial transactions	44	109
Net income (expense) from other activities	(524)	(414)
General operating expenses, net of rebillings	10	
Gross operating profit (loss)	**(495)**	(206)

(1) Including €1.1 billion in Bpifrance bonds held by CNP Assurances.

2.10.2 Related parties not controlled by the Group

2.10.2.1 Savings Funds

Caisse des Dépôts manages the centralised Savings Funds entrusted to it by the French State.

(in millions of euros)	31.12.2021	31.12.2020
Loans[1]	78,144	78,108
Other assets	89	75
Total assets	**78,233**	78,183
Borrowings	7,320	6,622
Other liabilities	515	567
Total liabilities	**7,835**	7,189
Commitments given	**6,918**	8,048
Commitments received	**13,288**	11,143
Interest income (expense), net	983	1,017
Income (expense) from other activities	(35)	(61)
General operating expenses, net of rebillings	185	177
Gross operating profit (loss)	**1,133**	1,133

(1) – Including €65.1 billion in La Banque Postale loans at 31 December 2021 and €67.3 billion at 31 December 2020.
– Including €13.1 billion in Central Sector loans at 31 December 2021 and €10.8 billion at 31 December 2020.

2.10.2.2 Pension funds

(in millions of euros)	31.12.2021	31.12.2020
Other assets	70	76
Total assets	**70**	76
Borrowings	1,688	1,716
Other liabilities	37	37
Total liabilities	**1,725**	1,753
Commitments given	**5**	
Interest income (expense), net	4	5
Income (expense) from other activities	4	5
General operating expenses, net of rebillings	268	292
Gross operating profit (loss)	**276**	302

2.10.2.3 Funds managed in connection with the Investments for the Future programme

Caisse des Dépôts has been entrusted with the management of programmes and actions within the scope of the Investments for the Future programme (PIA), also known as the national loan. The French State has entrusted Caisse des Dépôts with managing these funds with a payment into a specific Caisse des Dépôts account with the French Treasury.

At 31 December 2021, these packages break down as follows after payments and after deducting management fees:

	ASSETS		LIABILITIES	
	Amounts receivable in respect of current or future cash investments		Amounts payable to the French State in respect of the national loan	
(in millions of euros)	**31.12.2021**	**31.12.2020**	**31.12.2021**	**31.12.2020**
France Brevets	105	109	105	109
Technological development	719	719	719	719
Social and solidarity economy	34	40	34	40
Work-study programme – housing and modernisation	42	67	42	67
National seed capital fund	121	156	121	156
Innovation platforms and competitive clusters	12	12	12	12
Fonds Écotechnologies (Eco-technology fund)	225	212	225	212
Fonds pour la société numérique (Digital society fund) – infrastructure and services	535	534	535	534
Tomorrow's cities	313	349	313	349
National fund for innovation – Innovation and entrepreneurial culture	2	3	2	3
Regional integrated energy transition projects	10	15	10	15
Transition numérique de l'État et modernisation de l'action publique (Digital transition for government and modernisation of public action)	2	4	2	4
French Tech Accélération	200	196	200	196
Partenariat pour la formation professionnelle et l'emploi (Alliance for vocational training and employment)	42	64	42	64
Health biotech acceleration fund	328	330	328	330
Fund of turnaround funds	117	123	117	123
Digital innovation for education excellence	36	40	36	40
Thematic institutions of excellence in decarbonised energies	43	43	43	43
Fund of funds – priority urban areas	47	48	47	48
Territoires d'innovation de grande ambition (Regional schemes for ambitious innovation)	236	183	236	183
Territoires d'innovation pédagogique (Regional schemes for innovation in education)	92	67	92	67
Fonds à l'internationalisation des PME (Fund for SME international expansion)		100		100
Adaptation et qualification main-d'œuvre (Maintain and develop employment in all geographical areas)	98	50	98	50
Academic and research companies	79	99	79	99
Accélération du développement des écosystèmes d'innovation performants (Accelerating the development of high-performance innovation ecosystems)	126	106	126	106
Major challenges	300	250	300	250
Allocated to the PIA4 funds	85		85	
	3,949	3,919	**3,949**	3,919

2.11 Employee benefits

2.11.1 Employee benefits expense

(in millions of euros)	31.12.2021	31.12.2020
Payroll costs	(17,585)	(15,661)
Post-employment benefit plan costs	(560)	(467)
Discretionary and non-discretionary profit-sharing	(332)	(186)
Total employee benefits expense	**(18,477)**	(16,314)

2.11.2 Average number of employees at controlled companies

	31.12.2021	31.12.2020
France	242,258	253,798
International	105,594	98,501
Average number of employees	**347,852**	352,299

2.11.3 Employee benefit obligations

2.11.3.1 Net employee benefit obligations recognised

(in millions of euros)	31.12.2021	31.12.2020
Assets and liabilities recognised in the statement of financial position		
Present value of funded employee benefit obligation	467	422
Present value of unfunded employee benefit obligation	3,624	3,893
Present value of employee benefit obligation	**4,091**	**4,315**
Market value of plan assets	**(425)**	**(373)**
Provision for employee benefit obligations	**3,666**	3,942
Actuarial liability – current	816	580
Actuarial liability – non-current	2,850	3,362

2.11.3.2 Change in employee benefit obligations in the income statement

(in millions of euros)	31.12.2021	31.12.2020
Current service cost – post-employment plans	(471)	(227)
Current service cost – long-term benefits	(30)	(34)
Past service cost (including plan amendments and curtailments)	(52)	(2)
Gains and losses on plan settlements	6	75
Service cost	**(547)**	**(188)**
Net interest cost	**(20)**	**(17)**
Actuarial gains and losses on long-term benefits	**20**	**(1)**
Post-employment plan and long-term benefit expense	**(547)**	(206)

2.11.3.3 Change in provision for employee benefit obligations

(in millions of euros)	31.12.2021	31.12.2020
Opening balance	**3,942**	**645**
Post-employment plan and long-term benefit expense	547	206
Benefits paid	(529)	(116)
Actuarial gains and losses on post-employment plans resulting from:		
– changes in demographic assumptions	(5)	(5)
– changes in financial assumptions	(92)	68
– experience adjustments	2	(7)
Actuarial gains and losses on plan assets	(38)	(37)
Changes in scope of consolidation		3,201
Changes in the calculation of certain post-employment benefits following the IFRS IC decision of May 2021	(151)	
Other movements	(11)	(13)
Closing balance	**3,666**	3,942

2.11.3.4 Breakdown of the provision for employee benefit obligations

2.11.3.4.1 Breakdown of obligations by type

(in millions of euros)	31.12.2021	31.12.2020
Retirement benefits	966	1,223
Other pension plans	53	68
Other post-employment benefit plans	248	265
Long-term benefits	797	776
La Poste group part-time retirement plan	1,602	1,610
Provision for employee benefit obligations	**3,666**	3,942

2.11.3.4.2 Breakdown of obligations by consolidated entity

(in millions of euros)	31.12.2021	31.12.2020
Caisse des Dépôts Central Sector	194	185
La Poste group	3,158	3,365
Transdev group	152	171
Egis group		58
Compagnie des Alpes group	51	54
Icade group	23	26
Informatique CDC	33	29
CDC Habitat group	44	42
Other entities	11	12
Provision for employee benefit obligations	**3,666**	3,942

2.11.3.5 Breakdown of plan assets by type

(in millions of euros)	31.12.2021	31.12.2020
Equities	84	73
Bonds	147	125
Other assets	194	174
Total plan assets	**425**	373

2.11.3.6 Other information on employee benefit obligations

2.11.3.6.1 Weighted average discount rates used to measure retirement benefits

Average discount rate for each consolidated entity	31.12.2021	31.12.2020
Caisse des Dépôts Central Sector	0.98%	0.33%
La Poste group	1.00%	0.30%
Transdev group	0.30%	0.30%
Egis group	–	0.50%
Compagnie des Alpes group	0.60%	0.60%
Icade group	0.91%	0.33%
Informatique CDC	0.89%	0.32%
CDC Habitat group	0.87%	0.34%

The discount rate is determined by reference to the iBoxx € Corporates AA 10+ index, which essentially represents the yield on investment-grade corporate bonds.

2.11.3.6.2 Analysis of sensitivity of the provision for employee benefit obligations to a rise or fall in the discount rate

	31.12.2021	31.12.2020
Sensitivity of actuarial liability	**+/- 50 bps**	**+/- 50 bps**
Amount of provision in the event of a rise in the discount rate	3,554	3,804
Provision for employee benefit obligations at year-end	**3,666**	3,942
Amount of provision in the event of a fall in the discount rate	3,781	4,083

2.12 Information on equity-accounted companies

The table below sets out data relating to material joint ventures based on a 100% holding prior to the elimination of intragroup balances and transactions, using the Group's IFRS publication format.

2.12.1 Material joint ventures

The Group's material joint ventures are Bpifrance and Coentreprise de Transport d'Électricité, which account for 68% of investments in joint ventures.

2.12.1.1 Summarised financial information

2.12.1.1.1 Bpifrance

	31.12.2021	31.12.2020
Percent control and percent interest held by the entity	49.32%	49.29%
Nature of relationship	Corporate financing and investment partner	Corporate financing and investment partner
Dividends received	€211m	0

/ Reconciliation of financial information with the equity-accounted carrying amount of Bpifrance

(in millions of euros)	31.12.2021	31.12.2020
Equity attributable to owners	28,340	24,061
Restatements (fair value adjustments)	319	319
Equity based on Caisse des Dépôts' percent interest	14,135	12,017
Equity-accounted carrying amount on Caisse des Dépôts' statement of financial position	**14,135**	12,017

2.12.1.1.2 Coentreprise de Transport d'Électricité

	31.12.2021	31.12.2020
Percent control and percent interest held by the entity	29.9%	29.9%
Nature of relationship	Strategic interest	Strategic interest
Dividends received	€78m	€110 million

/ Reconciliation of financial information with the equity-accounted carrying amount of Coentreprise de Transport d'Électricité

(in millions of euros)	31.12.2021	31.12.2020
Equity attributable to owners	2,949	2,750
Restatements (chiefly purchase price allocation)	3,109	3,099
Equity based on Caisse des Dépôts' percent interest	1,811	1,749
Equity-accounted carrying amount on Caisse des Dépôts' statement of financial position	**1,811**	1,749

2.13 Statutory Auditors' fees

(in millions of euros)	Mazars 2021	Mazars 2020	PwC 2021	PwC 2020
Audit				
Statutory audit, certification, review of the individual and consolidated financial statements				
– Central Sector	1.2	1.5	0.9	1.3
– Fully consolidated subsidiaries	8.5	7.3	6.6	8.8
Non-audit services				
– Central Sector		0.1		
– Fully consolidated subsidiaries	1.1	1.0	1.4	1.2
Total	**10.8**	9.9	**8.9**	11.3

The amounts stated are the fees of the Statutory Auditors for the Central Sector of the Caisse des Dépôts Group, and the fees of the same Statutory Auditors for the subsidiaries, excluding Mazars and PwC.

2.14 Scope of consolidation of the Caisse des Dépôts Group

Caisse des Dépôts prepares separate annual financial statements under French GAAP for each of its constituent sectors: the Central Sector and the Savings Funds.

In addition, Banque des Territoires brings together all of the Caisse des Dépôts' resources to promote regional development. It encompasses the operational departments (banking, investor, lender) and relies on a network of 37 offices, with functional departments (finance, communication, digital strategy and human resources). It also includes two subsidiaries, CDC Habitat and SCET, which support regional players in engineering and consulting.

The Caisse des Dépôts Group is unique as a public institution with subsidiaries and affiliates that operate in the competitive sector. It publishes consolidated financial statements under IFRS. These combine the financial statements of the Caisse des Dépôts Central Sector and those of the entities over which Caisse des Dépôts exercises exclusive or joint control or significant influence to form the consolidated financial statements of the Caisse des Dépôts Group.

Presentation of the Group's scope of consolidation is organised on the basis of the Group's four business segments. Entities, sub-groups and subsidiaries are thus presented by business segment.

A list of the consolidated entities is available on the following website: https://www.caissedesdepots.fr/rapport-annuel-2021 (French only).

At 31 December 2021, the Caisse des Dépôts Group consolidated 1,924 companies in its financial statements. The main companies are listed below.

	31.12.2021			31.12.2020		
GROUPS/COMPANIES	**Method**	**% control**	**% interest**	**Method**	**% control**	**% interest**
CAISSE DES DÉPÔTS DIVISION						
CAISSE DES DÉPÔTS						
CDC (CENTRAL SECTOR) *Registered office: 56, rue de Lille – 75356 Paris 07 SP*	**FULL**	**100.00**	**100.00**	**FULL**	**100.00**	**100.00**
SCET *Registered office: 52, rue Jacques-Hillairet – 75612 Paris Cedex 12*	**FULL**	**100.00**	**100.00**	**FULL**	**100.00**	**100.00**
CDC Habitat group						
CDC HABITAT *Registered office: 100, avenue de France — 75013 Paris*	**FULL**	**100.00**	**100.00**	**FULL**	**100.00**	**100.00**
CAISSE DES DÉPÔTS DIVISION – OTHER ENTITIES						
INFORMATIQUE CDC	FULL	100.00	99.95	FULL	100.00	99.95
CDC CROISSANCE	FULL	100.00	100.00	FULL	100.00	100.00
CDC PME CROISSANCE	EQUITY (JV)	53.29	53.29	EQUITY (JV)	53.29	53.29
CDC TECH CROISSANCE	EQUITY (JV)	35.95	35.95	EQUITY (JV)	35.66	35.66
CDC EURO CROISSANCE	EQUITY (JV)	50.01	50.01	EQUITY (JV)	50.01	50.01
CDC CROISSANCE DURABLE	EQUITY (JV)	50.04	50.04	EQUITY (JV)	50.00	50.00
CDC INVESTISSEMENT IMMOBILIER	FULL	100.00	100.00	FULL	100.00	100.00
CDC INVESTISSEMENT IMMOBILIER INTERNE	FULL	100.00	100.00	FULL	100.00	100.00
ACEP INV 3	FULL	100.00	100.00	FULL	100.00	100.00
DOCKS V3	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
DOCKS V2	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
GPINVEST 5	FULL	100.00	100.00	FULL	100.00	100.00
GPINVEST 8	FULL	100.00	100.00			
GPINVEST 9	FULL	100.00	100.00			
GPINVEST 7	EQUITY (JV)	50.00	50.00			
GPINVEST 12	FULL	100.00	100.00			
FONCIÈRE FRANKLIN	FULL	100.00	100.00	FULL	100.00	100.00
TONUS TERRITOIRES	FULL	100.00	100.00	FULL	100.00	100.00
GPI REUILLY	FULL	100.00	99.90	FULL	100.00	99.90
GPI RUE PETIT	FULL	100.00	100.00	FULL	100.00	100.00
GPINVEST PB10	FULL	100.00	100.00	FULL	100.00	100.00
LE MARQUIS	EQUITY (Ass.)	40.00	40.00	EQUITY (Ass.)	40.00	40.00
PBEM – PARIS BATIGNOLLES ÉMERGENCE	FULL	100.00	99.90	FULL	100.00	99.90
SAS CHÂTEAUDUN	FULL	100.00	100.00	FULL	100.00	100.00
SAS DÉFENSE C3B	EQUITY (Ass.)	25.00	25.00	EQUITY (Ass.)	25.00	25.00

	31.12.2021			31.12.2020		
GROUPS/COMPANIES	**Method**	**% control**	**% interest**	**Method**	**% control**	**% interest**
SAS LA NEF LUMIÈRE	FULL	100.00	87.50	FULL	100.00	87.50
SAS LAFAYETTE	FULL	100.00	100.00	FULL	100.00	100.00
SAS PARIS NORD EST	FULL	100.00	79.00	FULL	100.00	79.00
SAS PRINTEMPS LA VALETTE II	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SAS RICHELIEU VIVIENNE*	FULL	100.00	76.05	FULL	100.00	70.74
SCI 182 RUE DE RIVOLI	FULL	100.00	99.00	FULL	100.00	99.00
SCI 43 45 RUE DE COURCELLES	FULL	100.00	99.00	FULL	100.00	99.00
SCI ALPHA PARK	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SCI BATIGNOLLES LOT 09	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SCI BAUDELIQUE	FULL	100.00	99.66	FULL	100.00	99.66
SCI BOULOGNE ÎLOT V	FULL	100.00	99.00	FULL	100.00	99.00
SCI CUVIER MONTREUIL II	FULL	100.00	100.00	FULL	100.00	100.00
SCI EVI-DANCE	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SCI FARMAN*	FULL	100.00	76.05	FULL	100.00	70.74
SCI INNOVATIS II	FULL	100.00	100.00	FULL	100.00	100.00
SCI MMV 2013	FULL	100.00	100.00	FULL	100.00	100.00
PRD MONTPARNASSE 1	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
PRD MONTPARNASSE 2	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
PRD MONTPARNASSE 3	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SCI PB10	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SCI PRINTEMPS LA VALETTE	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
SCI SARIHV	FULL	100.00	100.00	FULL	100.00	100.00
SCI SILOGI	FULL	100.00	99.00	FULL	100.00	99.00
SCI TOUR MERLE	EQUITY (JV)	50.00	50.00	EQUITY (JV)	50.00	50.00
ADL PARTICIPATIONS	EQUITY (Ass.)	24.50	24.50	EQUITY (Ass.)	24.50	24.50
COMPAGNIE NATIONALE DU RHÔNE	EQUITY (Ass.)	33.20	33.20	EQUITY (Ass.)	33.20	33.20
TERRES D'ÉNERGIE	EQUITY (Ass.)	40.54	40.54	EQUITY (Ass.)	40.54	40.54
SOLAR CNR 10	EQUITY (JV)	80.00	80.00	EQUITY (JV)	80.00	80.00
VERDUN PARTICIPATIONS 1	EQUITY (Ass.)	49.00	49.00	EQUITY (Ass.)	49.00	49.00
PREDICA ÉNERGIES DURABLES	EQUITY (Ass.)	22.00	22.00			
HIN – ORANGE CONCESSIONS*	EQUITY (JV)	66.66	50.70			
MOVIVOLT**	FULL	100.00	89.80			
ANATOL INVEST GROUP						
ANATOL INVEST HOLDING FRANCE *Registered office: 56, rue de Lille – 75007 Paris*	**FULL**	**100.00**	**100.00**	**FULL**	**100.00**	**100.00**
AIH BV	FULL	100.00	100.00	FULL	100.00	100.00
PBW REAL ESTATE	FULL	100.00	100.00	FULL	100.00	100.00
BPIFRANCE GROUP						
BPIFRANCE GROUP						
BPIFRANCE *Registered office: 27-31, avenue du Général-Leclerc – 94710 Maisons-Alfort Cedex*	**EQUITY (JV)**	**49.32**	**49.32**	**EQUITY (JV)**	**49.29**	**49.29**
LA POSTE GROUP						
LA POSTE GROUP						
LA POSTE *Registered office: 9, rue du Colonel-Pierre-Avia – 75015 Paris*	**FULL**	**100.00**	**66.00**	**FULL**	**100.00**	**66.00**
LA BANQUE POSTALE *Registered office: 115, rue de Sèvres — 75275 Paris Cedex 06*	**FULL**	**100.00**	**66.00**	**FULL**	**100.00**	**66.00**
CNP ASSURANCES *Registered office: 4, place Raoul-Dautry – 75716 Paris Cedex 15*	**FULL**	**100.00**	**52.11**	**FULL**	**100.00**	**41.48**

	31.12.2021			31.12.2020		
GROUPS/COMPANIES	Method	% control	% interest	Method	% control	% interest
MANAGEMENT OF STRATEGIC INVESTMENTS DIVISION						
Real estate and tourism						
ICADE GROUP						
ICADE *Registered office: 27, rue Camille-Desmoulins – CS 10166 – 92445 Issy-les-Moulineaux Cedex*	FULL	100.00	39.60	FULL	100.00	39.44
COMPAGNIE DES ALPES GROUP						
COMPAGNIE DES ALPES *Registered office: 50-52, boulevard Haussmann – 75009 Paris*	FULL	100.00	41.45	FULL	100.00	39.28
SFIL Group						
SFIL GROUP						
SFIL *Registered office: 1-3 rue du Passeur-de-Boulogne – 92130 Issy-les-Moulineaux*	FULL	100.00	100.00	FULL	100.00	100.00
Infrastructure & Transport						
EGIS GROUP						
EGIS *Registered office: 11, avenue du Centre – CS 30530 Saint-Quentin-en-Yvelines – 78286 Guyancourt Cedex*	FULL	100.00	76.41	FULL	100.00	76.41
TRANSDEV GROUP						
TRANSDEV GROUP *Registered office: 3, allée de Grenelle – 92130 Issy-les-Moulineaux*	FULL	100.00	66.00	FULL	100.00	66.00
COENTREPRISE DE TRANSPORT D'ÉLECTRICITÉ GROUP						
COENTREPRISE DE TRANSPORT D'ÉLECTRICITÉ *Registered office: 69-71, rue de Miromesnil – 75008 Paris*	EQUITY (JV)	29.90	29.90	EQUITY (JV)	29.90	29.90
HOLDING INFRASTRUCTURES GAZIÈRES – GRTGAZ*	FULL	100.00	62.11	FULL	100.00	56.02
STOA	FULL	100.00	83.33	FULL	100.00	83.33

Consolidation methods:
FULL: Full consolidation.
EQUITY (JV): Equity-accounted joint venture.
EQUITY (Ass.): Equity-accounted associate.
* Including joint ownership of CNP Assurances.
** Including joint ownership of La Poste.

2.15 Statutory Auditors’ report on the consolidated financial statements

For the year ended 31 December 2021

This is a free translation into English of the Statutory Auditors’ report issued in French and is provided solely for the convenience of English speaking readers. This report includes information specifically required by European regulations or French law, such as information about the appointment of Statutory Auditors. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Supervisory Board of Caisse des Dépôts et Consignations,

2.15.1 Opinion

In compliance with the engagement entrusted to us, we have audited the accompanying consolidated financial statements of Caisse des dépôts et consignations for the year ended 31 December 2021.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group at 31 December 2021 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Risk Committee.

2.15.2 Basis for opinion

2.15.2.1 Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under these standards are further described in the “Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements” section of our report.

2.15.2.2 Independence

We conducted our audit engagement in compliance with the independence rules provided for in the French Commercial Code *(Code de commerce)* and the French Code of Ethics *(Code de déontologie)* for Statutory Auditors for the period from 1 January 2021 to the date of our report, and, in particular, we did not provide any non-audit services prohibited by article 5(1) of Regulation (EU) No. 537/2014.

Furthermore, the non-audit services that we provided to the entity and its controlled undertakings during the financial year that are not disclosed in the management report or in the notes to the consolidated financial statements are as follows:

- PricewaterhouseCoopers Audit: in 2021, the main engagements carried out related to comfort letters for debt issuance programmes, certificates and due diligence work;
- Mazars: in 2021, the main engagements carried out related to comfort letters for debt issuance programmes, certificates and due diligence work.

2.15.2.3 Emphasis of matter

Without qualifying our opinion expressed above, we draw your attention to the matter set out in Note 2.1.1.1 to the consolidated financial statements “IFRS standards, amendments and interpretations that are mandatory as of 1 January 2021” which describes the change in accounting method regarding the application of the IFRS Interpretations Committee (IFRS IC) decision on IAS 19 *“Employee Benefits”.*

2.15.3 Justification of assessments – Key audit matters

Due to the global crisis related to the COVID-19 pandemic, the financial statements of this period have been prepared and audited under specific conditions. Indeed, this crisis and the exceptional measures taken in the context of the state of sanitary emergency have had numerous consequences for companies, particularly on their operations and their financing, and have led to greater uncertainties on their future prospects. Those measures, such as travel restrictions and remote working, have also had an impact on the companies’ internal organisation and the performance of the audits.

It is in this complex and evolving context that, in accordance with the requirements of articles L. 823-9 and R. 823-7 of the French Commercial Code relating to the justification of our assessments, we inform you of the key audit matters relating to the risks of material misstatement that, in our professional judgement, were the most significant in our audit of the consolidated financial statements, as well as how we addressed those risks.

These matters were addressed as part of our audit of the consolidated financial statements as a whole, and therefore contributed to the opinion we formed as expressed above. We do not provide a separate opinion on specific items of the consolidated financial statements.

/ Launch of the SIGMA financial instruments project

(See Note 1.1.1.5 to the consolidated financial statements)

Description of risk	How our audit addressed this risk
The Market Activity Management IT System (SIGMA) project was launched within the CDC Group with a view to modernising the structure of its IT systems used to manage financial instruments. This project breaks down into several components, with the principal elements having been successfully shifted into the production stage during 2021. By the end of 2021, the majority of the "bonds and other fixed income securities", "shares and other variable income securities" and "debt securities" line items and the various derivative financial instruments were being managed on this new tool. Accordingly, CDC had to adapt its mechanism for producing financial information and internal control system to this new tool. Given the gradual rollout throughout 2021, and the material balance of the instruments now managed by the new tool (the majority of the financial instruments in the Central Sector's financial statements), we considered this IT migration and the resulting operational impacts to be a key audit matter.	With the help of our IT audit experts, we: • gained an understanding of the acceptance phases and reviewed the launch agreements; • assessed the transfer of data from legacy information systems; • examined exception reports and the patches deployed to address them; • assessed a selection of automatic calculations and controls built into the new tool; • verified the reliability of the key statements and reconciliation statements used to produce and support the financial information; • assessed the justification of a sample of manual entries in relation to the migration.

/ Measurement of non-current assets related to the La Poste's Mail business

(See Note 1.1.2.4 to the consolidated financial statements – "Reversal of the impairment of the fixed assets of La Poste SA's Mail CGU")

Description of risk	How our audit addressed this risk
The Mail Cash-Generating Unit (CGU) corresponds to La Poste's Mail business. This comprises intangible assets (software), property, plant and equipment (handling/sorting machines, fixtures and fittings, IT equipment, etc.) as well as right of use assets under leases. They are recognised in the statement of financial position at their initial cost and amortised/depreciated over their estimated useful life as determined by management. They are tested for impairment whenever an indication of impairment is identified by management in order to determine a recoverable amount and any adjustment that might be required to their carrying amount. We considered the assessment of non-current assets dedicated to La Poste's Mail business to be a key audit matter due to the material nature of these assets and reversals, the degree of judgement surrounding management's projections and estimates at a time of uncertainty linked to the economic environment, and due to the sensitivity of some of the assessments to operational, economic and financial assumptions and the inclusion of a share of the compensation for the Universal Public Service. At 31 December 2021, the entire €900 million impairment loss previously recognised had been reversed. As indicated in Note 1.1.2.4 to the consolidated financial statements – "Reversal of the impairment of the fixed assets of La Poste SA's Mail CGU", the business plan of La Poste's Mail business (Services-Mail-Parcels business unit) includes a share of the annual compensation for the Universal Postal Service up to almost €300 million per year. Therefore, the completion of the impairment test at the end of 2021 of the value on Mail assets leads to reverse all of the impairment of assets recorded in 2020, i. e. €900 million.	We assessed the consistency of the methodology used with the applicable accounting standards and examined the methodology for implementing impairment tests. Our work consisted primarily in: • examining the identification of indications of impairment; • reconciling the value of the net economic assets tested with the underlying accounting data; • analysing the components of the book value of the CGUs, and the consistency between the establishment of this value and the way in which projected future cash flows were determined with a view to estimating the recoverable amount; • examining the process for recording provisions and assessing the consistency of cash flow projections with the information sources available to us, actual cash flows observed, data resulting from the Mail Department's budget process, and the priorities of the new strategic plan; • with guidance from our internal specialists, analysing the inputs used to calculate recoverable amounts and assessing the reasonableness of the measurement assumptions and inputs used (discount rate, normative growth rate); • examining management's assessment of the fair value of assets held by other CGUs, used in a material way by the Mail business; • examining the sensitivity tests carried out by management on changes in various inputs and assumptions; • examining the documentation relating to the compensation for the Universal Postal Service and assessing the accounting treatment applied. Lastly, we examined the appropriateness of the disclosures in the notes to the consolidated financial statements.

/ Fair value measurement of financial assets classified as Level 3

(See Note 2.7.2 to the consolidated financial statements)

Description of risk	How our audit addressed this risk
The Caisse des Dépôts et Consignations Group recognises a portfolio of financial assets measured at fair value, for an amount of €521.9 billion at 31 December 2021. These financial investments are measured at fair value at the end of the reporting period. For most of the asset portfolio, determining the fair value of these assets is based on prices directly observable on active financial markets (Level 1) or valued using observable data (Level 2). However, the risk concerning the measurement of fair value is considered greater for assets classed Level 3 in the fair value hierarchy pursuant to IFRS 13, which are measured using unobservable data (inputs based neither on observable market transactions involving the same instrument at the measurement date, nor on observable market data available at the same date). These instruments are mainly unlisted participating interests, asset-backed securities and hedging derivatives. These assets are valued on the basis of models, assumptions and data, such as net assets, earnings outlook and discounted future cash flows, that require a considerable degree of judgement from management. The fair value of these assets represented €32.4 billion at 31 December 2021. We deemed the measurement of these Level 3 financial assets to be a key audit matter given the significant amount and the sensitivity of their fair value to management's judgement, particularly as regards the choice of the measurement methods and underlying assumptions to be used.	We carried out the following procedures: • familiarising ourselves with the internal control system used for the valuation of financial assets; • based on a sample of Level 3 financial assets, with the assistance of our valuation experts: – we verified that the estimates of these values determined by management were based on an appropriate justification of the measurement method, assumptions and data used; – analysing the most recent valuations available, prepared by experts and fund managers, in order to assess the values used by the entity; – performing an independent calculation and a sensitivity analysis on a sample of structured securities.

/ Technical insurance reserves

(See Notes 2.1.3.2.2 and 2.5.2 to the consolidated financial statements)

Description of risk	How our audit addressed this risk
On the liabilities side of their balance sheet, the entities controlled by the Caisse des Dépôts et Consignations Group, that carry out insurance activities, recognise technical reserves representative of their commitments to policyholders. These technical reserves include certain provisions, the determination of which necessitates a particular degree of judgement. At 31 December 2021, technical insurance reserves (gross of reinsurance) amounted to €382.6 billion, mainly concerning CNP Assurances. For Borrower and Dependency risks, a reserve for escalating risks is established to cover timing differences between the coverage of risks and their financing in the form of insurance premiums. This reserve is constituted prospectively, by comparing the insurer's future commitments with those of the policyholders. French regulations do not specify all of the inputs to be used to calculate this reserve. For Savings and Pension technical provisions, the Group conducts an annual liability adequacy test, as required by IFRS 4, to verify that recognised insurance liabilities are adequate to meet policyholder commitments. This test is based on models of future cash flows arising from insurance and financial contracts with DPF. Considering the sensitivity of the reserve for escalating risks and liability adequacy testing to the inputs and assumptions used to determine them (in particular discount rates, experience-based tables prepared according to observations and analyses established on the basis of portfolio data, policyholder behaviour for the reserve for escalating risks, economic scenarios, projected return on assets, the insurer's financial policy and future management decisions for the liability adequacy test), we considered these reserves to be a key audit matter.	We carried out the following procedures with the guidance of our actuarial experts: • For the reserve for escalating risks: – we examined the procedures by which the methodology for determining the reserve is implemented; – we assessed the consistency of the key assumptions used to determine the reserve (homogeneous risk classes, discount rates, surrender rates, experience-based tables, etc.); – we examined the mathematical design of the actuarial model, particularly by recalculating the reserves. • For the liability adequacy testing: – we gained an understanding of the method used; – we assessed the consistency of the economic and financial assumptions used with market data; – we examined governance processes relating to future management decisions taken into account in the measurement of liabilities; – we examined the controls implemented in relation to the integration of asset and liability data and financial and non-financial assumptions into the calculation model; – we examined the data generated by the projection model that was used for the liability adequacy test; – we analysed changes in discounted future cash flows compared to 31 December 2020. Lastly, we assessed the appropriateness of the disclosures provided in the notes to the consolidated financial statements.

/ Provisions for credit risks for La Banque Postale group

(See Notes 2.1.3.1.4, 2.3.8 and 2.4.6 to the consolidated financial statements)

Description of risk

At 31 December 2021, gross outstanding loans to and receivables due from customers at amortised cost amounted to €187.7 billion, including €128.7 billion concerning La Poste group. The related impairment totalled €1.5 billion. The principles for establishing credit risk provisions are detailed in Note 2.1.3 – "Accounting policies".

The cost of risk amounted to a negative €283 million at 31 December 2021.

The methods for calculating expected credit losses are implemented independently in each Caisse des Dépôts Group entity given the wide variety of their businesses.

La Banque Postale group records impairment to cover the risk of default by its customers. In accordance with IFRS 9, La Banque Postale group recognises impairment for expected credit losses (ECL) on loans that are performing (Stage 1), underperforming (Stage 2) or non-performing (Stage 3).

The rules for the impairment of expected credit losses require the creation of a first impairment stage resulting in a twelve-month expected credit loss following the origination of a new financial asset, and of a second stage resulting in an expected loss at maturity, in the event of a significant deterioration in credit risk. The impairment of expected credit losses (on Stages 1 and 2 loans) are primarily determined using models developed by La Banque Postale that include various parameters (probability of default [PD], loss given default [LGD], forward-looking data, etc.). The forward looking scenarios have been specifically adjusted to take into account the expected effects of the COVID-19 health crisis on the economy. Loans to corporate customers, classified as Stage 2 and included on the "watchlist", are also provisioned based on an informed judgement.

Non-performing loans (Stage 3) are impaired on an individual or statistical basis. This impairment is calculated by management based on estimated future recoverable flows, taking into account the guarantees available for each loan concerned.

In light of the COVID-19 health crisis, La Banque Postale group made provisions to address a potential decline in the financial position of counterparties in the sectors deemed the most exposed to the impacts of the crisis.

When calculating provisions, a judgement-based assessment is used to classify exposure (Stage 1, 2 or 3) and to determine future recoverable flows, recovery time scales and the calculation of sectoral provisions, the judgement being just as complex as the ongoing crisis' impacts are uncertain.

Given the importance of this judgement in the process for determining impairment and the expected credit risk deterioration as a result of the health crisis, we considered the estimates for expected credit losses on loans to customers at 31 December 2021 to be a key audit matter.

How our audit addressed this risk

Provisions for Stage 1 and 2 loans

We noted that an internal control system is in place that ensures a suitably regular update of the ratings of various loans.

On the provisioning models:

- we verified that a governance system is in place that ensures a suitably regular review of the appropriateness of the impairment models and inputs used to calculate impairment;
- we assessed the correct calibration of the inputs used to calculate impairment at 31 December 2021;
- we assessed how the main impacts of the COVID-19 crisis on the economy were taken into account in updating impairment models and inputs, as well as the additional impacts of sectoral provisioning.

We also examined the relevant documentation so as to assess the justification of the sectors selected for making specific provisions and performed counter-calculations on the main loan portfolios.

Based on a sample of credit files relating to corporate customers, classified as Stage 2 and included on the "watchlist", we performed counter-analyses of the amounts provisioned.

We performed controls on the entire IT system implemented by La Banque Postale group to process its customer loan transactions, particularly tests on the general IT controls, interfaces and controls conducted on specific data used for provisions for credit risks.

Provisions for Stage 3 loans

As part of our audit work, we examined the control procedures applicable to identifying risk exposure, monitoring credit and counterparty risk, assessing the risk of non-recovery and determining defining impairment testing methods and determining the related impairment on an individual and collective basis.

Our work included assessing the quality of the system monitoring doubtful or disputed counterparties, the credit review procedure, and the guarantee valuation system.

In addition, based on a sample of credit files concerning corporate customers, we performed counter-analyses of the amounts provisioned, and, in this regard, we particularly assessed their proper updating and valuation in the current economic environment.

Lastly, we examined the disclosures provided in the notes to the financial statements relating to credit risk provisions at 31 December 2021.

/ Measurement of investments in equity-accounted companies

(See Notes 2.1.2.2, 2.1.3.3 and 2.4.10 to the consolidated financial statements)

Description of risk

The value of investments in equity-accounted companies corresponds to the portion held (percentage interest) in the equity of the corresponding companies plus any goodwill or measurement difference. Their value is tested for impairment on an annual basis, based on various different valuation techniques and macroeconomic assumptions, including:

- historical data (equity values, share price);
- forecast data (profit forecasts and business plan);
- market assumptions, particularly the discount rate and perpetual growth rate.

Estimating their value requires management to exercise judgement when selecting the inputs to be taken into account for the relevant investments. We therefore deemed the measurement of investments in associates and joint ventures to be a key audit matter.

The "Investments in equity-accounted companies" line in the statement of financial position represents a total of €23.4 billion.

The "Share of profit (loss) of equity-accounted associates and joint ventures" came to €1.3 billion.

How our audit addressed this risk

We assessed the procedures implemented by Caisse des Dépôts et Consignations to measure the possible need for impairment of investments in equity-accounted companies.

Depending on the different methods applied, we:

- verified that the historical financial data used corresponded to the data validated by the Statutory Auditors of the relevant companies;
- assessed the forecasts used, by ensuring they had been approved by the management teams of the relevant companies;
- and by assessing their consistency with the assumptions made to produce them and with past performance;
- where appropriate, asked our valuation experts to evaluate the macroeconomic assumptions made and the discount rates used.

For subsidiaries included in our audit scope, we assessed the consistency of the value of the investments used by Caisse des Dépôts et Consignations with the conclusions of the Statutory Auditors of the relevant subsidiaries.

2.15.4 Specific verifications

As required by law and in accordance with professional standards applicable in France, we have also verified the information presented in the management report of the Caisse des Dépôts et Consignations Group.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

2.15.5 Other verifications and information pursuant to legal and regulatory requirements

2.15.5.1 Appointment of the Statutory Auditors

We were appointed Statutory Auditors of the Central Sector of Caisse des Dépôts et Consignations by way of the decision of the Chairman and Chief Executive Officer approving the financial statements for the year ended 31 December 2004, for PricewaterhouseCoopers Audit and for Mazars.

At 31 December 2021, PricewaterhouseCoopers Audit and Mazars were in the eighteenth consecutive year of their engagement, of which sixteen years since the securities of Caisse des Dépôts et Consignations were admitted to trading on a regulated market.

2.15.6 Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for preparing consolidated financial statements giving a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and for implementing the internal control procedures it deems necessary for the preparation of consolidated financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting, unless it expects to liquidate the entity or to cease operations.

The Audit and Risk Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risk management systems, as well as, where applicable, any internal audit systems, relating to accounting and financial reporting procedures.

The consolidated financial statements were approved by the Chairman and Chief Executive Officer.

2.15.7 Responsibilities of the Statutory Auditors relating to the audit of the consolidated financial statements

2.15.7.1 Objective and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free of material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions taken by users on the basis of these consolidated financial statements.

As specified in article L. 823-10-1 of the French Commercial Code, our audit does not include assurance on the viability or quality of the entity's management.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditors exercise professional judgement throughout the audit. They also:

- identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence considered to be sufficient and appropriate to provide a basis for their opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of the internal control procedures relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and the related disclosures in the notes to the consolidated financial statements;
- assess the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause the entity to cease to continue as a going concern. If the Statutory Auditors conclude that a material uncertainty exists, they are required to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or a disclaimer of opinion;

- evaluate the overall presentation of the consolidated financial statements and assess whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditors are responsible for the management, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed thereon.

2.15.7.2 Report to the Audit and Risk Committee

We submit a report to the Audit and Risk Committee, which includes, in particular, a description of the scope of the audit and the audit programme implemented, as well as the results of our audit. We also report any significant deficiencies in internal control that we have identified regarding the accounting and financial reporting procedures.

Our report to the Audit and Risk Committee includes the risks of material misstatement that, in our professional judgement, were the most significant for the audit of the consolidated financial statements and which constitute the key audit matters that we are required to describe in this report.

We also provide the Audit and Risk Committee with the declaration provided for in article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France, as defined in particular in articles L. 822-10 to L. 822-14 of the French Commercial Code and in the French Code of Ethics for Statutory Auditors. Where appropriate, we discuss any risks to our independence and the related safeguard measures with the Audit and Risk Committee.

Paris-la Défense and Neuilly-sur-Seine, 21 March 2022

The Statutory Auditors

Mazars		PricewaterhouseCoopers Audit	
Jean Latorzeff	Gilles Magnan	Pierre Clavié	Philippe Vogt

Caisse des Dépôts' Business Review and Sustainable Development Report, as well as the financial statements
and the Savings Funds Report, are all available on the corporate website at:
http://rapportannuel.caissedesdepots.fr

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Finance Department (contact: Alexandre Herpet)

Note to the reader
The French version of the 2021 Financial Report includes the audited consolidated financial statements of the Caisse des Dépôts Group, the audited financial statements of Caisse des Dépôts Central Sector, and the audited financial statements of the Savings Funds centralised by Caisse des Dépôts. The English version of the report includes solely the audited consolidated financial statements of the Caisse des Dépôts Group. The detailed financial statements for the subsidiaries and for other organisations and establishments managed by Caisse des Dépôts are not presented in this report, but in specific reports prepared by those entities.

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