

# CONSOLIDATED FINANCIAL STATEMENTS 2021

# CACEIS

CACEIS is the asset servicing banking group of Crédit Agricole and Santander dedicated to asset managers, insurance companies, pension funds, banks, private equity and real estate funds, brokers and corporate clients. Through offices across Europe, North and South America, and Asia, CACEIS offers a broad range of services covering execution, clearing, forex, securities lending, custody, depositary and fund administration, fund distribution support, middle office outsourcing and issuer services.

**WITH ASSETS UNDER CUSTODY OF €4.6 TRILLION AND ASSETS UNDER ADMINISTRATION OF €2.4 TRILLION, CACEIS IS A EUROPEAN LEADER IN ASSET SERVICING AND ONE OF THE MAJOR PLAYERS WORLDWIDE.**

Figures as at 31 December 2021

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# EXTRACT FROM THE CONSOLIDATED FINANCIAL STATEMENTS

THE FINANCIAL STATEMENTS PRESENTED ARE EXTRACTED FROM CACEIS'S CONSOLIDATED FINANCIAL STATEMENTS THAT WERE CERTIFIED BY LEGAL AUDITORS AND LODGED AT PARIS' COMMERCIAL COURT ("GREFFE DU TRIBUNAL DE COMMERCE DE PARIS") WITH THE FOLLOWING PUBLICATION REFERENCE IN THE "BULLETIN DES ANNONCES LÉGALES OBLIGATOIRES" (BALO): ANNOUNCEMENT N°2202052 RELEASED ON THE 13<sup>TH</sup> OF JUNE 2022.

# 1. INCOME STATEMENT

(in thousands of euros)	31.12.2021	31.12.2020
Interest and similar income	956 816	836 798
Interest and similar expenses	-681 274	-550 985
Fee and commission income	1 122 045	1 021 083
Fee and commission expenses	-270 887	-230 407
Net gains (losses) on financial instruments at fair value through profit or loss	98 784	105 714
<i>Net gains (losses) on held-for-trading assets/liabilities</i>	394 249	-151 869
<i>Net gains (losses) on other financial assets/liabilities at fair value through profit or loss</i>	-295 465	257 583
Net gains (losses) on financial instruments at fair value through other comprehensive income	228	8 830
<i>Net gains (losses) on debt instruments at fair value through other comprehensive income that may be reclassified subsequently to profit or loss</i>	228	8 767
<i>Remuneration of equity instruments measured at fair value through other comprehensive income that will not be reclassified subsequently to profit or loss (dividends)</i>		63
Net gains (losses) arising from the derecognition of financial assets at amortised cost	10 871	
Net gains (losses) arising from the reclassification of financial assets at amortised cost to financial assets at fair value through profit or loss		
Net gains (losses) arising from the reclassification of financial assets at fair value through other comprehensive income to financial assets at fair value through profit or loss		
Income on other activities	6 944	17 172
Expenses on other activities	-64 442	-79 557
<b>REVENUES</b>	<b>1 179 084</b>	<b>1 128 649</b>
Operating expenses	-881 543	-818 923
Depreciation, amortisation and impairment of property, plant & equipment and intangible assets	-67 111	-64 451
<b>GROSS OPERATING INCOME</b>	<b>230 430</b>	<b>245 274</b>
Cost of risk	4 345	-8 338
<b>OPERATING INCOME</b>	<b>234 774</b>	<b>236 936</b>
Share of net income of equity-accounted entities	7 552	6 988
Net gains (losses) on other assets	177	
Change in value of goodwill	63	
<b>PRE-TAX INCOME</b>	<b>242 567</b>	<b>243 924</b>
Income tax charge	-55 862	-54 881
Net income from discontinued operations		
<b>NET INCOME</b>	<b>186 705</b>	<b>189 043</b>
Non-controlling interests		
<b>NET INCOME GROUP SHARE</b>	<b>186 705</b>	<b>189 043</b>
Earnings per share (in euros) <sup>(1) (2)</sup>	6,7	7,1
Diluted earnings per share (in euros) <sup>(1) (2)</sup>	6,7	7,1

<sup>(1)</sup> Income including net income from discontinued operations.

<sup>(2)</sup> Earnings per share reported in 2020 has been adjusted to take into account the number of shares outstanding as of 31/12/2020.

## 2. NET INCOME AND OTHER COMPREHENSIVE INCOME

(in thousands of euros)	31.12.2021	31.12.2020
<b>NET INCOME</b>	<b>186 705</b>	<b>189 043</b>
Actuarial gains and losses on post-employment benefits	11 021	-8 503
Other comprehensive income on financial liabilities attributable to changes in own credit risk <sup>(1)</sup>		
Other comprehensive income on equity instruments that will not be reclassified to profit or loss		
<b>Pre-tax other comprehensive income on items that will not be reclassified to profit or loss excluding equity-accounted entities</b>	<b>11 021</b>	<b>-8 503</b>
<b>Pre-tax other comprehensive income on items that will not be reclassified to profit or loss on equity-accounted entities</b>	<b>15</b>	<b>11</b>
<b>Income tax related to items that will not be reclassified to profit or loss excluding equity-accounted entities</b>	<b>-3 249</b>	<b>4 254</b>
<b>Income tax related to items that will not be reclassified to profit or loss on equity-accounted entities</b>	<b>13</b>	<b>-2</b>
<b>Other comprehensive income on items that will not be reclassified to profit or loss from discontinued operations</b>		
<b>OTHER COMPREHENSIVE INCOME ON ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF INCOME TAX</b>	<b>7 799</b>	<b>-4 240</b>
Gains and losses on translation adjustments	-3 291	1 482
Other comprehensive income on debt instruments that may be reclassified to profit or loss	-57 027	85 284
Gains and losses on hedging derivative instruments		
<b>Pre-tax other comprehensive income on items that may be reclassified to profit or loss excluding equity-accounted entities</b>	<b>-60 318</b>	<b>86 766</b>
<b>Pre-tax other comprehensive income on items that may be reclassified to profit or loss on equity-accounted entities, Group Share</b>	<b>7 039</b>	<b>-95 495</b>
<b>Income tax related to items that may be reclassified to profit or loss excluding equity-accounted entities</b>	<b>15 556</b>	<b>-20 565</b>
<b>Income tax related to items that may be reclassified to profit or loss on equity-accounted entities</b>		
<b>Other comprehensive income on items that may be reclassified to profit or loss from discontinued operations</b>		
<b>OTHER COMPREHENSIVE INCOME ON ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS NET OF INCOME TAX</b>	<b>-37 722</b>	<b>-29 294</b>
<b>OTHER COMPREHENSIVE INCOME NET OF INCOME TAX</b>	<b>-29 923</b>	<b>-33 534</b>
<b>NET INCOME AND OTHER COMPREHENSIVE INCOME</b>	<b>156 781</b>	<b>155 509</b>
Of which Group share	156 781	155 503
Of which non-controlling interests		6

<sup>(1)</sup> Amount of items that will not be reclassified in profit or loss transferred to reserves.

# 3. BALANCE SHEET

## 3.1 ASSETS

(in thousands of euros)	31.12.2021	31.12.2020
Cash, central banks	46 953 885	47 806 019
Financial assets at fair value through profit or loss	516 520	507 926
<i>Held for trading financial assets</i>	479 997	476 637
<i>Other financial instruments at fair value through profit or loss</i>	36 523	31 289
Hedging derivative instruments	191 772	21 633
Financial assets at fair value through other comprehensive income	8 029 611	9 317 057
<i>Debt instruments at fair value through other comprehensive income that may be reclassified to profit or loss</i>	8 029 578	9 316 991
<i>Equity instruments at fair value through other comprehensive income that will not be reclassified to profit or loss</i>	33	66
Financial assets at amortised cost	59 365 183	55 799 337
<i>Loans and receivables due from credit institutions</i>	17 314 719	17 317 193
<i>Loans and receivables due from customers</i>	6 428 420	5 926 931
<i>Debt securities</i>	35 622 044	32 555 213
Revaluation adjustment on interest rate hedged portfolios	16 220	15 360
Current and deferred tax assets	357 154	366 101
Accruals, prepayments and sundry assets	4 561 494	4 801 554
Non-current assets held for sale and discontinued operations		
Deferred participation		
Investments in equity-accounted entities	276 438	261 788
Investment property		
Property, plant and equipment	244 365	148 030
Intangible assets	576 993	608 582
Goodwill	1 042 423	1 041 644
<b>TOTAL ASSETS</b>	<b>122 132 059</b>	<b>120 695 031</b>

## 3.2 LIABILITIES AND EQUITY

(in thousands of euros)	31.12.2021	31.12.2020
Central banks	1 314	
Financial liabilities at fair value through profit or loss	296 776	646 409
<i>Held for trading financial liabilities</i>	296 776	646 409
<i>Financial liabilities designated at fair value through profit or loss</i>		
Hedging derivative instruments	432 136	910 949
Financial liabilities at amortised cost	109 178 355	109 225 273
<i>Due to credit institutions</i>	8 431 502	14 085 292
<i>Due to customers</i>	100 636 869	95 030 026
<i>Debt securities</i>	109 984	109 955
Revaluation adjustment on interest rate hedged portfolios	11 159	10 779
Current and deferred tax liabilities	213 961	252 488
Accruals, deferred income and sundry liabilities	7 410 639	5 039 099
Liabilities associated with non-current assets held for sale and discontinued operations		
Insurance compagny technical reserves		
Provisions	149 448	127 491
Subordinated debt	273 033	273 039
<b>TOTAL LIABILITIES</b>	<b>117 966 821</b>	<b>116 485 527</b>
<b>EQUITY</b>	<b>4 165 238</b>	<b>4 209 503</b>
• Equity, Group share	4 165 238	4 209 503
- Share capital and reserves	3 016 332	2 716 332
- Consolidated reserves	938 145	1 250 148
- Other comprehensive income	24 057	53 980
- Other comprehensive income on discontinued operations		
- Net income (loss) for the year	186 705	189 043
• Non-controlling interests		
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>122 132 059</b>	<b>120 695 031</b>



# 4. STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)	Group share									Non-controlling interests					Total Consolidated equity	
	Share capital and reserves					Other comprehensive income				Net income	Total Equity	Other comprehensive income				Total Equity
	Share capital	Share premium and consolidated reserves	Elimination of treasury shares	Other equity instruments	Total Capital and consolidated reserves	Other comprehensive income on items that may be reclassified to profit or loss	Other comprehensive income on items that will not be reclassified to profit or loss	Total Other comprehensive income	Capital, associated reserves and income			Other comprehensive income on items that may be reclassified to profit or loss	Other comprehensive income on items that will not be reclassified to profit or loss	Total Other comprehensive income		
<b>Equity at 1 January 2020</b>	941 008	2 426 193		515 000	3 882 201	107 202	-19 683	87 519		3 969 720	5 272	2		2	5 274	3 974 994
Capital increase																
Changes in treasury shares held																
Issuance / redemption of equity instruments				100 000	100 000					100 000						100 000
Remuneration of undated deeply subordinated notes		-21 736			-21 736					-21 736						-21 736
Dividends paid in 2020																
Impact of acquisitions/disposals on non-controlling interests		312			312					312	-5 272	-2		-2	-5 274	-4 962
Changes due to share-based payments		918			918					918						918
<b>Changes due to transactions with shareholders</b>		<b>-20 506</b>		<b>100 000</b>	<b>79 494</b>					<b>79 494</b>	<b>-5 272</b>	<b>-2</b>		<b>-2</b>	<b>-5 274</b>	<b>74 220</b>
<b>Changes in other comprehensive income</b>						<b>-29 300</b>	<b>-4 240</b>	<b>-33 540</b>		<b>-33 540</b>						<b>-33 540</b>
Share of changes in equity-accounted entities																
Net income for 2020									189 043	189 043						189 043
Other changes		4 786			4 786					4 786						4 786
<b>Equity at 31 december 2020</b>	941 008	2 410 473		615 000	3 966 481	77 902	-23 923	53 979	189 043	4 209 503						4 209 503
Appropriation of 2020 net income		189 043			189 043				-189 043							
<b>Equity at 1 January 2021</b>	941 008	2 599 516		615 000	4 155 524	77 902	-23 923	53 979		4 209 503						4 209 503
Impacts of new accounting standards, decisions and IFRIC decisions <sup>(1)</sup>		4 146			4 146					4 146						4 146
<b>Equity at 1 January 2021 restated</b>	941 008	2 603 662		615 000	4 159 670	77 902	-23 923	53 979		4 213 649						4 213 649
Capital increase																
Changes in treasury shares held																
Issuance / redemption of equity instruments <sup>(2)</sup>				300 000	300 000					300 000						300 000
Remuneration of undated deeply subordinated notes		-28 338			-28 338					-28 338						-28 338
Dividends paid in 2021		-472 000			-472 000					-472 000						-472 000
Impact of acquisitions/disposals on non-controlling interests																
Changes due to share-based payments		308			308					308						308
<b>Changes due to transactions with shareholders</b>		<b>-500 030</b>		<b>300 000</b>	<b>-200 030</b>					<b>-200 030</b>						<b>-200 030</b>
<b>Changes in other comprehensive income</b>						<b>-37 721</b>	<b>7 799</b>	<b>-29 922</b>		<b>-29 922</b>						<b>-29 922</b>
Share of changes in equity-accounted entities																
Net income for 2021									186 705	186 705						186 705
Other changes		-5 163			-5 163					-5 163						-5 163
<b>EQUITY AT 31 DECEMBER 2021</b>	941 008	2 098 469		915 000	3 954 477	40 181	-16 124	24 057	186 705	4 165 238						4 165 238

<sup>(1)</sup> Estimated impact of the first application of the IFRS IC decision of 21 April 2021 on the calculation of obligations relating to certain defined benefit plans. At 1 January 2020, the impact on equity would have been 3 507 thousand euros.

<sup>(2)</sup> An issuance of undated Additional Tier 1 subordinated bonds subscribed by Crédit Agricole S.A. was realised on 30 April 2021 for an amount of 300 million euros.

# 5. STATEMENT OF CASH FLOWS

(in thousands of euros)	31.12.2021	31.12.2020
<b>Pre-tax income</b>	242 567	243 924
Net depreciation and impairment of property, plant & equipment and intangible assets	67 112	64 598
Impairment of goodwill and other fixed assets	-63	
Net addition to provisions	33 748	15 359
Share of net income (loss) of equity-accounted entities	-7 552	-6 988
Net income (loss) from investment activities		
Net income (loss) from financing activities	4 441	5 926
Other movements	23 718	70 700
<b>Total Non-cash and other adjustment items included in pre-tax income</b>	<b>121 403</b>	<b>149 596</b>
Change in interbank items	-5 240 149	-259 078
Change in customer items	5 140 639	24 287 089
Change in financial assets and liabilities	-2 942 458	-8 140 062
Change in non-financial assets and liabilities	2 588 141	-1 192 931
Dividends received from equity-accounted entities		
Taxes paid	-75 366	-61 787
<b>Net change in assets and liabilities used in operating activities</b>	<b>-529 193</b>	<b>14 633 231</b>
<b>Cash provided (used) by discontinued operations</b>		
<b>Total Net cash flows from (used by) operating activities (A)</b>	<b>-165 224</b>	<b>15 026 751</b>
<b>Change in equity investments <sup>(1)</sup></b>	<b>879</b>	<b>-4 964</b>
<b>Change in property, plant &amp; equipment and intangible assets</b>	<b>-52 179</b>	<b>-64 041</b>
<b>Cash provided (used) by discontinued operations</b>		
<b>Total Net cash flows from (used by) investing activities (B)</b>	<b>-51 300</b>	<b>-69 005</b>
<b>Cash received from (paid to) shareholders <sup>(2)</sup></b>	<b>-200 338</b>	<b>78 264</b>
<b>Other cash provided (used) by financing activities <sup>(3)</sup></b>	<b>-35 672</b>	<b>-34 319</b>
<b>Cash provided (used) by discontinued operations</b>		
<b>Total Net cash flows from (used by) financing activities (C)</b>	<b>-236 010</b>	<b>43 945</b>
<b>Impact of exchange rate changes on cash and cash equivalent (D)</b>	<b>630</b>	<b>-32</b>
<b>Net increase/(decrease) in cash and cash equivalent (A + B + C + D)</b>	<b>-451 903</b>	<b>15 001 659</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>46 668 003</b>	<b>31 666 344</b>
Net cash accounts and accounts with central banks *	47 806 019	9 151 647
Net demand loans and deposits with credit institutions **	-1 138 016	22 514 697
<b>Cash and cash equivalents at end of period</b>	<b>46 216 100</b>	<b>46 668 003</b>
Net cash accounts and accounts with central banks *	46 953 943	47 806 019
Net demand loans and deposits with credit institutions **	-737 843	-1 138 016
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>-451 903</b>	<b>15 001 659</b>

- \* Consisting of the net balance of the "Cash, central banks" item, excluding accrued interest and including cash of entities reclassified as discontinued operations.
- \*\* Consisting of the balance of the "Non doubtful current accounts in debit" and "Non doubtful overnight accounts and advances" items and the "Current accounts in credit" and "Overnight accounts and deposits" items (excluding accrued interest).

In accordance with IAS 7, cash balances are available for the CACEIS group and are not covered by any restrictions.

- <sup>(1)</sup> Change in equity investments : this line shows the effects on cash of acquisitions of equity investments. These external transactions are described in Note 7 "Major structural transactions and material events during the period". During 2021, the net impact of acquisitions on CACEIS 'cash position amounts to +879 thousand euros, relating in particular to the merger between CACEIS (Switzerland) SA and FidFund Management SA for 1 168 thousand euros, the inclusion in the scope of consolidation of CACEIS Fonds Service, GmBH for -562 thousand euros and the cash related to the sale of Swift shares for 272 thousand euros.
- <sup>(2)</sup> Cash received from (paid to) shareholders : it includes the payment of AT1 emission from Crédit Agricole SA for 300 000 thousand euros net of AT1 interest for 28 338 thousands euros, dividend payments to Crédit Agricole SA for 328 040 thousand euros and to Banco Santander, S.A. for 143 960 thousand euros.
- <sup>(3)</sup> Other cash provided (used) by financing activities : this line includes the repayment of IFRS 16 lease debt for -31 221 thousand euros, and interest payments on subordinated debt and bonds for -4 635 thousand euros.

# 6. APPLICABLE STANDARDS AND COMPARABILITY

Pursuant to EC Regulation no. 1606/2002, the consolidated financial statements have been prepared in accordance with IAS/IFRS standards and IFRIC interpretations applicable as of 31 December 2021 and as adopted by the European Union (Carve-out version), thus using certain exceptions in the application of IAS 39 on macro-hedge accounting.

These standards and interpretations are available on the European Commission website at:

[https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting\\_en](https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/financial-reporting_en)

The standards and interpretations are the same as those applied and described in the Group's financial statements for the financial year ended 31 December 2021.

They have been supplemented by the IFRS standards as adopted by the European Union as of 31 December 2021 and that must be applied for the first time in 2021. These cover the following :

Standards, amendments or interpretations	Applicable in the Group	Date of first-time application : financial years from
<b>Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16</b> Interest Rate Benchmark Reform – Phase 2	Yes	1 <sup>st</sup> January 2021 <sup>(1)</sup>
<b>Amendment to IFRS 4</b> Optional deferral of the application of IFRS 9 for entities involved primarily in insurance, including entities in the insurance sector that are part of a financial conglomerate as at 1 January 2023.	NO	1 <sup>st</sup> January 2021
<b>Amendment to IFRS 16</b> 2 <sup>nd</sup> amendment on rental concessions linked to the COVID-19.	Yes <sup>(2)</sup>	1 <sup>st</sup> April 2021

<sup>(1)</sup> The Group opted for early application of the amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 concerning the interest rate benchmark reform – Phase 2 as of 1 January 2021.

<sup>(2)</sup> Retrospective application as at 1 January 2021.

The first application of these standards, amendments or interpretations, did not have a significant impact on the Income Statement or on CACEIS' equity.

# 7. MAJOR STRUCTURAL TRANSACTIONS AND MATERIAL EVENTS DURING THE PERIOD

## PROJECT TURBO - TRANSFORMATION OF AND CHANGES TO CACEIS'S ORGANISATIONAL STRUCTURE

CACEIS has launched a project to transform and change its organisational structure in order to adapt to its enlarged business scope (KAS BANK and then Santander Securities Services), as well as competition in the asset servicing sector and changes in working practices within and outside the company.

The aim of the project is to make CACEIS more agile and increase client proximity and satisfaction by means of a more effective service with better controlled costs, primarily by means of :

- Increased centralisation by region of certain activities within global skills centres;
- A more simplified organisational structure;
- Ongoing standardisation of our procedures by rolling out digital tools.

This overall approach, which is due to be implemented over three years (2021-2023), concerns CACEIS Group and in particular entities in France, Luxembourg and Germany.

For France, an agreement concerning the project was signed with employee representative partners on 21 April 2021. This agreement provides for a number of voluntary departures (mobility leave, early retirement or immediate retirement) not exceeding 245 jobs. As at 31 December 2021, 189 applications had been accepted and 56 were expected.

Comparable schemes were presented to employee representative partners in Luxembourg and agreements have been signed in Germany in accordance with local regulatory requirements. These concern an estimated 55 departures in Luxembourg and 33 in Germany.

On the basis of the estimated specific costs resulting from the Turbo agreements for all actual and expected departures, an expense of 45 482 thousand euros was recognised in 2021, including 35 159 thousand euros for France, 4 962 thousand euros for Luxembourg and 5,361 thousand euros for Germany.

As some departures were effective in 2021, the balance of provisions for other employee benefits in respect of the Turbo project amounts to 46 955 thousand euros (including non-Turbo retirement benefits concerning applications accepted in France), including 36 828 thousand euros for France, 4 962 thousand euros for Luxembourg and 5 165 thousand euros for Germany.

## COVID-19 PANDEMIC CRISIS

The Covid-19 health crisis did not have any significant consequences in respect of 2021:

- The volume of trades and other transactions processed remained high;
- The crisis did not generate any additional credit risk;
- There were no specific operating effects in connection with the health crisis;
- The capacity of the Group's IT systems made it possible to process operations and let its employees continue to work from home.

## **FINALISATION OF THE MERGER OF KAS BANK N.V. INTO CACEIS BANK**

As a reminder, KAS Bank N.V. was merged with CACEIS Bank on 1 November 2020 after obtaining regulatory authorisation from the Dutch, French and European regulatory authorities.

After being integrated into the CACEIS Group's governance, the transfer of KAS Bank's operations to CACEIS Bank, Netherlands Branch, CACEIS Bank, Germany Branch and CACEIS Bank UK Branch was accompanied by the migration of clients to CACEIS's IT infrastructure during the first quarter of 2021.

## **MERGER BETWEEN CACEIS (SWITZERLAND) SA AND FIDFUND MANAGEMENT SA**

CACEIS (Switzerland) SA became FidFund Management SA's sole shareholder following the buyout on 25 May 2021 of 100% of the entity's share capital and 55% of investment capital from Banque Bonhôte et Cie SA.

Following the merger agreement signed on 1 June 2021 between the two entities, FidFund Management SA was merged into CACEIS (Switzerland) SA with retroactive effect on 1 January 2021.

The inclusion of FidFund Management SA in the scope of consolidation as a result of its merger into CACEIS (Switzerland) SA resulted in the recognition of badwill of 63 thousand euros.

## **INCLUSION IN THE SCOPE OF CONSOLIDATION OF CACEIS FONDS SERVICE, GMBH**

As CACEIS Fonds Service GmbH exceeded the CACEIS Group's consolidation thresholds, it was decided that it should be consolidated on 31 December 2021. The impact of this consolidation recorded on 1 January 2021 is not significant. Due to a tax consolidation agreement signed on 7 March 2017, the results of this subsidiary of CACEIS Bank S.A., Germany Branch, have already been included in CACEIS's consolidated results since 2017 under Miscellaneous banking operating expenses recognised as Net banking income.

## **CHANGE OF NAME : CACEIS FUND SERVICES SPAIN, S.A.U. (BF. CACEIS FUND ADMINISTRATION SPAIN, S.A.U.)**

CACEIS Fund Administration Spain, S.A.U. changed its company name on 20 December 2021 to CACEIS Fund Services Spain, S.A.U.

## **AT1 ADDITIONAL TIER 1 PERPETUAL SUBORDINATED BOND ISSUE**

Within the framework of strengthening the Group's regulatory capital, on 30 April 2021, CACEIS issued a 300 million euros Additional Tier 1 perpetual subordinated bond subscribed by Crédit Agricole S.A., London Branch. The funds were replaced at CACEIS Bank.

## **CACEIS BANK S.A, GERMANY BRANCH**

In 2019, CACEIS Germany received from the Bavarian tax authorities a demand to recover tax on dividends received from some of its clients in 2010.

This demand concerned an amount of 312 million euros. It was accompanied by a demand to pay interest calculated at the rate of 6% per year.

CACEIS has requested a payment deferral pending the outcome of the main proceedings as described below. Deferral has been granted for the payment of interest and refused for the demand to recover taxes in the amount of 312 million euros. CACEIS has appealed against this refusal. As the refusal decision is binding, the sum of 312 million euros has been paid by CACEIS, which included a receivable of this amount in its financial statements for the third quarter of 2019 in view of the appeal proceedings in process.

CACEIS Germany strongly objects to this demand, which it believes is completely unfounded. CACEIS Germany submitted its conclusions supporting its position to the Bavarian tax authorities in 2021.

Within the framework of preparing the financial statements for the period ended 31 December 2021, in the absence of factors or circumstances altering its judgment as regards the risk involved, the Group confirms its accounting position, namely maintaining the receivable recognised in the third quarter of 2019.

## **CREDIT RISK**

In accordance with the IASB communication of 27 March 2021 on accounting for expected credit losses under IFRS 9 on financial instruments in the current exceptional circumstances, the importance of judgement in applying the principles of IFRS 9 to credit risk and the resulting classification of financial instruments has been reiterated.

The calculation of the amount of expected losses should take into account the specific circumstances and the support measures implemented by the public authorities.

In the context of the COVID-19 health crisis, the Group has also revised its forward-looking macro-economic forecasts (forward looking) for determining the credit risk estimate.

The Covid-19 pandemic crisis is a material event with respect to the financial year, and its main effects were as follows :

- CACEIS did not pay out a dividend to its shareholders in the light of the European Central Bank's recommendation of 27 March 2021 concerning dividend policies during the Covid-19 pandemic (ECB/2021/19).
- Trading volumes increased significantly as a result of the high level of market volatility. Information system capacity was expanded, and development of the IT tools and digital platforms was speeded up to handle this increase and accommodate the mass roll-out of working-from-home arrangements for the Group's employees while keeping a lid on operating losses. The measures taken maintained business continuity and ensured there was no slip in the quality of service provided to customers.
- The increased trading volume and treasury income (widening of interest-rate spreads) had a positive impact on the bottom line for the financial year, offsetting the decline in fee and commission income linked to the value of assets under custody and administration as the markets headed lower. In addition, this decline was offset by the new mandates and the integration of KAS Bank and of Santander Securities Services.

# 8. EVENTS SUBSEQUENT TO 31 DECEMBER 2021

## **DRAFT AGREEMENT SIGNED ON 15 FEBRUARY 2022 BETWEEN CACEIS AND BNP PARIBAS SECURITIES SERVICES**

On 15 February 2022, CACEIS and BNP Paribas Securities Services signed a draft agreement to consolidate their Issuer Services activities into a joint venture owned equally by the two banks. These services would include operational services such as the maintenance of the capital registers, the organization and centralization of shareholder general meetings, the set-up and centralization of finance operations and the administration of employee share plans.

This strategic partners program would mark an important step in the development of the Corporate client service offering, enabling CACEIS and BNP Paribas Securities Services to pool their investments and offer their clients a renewed and enriched service offering. This agreement project covers the specialist field of Issuer Services, which will remain covered by BNP Paribas Securities Services and CACEIS on both sides until the joint venture is launched. Other services offered by BNP Paribas Securities Services and CACEIS are not affected.

The completion of the transaction is expected in late 2022 subject to the agreement of the competition authority and various regulatory authorities.

## **CONSEQUENCES OF THE WAR IN UKRAINE AND OF THE RUSSIAN CRISIS SINCE 24 FEBRUARY 2022**

CACEIS does not have any direct exposure to Russian or Ukrainian counterparty.

However, the war in Ukraine has indirect consequences on its risk profile that have been assessed.

The risk of CACEIS being asked to restitute frozen Russian assets to UCITS funds has been deemed low as the current events could be assimilated as a "cas de force majeure", discharging CACEIS from its restitution obligations. The consequences of settlement fails is being mitigated as pending trades have been steadily decreasing with the exception of RUB domestic settlements. The risk remains that payments of dividends and coupons of domestic securities cannot be repatriated or used. The counterparty risk on exposed funds is moderate as the vast majority of funds deposited with CACEIS do not hold more than 5% of their assets in securities linked to Russia. CACEIS' global exposure to RUB is led by clients' long RUB positions and their capacity to roll their positions. Operational risks are being emphasized by market volatility that can magnify financial impacts of incidents and the daily volume of transactions processed that have increased significantly. Liquidity risks remain low as clients liquidity deposited with CACEIS are at historical high level due to conservative liquidity management from funds, notably money market funds. Business risks have been deemed low as CACEIS has no physical presence in Russia, nor Russian clients and since the start of the crisis, CACEIS has regularly alerted and informed its clients on market access and infrastructure functioning, as well as on newly issued sanctions.



## **CACEIS BANK S.A, GERMANY BRANCH VERSUS BAVARIAN TAX AUTHORITIES**

On March 11<sup>th</sup> 2022, the Bavarian Tax Office answered to CACEIS Statement of Objection rebutting the reasoning of CACEIS objections and considering the initial notices are legally correct. CACEIS is however given the opportunity to file an additional reasoning with the Tax Office and shall be doing so. Accordingly the process continues at the Tax Office level. CACEIS considers that this answer from the Bavarian Tax Office, as part of the on-going process, does not change the overall merits and strength of its position.

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