



MOI

et ma
Carte PASS



ANNUAL REPORT
2021

Carrefour
banque et
assurance



The latest from Carrefour Banking & Insurance



 Carrefour Banque app

 carrefour-banque.fr

 0 806 06 06 01 Service gratuit
+ prix appel

Contents

04

Products
and services

06

Governance

07

Company
financial
statements

28

Consolidated
financial
statements

CARREFOUR BANQUE,

the Carrefour group's in-house bank, works tirelessly to meet its customers' everyday needs.

For over 40 years, Carrefour Banque has been providing essential payment and credit solutions, helping customers realise their dreams, and making their daily shop easier too. Our products range from bank cards with credit facilities to personal loans, and from insurance solutions to a passbook account.

We're always looking to serve our clients better. That's why we are constantly innovating, adding new products and developing solutions that support great customer service – whether face-to-face or online. Our network of 250 branches and financial services outlets makes it easy for customers to speak with our advisers in person. We can also be contacted by phone using our telesales service, and customers can also bank online through the customer space on our website or the Carrefour Banque app.

Our ties with the Carrefour network mean that customers can bank when it suits them. Our in-store counters have extended opening hours and are in places where people shop regularly – so they are really convenient.

But we can always improve, so we measure customer satisfaction regularly using NPS metrics, with focus groups conducted online or (where we can) in-store. We also encourage customers to let us know what they want through interactive tools such as live chat forums, social media and instant messaging. All this helps us stay in touch with our customers' concerns, and deliver solutions that work for them.

The impacts of Covid-19 persisted through 2021, but our people – like those at Carrefour itself – adapted well to each phase of the crisis, ensuring business continuity throughout the year.

Our adaptability made it possible to launch a highly proactive recovery plan; this showed early signs of bearing fruit in the fourth quarter of 2021, and delivered very encouraging performances in early 2022.

ALL NEW



RESTRICTED OFFER



Enjoy the privileges



With your *pass*

From 3rd September,
sign up for some
GREAT PRODUCTS



PRODUCTS AND SERVICES

CARTE PASS: EVEN BETTER SERVICES AND LOYALTY BENEFITS

Carte PASS holders are the Carrefour chain's most loyal customers. So it's only natural that we're keen to say thank you.

That's why Carrefour, in partnership with Carrefour Banque, is offering Carte PASS holders even more exclusive special offers, entitling them to immediate or deferred discounts not available to other Carrefour customers. And in the last quarter of 2021, Carrefour launched a scheme which allows Carte PASS customers to pre-reserve products in strong demand: we're proud to say that the scheme has been a great success with our customers.

Because we care about our customers, we have also upgraded our online customer interface so they can manage banking transactions securely on their own.

So now, our customers can activate or deactivate some of the options on their Carte PASS (such as contactless payment). Other tasks they can do online include amending their personal data; reporting a lost or stolen card, and requesting the issuance of a new one; viewing the balance on an outstanding personal loan, and monitoring progress on a loan application; and changing their telephone contact details. And they will soon be able to challenge card payments directly online.

Developing these new functionalities – which operate in a wholly secure environment thanks to our "Clé Service" function – also gave us an opportunity to make the customer pages on our website more intuitive and user-friendly. With the same aim as ever: to make life easier for our customers.

A COMPLETE RANGE OF CREDIT SOLUTIONS

"PASS" loan

The "PASS" loan is a revolving loan facility linked to the "Carte PASS" payment card. Customers can choose between cash payment or credit whenever they go through the checkout. The same option can be activated when withdrawing cash at an ATM. Customers can also use the "PASS" loan via an express financing option, by making a transfer to a bank account.

"PASS" loans offer cardholders the option to alter their regular monthly payments, and are reconstituted as and when balances are repaid.

Asset finance

Asset loans, which can be requested in-store at Carrefour hypermarkets, help pay for non-food purchases of €150 or more. This offer is regularly marketed at promotional rates during special themed events across the Carrefour chain, like the back-to-school period and Carrefour's anniversary.

Personal loans

Personal loans enable people to borrow at attractive interest rates to pay for a whole range of everyday projects, from cars or holidays to redecorating their homes. Up to €50,000 can be borrowed over an 84-month period.

SAVINGS AND INSURANCE

Passbook account

Our passbook account enables customers to build up instant-access savings. At a time when interest rates on savings accounts are very low, the total amount deposited in Carrefour Banque passbook accounts has held steady.

Life insurance

Carrefour Banque life insurance products are developed in partnership with AXA. At a time of shrinking returns in the market, the euro-denominated fund associated with the Carrefour Horizons multi-asset life insurance contract still delivers an attractive 1.69% (net of management fees).

Everyday insurance

Carrefour Banque offers its customers a range of insurance products, from car and home policies to family protection insurance.



Governance

Carrefour Banque has a solid share ownership structure, unchanged since 1985: Carrefour 60%, BNPP PF 40%. Carrefour Banque is rated BBB negative outlook, A-2 by Standard & Poor's.

Board of Directors

Benjamin Dubertret

Chairman of the Board of Directors of Carrefour Banque, Director, and Head of France and Group Financial Services and Merchant Services.

Directors :

BNP Paribas Personal Finance, represented by **Rebecca Doucet**, Head of Retail and B2B Global Business Line, BNP Paribas Personal Finance

Claire Courrèges, Head of Strategic Partnerships, BNP Paribas Personal Finance

Bruno Lebon

Executive Director – Hypermarkets, Carrefour France

Élodie Perthuisot

Head of Marketing, Carrefour France

Specialist Committees

Risk Committee

Rebecca Doucet

Chair

Benjamin Dubertret

Bruno Lebon

Audit Committee

Benjamin Dubertret

Chair

Rebecca Doucet

Élodie Perthuisot

Remuneration Committee

Bruno Lebon

Chair

Rebecca Doucet

Benjamin Dubertret

Nominations Committee

Benjamin Dubertret

Chair

Rebecca Doucet

Bruno Lebon

Executive Committee

Orli Hazan

Chief Executive Officer

Antoine Delautre

Deputy Chief Executive Officer – Head of Administration and Finance

Filipe Venancio

Deputy Chief Executive Officer – Head of Risk, Compliance and Internal Control

Jérôme de Belsunce

Head of Marketing

Thibaud Caille

Head of Information Systems

Christophe Laute

Head of Operations and Transformation

Gaëlle Yon

Head of Human Resources

Key Indicators

These indicators cover the consolidation scope of banking activities in France, Italy and Belgium as of 31 December 2021.

Net banking income

€228.3m

Solvency ratio

15.66 %

Liquidity coverage ratio (LCR)

190.67 %

Loans outstanding

€1,420m

(month-end 31/12/2021)

Savings under management

€1,764m

(as of 31/12/2021)

Passbook savings deposits

€301.3m

(as of 31/12/2021)

Cards

1.75m Cards

Card payments

€8,103m

Statement of inactive accounts at end 2021: 40,507 accounts paid over to the Caisse des dépôts et consignations (CDC) for a total amount of €1,722,244.47.

Company financial statements **2021**

08

Balance sheet

12

Notes

24

Appropriation
of profits

25

Statutory
auditors' report

Company financial statements

Balance sheet at December 31, 2021

ASSETS (in thousands of euros)	Notes	2021	2020
Cash and central banks		2,151	507
Government debt securities and equivalents		-	-
Amounts due from credit institutions	2-4	1,339,496	1,265,542
Transactions with customers	3-4	901,884	1,163,627
Bonds and other fixed-income securities	5	529,162	597,629
Equities and other variable-income securities	5	46,734	122,512
Participating interests and other long-term investment securities	5	749	755
Interests in related undertakings	8	1,700	22,400
Finance leases		-	-
Operating leases		-	-
Intangible assets	9	109,472	108,837
Property, plant and equipment	9	2,494	3,366
Capital called but not paid		-	-
Treasury shares		-	-
Other assets	10	61,249	84,313
Accrual accounting adjustments	10	68,005	72,541
TOTAL ASSETS		3,063,096	3,442,031
OFF BALANCE SHEET COMMITMENTS		2021	2020
Commitments given	15	2,911,873	3,060,540
Financing commitments		1,943,216	1,922,716
Commitments on forward financial instruments		549,000	702,000
Guarantee commitments		5,657	5,824
Securities commitments		414,000	430,000

LIABILITIES AND EQUITY (in thousands of euros)	Notes	2021	2020
Central banks		-	-
Amounts due to credit institutions	2-4	380,516	383,395
Transactions with customers	4	314,260	333,805
Debt securities in issue	6-7	1,771,766	2,135,739
Other liabilities	11	32,119	46,714
Accrual accounting adjustments	11	45,869	36,858
Provisions	12	46,823	45,375
Subordinated debt		-	-
Fund for general banking risks	13	3,735	3,735
Equity excluding fund for general banking risks	14	468,008	456,413
Subscribed share capital		101,347	101,347
Share premium		207,110	207,110
Reserves		150,370	150,370
Revaluation reserve		-	-
Restricted provisions	12	-	4
Retained earnings		6,800	11,749
Net profit/(loss) for the period		2,380	-14,169
TOTAL LIABILITIES AND EQUITY		3,063,096	3,442,032
OFF BALANCE SHEET COMMITMENTS		2021	2020
Commitments received	15-16	3,470,616	3,326,363
Financing commitments		1,625,000	1,632,222
Commitments on forward financial instruments		1,845,500	1,694,000
Guarantee commitments		116	141
Securities commitments		-	-

Income statement for the year ended December 31, 2021

(in thousands of euros)	Notes	2021	2020
Interest and equivalent income	17	94,100	106,627
Interest and equivalent expenses	17	-16,678	-18,592
Income from finance leases and equivalents		-	-
Expenses on finance leases and equivalents		-	-
Income from operating leases		-	-
Expenses on operating leases		-	-
Income from variable-income securities		76,607	81,662
Fee and commission income	18	55,944	62,917
Fee and commission expenses	18	-19,359	-9,077
Gains and losses on trading portfolios	22	1,371	1,843
Gains and losses on investment portfolios and equivalents	22	-778	-598
Other income from banking operations	19	58,019	66,187
Other expenses on banking operations	19	-9,574	-13,017
NET BANKING INCOME		239,652	277,952
General operating expenses	20	-118,277	-144,270
Amortisation, depreciation and impairment of intangible assets and property, plant & equipment		-10,330	-10,421
GROSS OPERATING PROFIT/(LOSS)		111,045	123,260
Cost of risk	21	-106,623	-92,498
OPERATING PROFIT/(LOSS)		4,421	30,762
Gains and losses on non-current assets	23	28,111	-13,425
CURRENT PRE-TAX PROFIT/(LOSS)		32,532	17,337
Exceptional items		-32,378	-26,008
Income taxes		2,222	-5,499
Net change in fund for general banking risks and regulated provisions		4	1
NET PROFIT/(LOSS)		2,380	-14,169

Five-year financial summary

Financial position at end of period (in euros)	2017	2018	2019	2020	2021
Share capital	101,346,957	101,346,957	101,346,957	101,346,957	101,346,957
Number of shares outstanding	6,614,184	6,614,184	6,614,184	6,614,184	6,614,184
RESULTS OF OPERATIONS					
Revenues	377,568,628	351,753,542	336,240,683	287,713,547	275,168,985
Profit/(loss) before tax, profit-sharing, depreciation, amortisation, provisions and impairment	30,747,063	4,596,791	-38,019,488	-27,813,180	-87,270,509
Income taxes	-1,583,867	-492,432	-1,510,443	-5,499,492	-3,353,472
Profit-sharing	218,398	-81,100	41,394	357,705	16,942
Profit/(loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	45,017,053	1,754,259	-155,042,220	-14,168,714	2,379,997
Total profits paid out as dividend	-	20,040,978	-	-	-
PER SHARE DATA					
Profit/(loss) after tax and profit- sharing but before depreciation, amortisation, provisions and impairment	4.86	0.78	-	-	-
Profit/(loss) after tax, profit-sharing, depreciation, amortisation, provisions and impairment	6.81	0.27	-	-	0.36
Dividend payout per share	-	3.03	-	-	-
EMPLOYEE DATA					
Average number of employees during the period	1,625	1,535	1,386	1,128	785
Total payroll	53,511,495	49,986,846	46,124,058	35,905,058	30,529,733
Total employee benefits	24,593,019	24,263,123	20,768,930	16,418,714	13,955,618

Notes

Note 1

ACCOUNTING POLICIES

A / Significant events of the year ended December 31, 2021

1/ COVID 19 :

The impacts of the Covid-19 pandemic persisted through 2021. The teams at Carrefour successfully adapted to the evolving crisis to ensure that food supplies were maintained, and then to address new customer expectations in a complex and fast-changing environment.

Consequently, the crisis had no impact on the company's ability to continue trading.

Further information about Covid-19 and its impact on Carrefour Banque is provided in note M below.

2/ Strategic workforce planning :

Carrefour Banque carried out a strategic workforce planning exercise at its corporate headquarters in 2021. A provision of €12.8 million was recognised in the financial statements as of December 31, 2021.

3/ IFRS IC agenda decision on lump-sum retirement benefits :

There was a change in accounting policy on lump-sum retirement benefits as a result of the IFRS IC agenda decision. This had an impact of €9.2 million on the shareholders' equity of Carrefour Banque.

4/ Divestment of exposures to overindebted customers :

Carrefour Banque carried out a partial sale of exposures to overindebted customers (€124.2 million of loans outstanding, covered by €88 million of provisions). The sale proceeds amounted to €38 million.

5/ Sale of equity interest in Fimaser :

The Board meeting of December 10, 2021 approved the sale of Carrefour Banque's equity interest in Fimaser, held at a carrying amount of €20.7 million, to Carrefour Belgium for €49 million.

6/ Sale of Carrefour Banca customer portfolio :

Following the decision to discontinue the activities of Carrefour Banca, the doubtful loan book was sold on July 23, 2021 and the non-doubtful loan book on December 6, 2021.

At the Board meeting of December 10, 2021, a debt waiver was approved in respect of the loan from Carrefour Banque to Carrefour Banca.

B / Presentation of the financial statements

The 2021 financial statements have been prepared and presented in accordance with the applicable regulatory requirements, in particular those specified by regulation 2014-07 on the financial statements of banking sector companies, issued on November 26, 2014 by the Autorité des Normes Comptables (ANC).

Unless otherwise indicated, all amounts in the notes to the financial statements are expressed in thousands of euros.

C / Branch

The Italian branch Carrefour Banca has been included in the presentation of the Carrefour Banque company financial statements since October 1, 2011, the date on which the merger took legal effect.

D / Customer loans

Non-doubtful and doubtful exposures

Customer loans reported in the balance sheet include the outstanding principal at the balance sheet date, plus interest, penalties and insurance premiums due as of that date or accrued to that date but not yet due.

Customer loans are classified as doubtful if it is probable or certain that they will be wholly or partially non-recoverable. Impairment allowances are determined on the basis of up-to-date statistical observations for each product type, according to the age and known deterioration in credit quality of the loan. In accordance with Articles 2211-1 to 2251-13 of Book II, Title 2 of ANC regulation 2014-07 on the accounting treatment of credit risk, in determining allowances for impairment of doubtful loans, Carrefour Banque discounts the recoverable cash flows on the basis of the initial terms of the loan.

In addition, Carrefour Banque applies the same regulation in calculating the haircut on restructured loans, by using a reference to the original interest rate.

The discounting of recoverable cash flows as part of the impairment calculation, and the application of the haircut calculation, impact on net banking income.

Finally, doubtful interest and late payment penalties, which are included in net banking income but also written down via cost of risk, are eliminated from net banking income. That reclassification amounted to €4,908 thousand in 2021, versus €3,290 thousand in 2020.

Compromised doubtful loans

Compromised doubtful loans are doubtful loans for which there has been a marked deterioration in the prospects of recovery and which the bank expects ultimately to write off. The rules applied by Carrefour Banque in downgrading loans to "compromised doubtful loans" comply with Article 2221-8 of Book II – Title 2 of ANC regulation 2014-07, and are as follows :

- the loan has been subject to recovery management procedures for at least twelve months;
- a default has occurred on the loan (customer referred for legal recovery);
- the loan is subject to an over-indebtedness referral that has been under observation for at least twelve months;
- the loan is subject to a personal debt management plan.

Rules for writing off loans:

If it proves impossible to recover a loan either through negotiation or issuance of a legal summons to pay, that loan is written off.

In such cases, the existing impairment allowance is reversed out against recognition of the loss. In accordance with Articles 2111-1 to 2171-1 of Book II – Title 1 on the accounting treatment of fees and commission collected by a credit institution and marginal transaction costs on the granting or acquisition of loans, with effect from January 1, 2010 Carrefour Banque has amortised introducers' fees paid on the granting of a loan over the effective life of the loan. The effect of this amortisation was to reduce 2020 net banking income by €64 thousand.

Impairment allowances for credit risk

The impairment allowance equals the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows. The calculation of impairment allowances is based on :

- a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk;
- probabilities of default and of loss that reflect the level of risk for each category of loan (such as the number of months in arrears or specific factors).

The amount of impairment allowances is determined by applying a statistical model of recoveries and losses that incorporates all possible movements between the different strata, based on observations of historical data.

E / Investment portfolio

In accordance with ANC regulation 2014-07 on the accounting treatment of securities, investment portfolio securities are reported in the balance sheet at acquisition cost. Impairment allowances are recognised as necessary to reflect market value at the balance sheet date. Unrealised gains are not recognised.

Carrefour Banque recognised an impairment allowance of €749 thousand as of December 31, 2021 against its investment in the Lyxor Copernic HQLA Fund, which comprises government bonds and is dedicated to the short-term liquidity coefficient.

F / Non-current financial assets

Participating interests are reported in the balance sheet at cost. Impairment allowances are recognised as necessary to reflect value in use.

G / Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are reported in the balance sheet at acquisition cost (purchase price plus incidental expenses). Depreciation and amortisation are charged using the straight line method over the expected economic life of the asset :

- licences and software: 3 to 8 years;
- computer hardware: 3 to 5 years;
- fixtures and fittings: 5 to 8 years;
- other assets: 3 to 10 years.

Leasehold rights are not amortised, but are tested for impairment annually and whenever there is evidence that they may have become impaired.

H / Forward financial instruments

Interest rate hedges are used to limit the effect of interest rate fluctuations on floating rate debt. Carrefour Banque acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the two other entities (the Belgian financial services subsidiary Fimaser, and the Spanish subsidiary Servicios Financieros Carrefour) in the interests of mutualisation, organisational efficiency and access to markets.

Hedges are contracted over the counter with leading banks. The main financial instruments used are interest rate swaps. Gains and losses arising on these instruments are recognised symmetrically with gains and losses on the hedged items. Some hedging transactions may generate open positions, on a limited and temporary basis. These positions are remeasured at the balance sheet date, and a provision is recognised to cover any unrealised losses. The instruments in use as of December 31 are presented in notes 15 and 16. The nominal amount of commitments is reported off balance sheet.

In accordance with the amended regulation 2004-16 of the Comité de la Règlementation Comptable (CRC) on disclosure of the fair value of financial instruments, Carrefour Banque has measured its derivative financial instruments at fair value, based on observable market parameters.

I / Refinancing of operations

- Carrefour Banque exercised the second one-year extension option on its syndication facility, which is now due to expire in July 2026 and amounts to €520 million (versus an initial amount of €600 million).
- Drawdowns were made on the NEU CP and NEU MTN issuance programmes as required to meet refinancing needs. Interest rate terms gradually realigned on spread levels, and remain favourable given the negative interest rate environment.
- Carrefour Banque carried out a €400 million bond issue maturing April 2025.

J / Retirement benefit commitments

Carrefour Banque pays a lump-sum benefit to its employees on retirement, based on their length of service within the Carrefour Group. The benefit obligation is calculated on an actuarial basis – taking into account factors such as employee turnover, mortality, and the rate of increase in salaries and social security charges – and is recognised in the form of a provision. Consequently, actuarial gains and losses are recognised in profit or loss in the period in which they arise.

K / Translation of foreign currency transactions

These transactions are accounted for in accordance with Articles 2711-1 to 2731-1 of Book II – Title 7 relating to foreign currency transactions. All assets, liabilities and off balance sheet items expressed in foreign currencies are translated into euros at the exchange rate prevailing on the balance sheet date.

Income and expenses are translated into euros at the exchange rate prevailing on the transaction date.

Foreign exchange gains and losses, whether unrealised or realised, are recognised in the income statement at the end of the period.

There are no transactions denominated in foreign currencies within Carrefour Banque.

L / Income taxes

Carrefour Banque is the lead company in a group tax election.

Each company included in the group tax election is restored to the position it would have been in had it been taxed separately.

The tax saving or expense arising from the difference between the tax due by subsidiaries included in the group tax election and the tax arising from the group income tax computation is recognised by Carrefour Banque.

The corporate income tax rate is 27.5%. The additional profit-based contribution amounts to 3.3% of standard-rate tax after applying an allowance of €763,000. The amount of tax payable is determined before offset of tax reductions, tax credits, and all forms of tax receivables.

M / Information about the Covid-19 pandemic

Because the Covid-19 pandemic has been with us since the first quarter of 2020, the risks identified have remained broadly similar throughout the two financial years presented (2020 and 2021).

Description of specific risks arising from the ongoing pandemic and the actual or expected impacts on the various components of the Carrefour Banque group's operations

As soon as the pandemic reached France, the Group took steps to identify specific risks associated with the spread of coronavirus, and to identify the consequences as it developed. Those risks are summarised below :

- Business risk: The Carrefour Banque business model relies on providing finance to retail customers. Despite the economic recovery seen in 2021, a combination of supply chain issues, labour shortages, and the rising costs of raw materials and energy may weaken growth. In addition, the competitive landscape could be adversely affected by the consequences of the pandemic, with players adopting aggressive tactics to acquire or retain customers in an unfavourable economic climate.
- Liquidity risk:
 - A reduced appetite for borrowing among customers has reduced demand for refinancing. Amidst uncertainties about the economy and fears of unemployment, customer credit activities remain flat. Customers are cautious in their appetite for revolving credit.
 - Liquidity remains in plentiful supply, as a direct consequence of the accommodative monetary policy adopted by the ECB from the onset of the public health crisis.

- Operational risk:
 - The introduction of teleworking for Group employees under government measures to contain the spread of the virus created no difficulties in terms of business continuity. The increased risk of errors or delays in processing was limited, thanks to a strong focus on maintaining oversight and control over the most critical operations.
 - Particular attention was paid to maintaining oversight systems, and to stepping up the monitoring of external access to information systems given the significant expansion of teleworking.
 - Arrangements put in place at the height of the crisis were maintained so that they could be rapidly reactivated in the event of a partial or full return to lockdown in areas like teleworking (strong authentication controls for employees) and building up stocks of personal protective equipment.
 - There was no particular disruption to outsourced services, all of which continued to operate smoothly despite the exceptional circumstances. Supplier payments continued, and there was no service interruption for customers in terms of electronic signatures. No dispute has arisen between Carrefour Banque and its business partners.
 - Payment fraud increased during the period. Carrefour Banque took steps to reinforce its already strong authentication measures to bring the risk under control.
- Credit risk: The socio-economic fallout from the pandemic could adversely impact our expected credit losses and level of risk. Carrefour Banque has carried out estimates of the future impacts of the Covid-19 crisis. This included assessing the specific impacts of the crisis, and adapting our expected credit loss modelling to take account of the changed circumstances :
 - According to Banque de France data, there was an increased incidence of over-indebtedness referrals, personal debt management plans and approved debt recovery plans in 2021 versus 2020.
 - The extension of the state-backed loan scheme until mid-2022, and the deferral of repayment commitments for existing state-backed loans, potentially weakens the solvency of businesses who have benefited from such loans.

Measures taken by Carrefour Banque to manage specific risks arising from the ongoing pandemic.

Carrefour Banque has continued to apply a number of specific measures in response to the public health situation in France (our main market) and to its economic and social impacts.

- We tightened our systems for monitoring the main risks identified :
 - Credit risk: closer monitoring of customers, and adapting our loan approval policy for our most vulnerable customers.
 - Liquidity risk: heightened vigilance in relation to requests for repayment of short-term refinancing vehicles.

N / Events after the reporting period

There are no events after the reporting period to report.

O/ Proposed appropriation of profits

The appropriation of profit to be submitted to the Annual General Meeting for approval is as follows :

- the net accounting profit for the year ended December 31, 2021 of **€2,379,996.98** is taken to retained earnings, which is thereby increased to **€9,180,222.46**.

Notes to the balance sheet

Note 2

AMOUNTS DUE FROM AND TO CREDIT INSTITUTIONS

(in thousands of euros)	12/31/2021	12/31/2020
Assets		
Current accounts, overnight loans and advances	145,906	162,142
Term loans and advances	1,193,590	1,103,400
TOTAL	1,339,496	1,265,542
of which accrued interest receivable	590	400
of which transactions with related undertakings	-	-
Liabilities		
Current accounts, overnight borrowings	20,516	23,395
Term deposits and borrowings	360,000	360,000
TOTAL	380,516	383,395
of which accrued interest payable	-	-
of which transactions with related undertakings	-	-

Note 3

CUSTOMER LOANS

(in thousands of euros)	12/31/2021	12/31/2020
Current accounts in debit	236,582	356,263
Other short-term loans	216,173	248,564
Medium-term loans	262,191	333,101
Long-term loans	382,537	568,152
TOTAL GROSS CUSTOMER LOANS	1,097,483	1,506,079
Loan impairment allowances	-195,599	-342,452
TOTAL NET CUSTOMER LOANS	901,884	1,163,627

CUSTOMER LOANS NET OF IMPAIRMENT ALLOWANCES

(in thousands of euros)	France	Italy	Principal	Accrued interest	12/31/2021	12/31/2020
Non-doubtful loans	759,369	28	759,397	3,513	762,910	1,044,691
of which transactions with related undertakings	133,000	-	133,000	395	133,395	120,069
of which restructured loans			95,774		95,774	206,842
Non-compromised doubtful loans						
Gross amount	230,604		230,604		230,604	277,117
Impairment allowances	-119,751		-119,751		-119,751	-207,422
Coverage ratio			75%		52%	75%
Compromised doubtful loans						
Gross amount	103,968	1	103,969		103,969	184,271
Impairment allowances	-75,847	-1	-75,848		-75,848	-135,029
Coverage ratio			73%		73%	73%
CARRYING AMOUNT IN BALANCE SHEET	898,343	28	898,371	3,513	901,884	1,163,627

Note 4

MATURITY SCHEDULE OF AMOUNTS DUE FROM/TO CREDIT INSTITUTIONS AND CUSTOMERS

(in thousands of euros)						12/31/2021
Credit and financial institutions	On demand/ no fixed term	Up to 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	TOTAL
Assets	146,496	1,193,000	-	-	-	1,339,496
Liabilities	20,516	-	-	360,000	-	380,516
Other advances to customers	3,118	162,660	179,191	373,012	9,525	727,505
Loans to financial sector customers	395	50,000	83,000	-	-	133,395
Current accounts in debit	40,983	-	-	-	-	40,983
TOTAL CUSTOMER LOANS (ASSETS)	44,496	212,660	262,191	373,012	9,525	901,884
TOTAL TRANSACTIONS WITH CUSTOMERS (LIABILITIES) (*)	314,260	-	-	-	-	314,260

(*) of which transactions with related undertakings.

Note 5

EQUITIES, BONDS AND OTHER SECURITIES

(in thousands of euros)	12/31/2021	12/31/2020
Interests in investment portfolio UCITS	48,100	125,000
Impairment of interests in investment portfolio UCITS	-1,372	-2,492
Equities and other investment portfolio securities (unlisted)	6	4
Equities and other investment portfolio securities (listed)	-	-
Other long-term investment securities	749	755
Bonds (*)	529,162	597,630
TOTAL	576,644	720,898

(*) Bonds issued by the Master Credit Cards PASS securitisation fund, maturing October 2025 and subscribed by Carrefour Banque

- of which subordinated bonds : **€81,000 thousand**
- of which seller's interest bonds : **€33,210 thousand**
- of which accrued interest receivable : **€15 thousand**

(*) Bonds issued by the Spanish securitisation fund SFC : **€414,932 thousand**

- of which accrued interest receivable : **€5 thousand**

Note 6

DEBT SECURITIES IN ISSUE

(in thousands of euros)	12/31/2021	12/31/2020
Certificates of deposit	79,000	113,000
Other negotiable debt instruments	492,514	722,530
Bond issues	1,200,253	1,300,209
TOTAL	1,771,766	2,135,739
of which accrued interest payable	253	209
of which transactions with related undertakings	-	-

Note 7

MATURITY SCHEDULE OF DEBT SECURITIES

					12/31/2021
(in thousands of euros)	≤ 3 months	> 3 months ≤ 1 year	> 1 year ≤ 5 years	> 5 years	TOTAL
Certificates of deposit	79,000	-	-	-	79,000
Other negotiable debt instruments	68,014	215,000	209,500	-	492,514
Bond issues	253	400,000	800,000	-	1,200,253
TOTAL	147,266	615,000	1,009,500	-	1,771,766

Note 8

INVESTMENTS IN SUBSIDIARIES AND PARTICIPATING INTERESTS

(in thousands of euros)	12/31/2021			12/31/2020		
	Gross value	Impairment allowances	Carrying amount	Gross value	Impairment allowances	Carrying amount
Unlisted subsidiaries and participating interests						
Fimaser SA	-	-	-	20,700	-	20,700
Servicios Financieros Carrefour, EFC SA	1,663	-	1,663	1,663	-	1,663
La Financière PASS SAS	37	-	37	37	-	37
GIE Chamnord	-	-	-	-	-	-
TOTAL	1,700	-	1,700	22,400	-	22,400

Fimaser S.A.: Avenue des Olympiades 20, 1140 Brussels, Belgium; share capital €8,655,202.

The equity interest in Fimaser held by Carrefour Banque was sold to Carrefour Belgium in December 2021.

Servicios Financieros Carrefour, E.F.C. S.A.: registered office Carreta N-1, km 14,500 28108 Alcobendas, Spain; share capital €18,567,438. Equity interest of Carrefour Banque: 6.797%.

Revenue for the 2021 financial year : €315,166 thousand, down 6.6% versus 2020.

Post-tax profit for the 2021 financial year : €42,720 thousand, down 25.7% versus 2020.

Reserves, retained earnings and share premium before appropriation of 2021 profits : €366,436 thousand.

La Financière PASS SAS. registered office 1, Place Copernic, 91051 Evry Cedex, France; subsidiary with share capital of €37,000.

Equity interest of Carrefour Banque: 100.00%; net profit of €177 thousand for the 2021 financial year.

FCT Master Credit Cards PASS (securitisation fund): registered office 41 rue Délizy, 93500 Pantin, France.

Equity interest of Carrefour Banque: 100.00% (representing €300).

The accounts of FCT Master Credit Cards PASS are included in the consolidated financial statements of the Carrefour Banque group by the full consolidation method.

Note 9

PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

(in thousands of euros)	12/31/2020	Increases	Decreases	Other movements	12/31/2021
Gross value					
Intangible assets	157,546	10,075	589	-167	166,865
Property, plant and equipment	16,610	536	839	-18	16,288
TOTAL GROSS VALUE	201,405	10,610	1,428	-185	183,153
Amortisation of intangible assets	48,709	9,154	470	0	57,392
Depreciation of property, plant and equipment	13,244	1,176	626	0	13,795
TOTAL CARRYING AMOUNT	134,677	280	331	-185	111,966

Note 10

OTHER ASSETS AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	12/31/2021	12/31/2020
Assets		
Sundry Group debtors	19,748	27,290
Other sundry debtors (*)	41,501	57,023
TOTAL OTHER ASSETS	61,249	84,313
Items in course of collection	32,936	44,506
Prepayments	23,041	10,747
Accrued income	12,028	17,288
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	68,005	72,541

(*) Includes an advance to SCI Ambaville of €6,021 thousand from 2013.

This advance represents a tax-efficient investment in Overseas France under the Girardin law.

(*) Includes impairment allowances of €1,285 thousand on funds of €4,440 thousand deposited as a guarantee against debtor default risk on loans transferred to the securitisation fund.

Note 11

OTHER LIABILITIES AND ACCRUAL ACCOUNTING ADJUSTMENTS

(in thousands of euros)	12/31/2021	12/31/2020
Liabilities		
Sundry Group creditors	8,556	21,232
Taxes payable	1,721	1,019
Employee-related liabilities	12,694	14,747
Trade payables	1,616	1,723
Other sundry creditors (*)	7,532	7,993
TOTAL OTHER LIABILITIES	32,119	46,714
Accrued expenses	13,925	22,695
Deferred income	31,944	14,162
Items in course of collection	-	-
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS	45,869	36,858

(*) Includes debt waiver in favour of the tax-efficient investment vehicle SCI Ambaville of €4,015 thousand from 2013.

Note 12

IMPAIRMENT ALLOWANCES AND PROVISIONS

(in thousands of euros)	12/31/2020	Increases	Decreases	Other movements	12/31/2021
Impairment allowances against customer loans	342,452	0	146,853	-	195,599
TOTAL	342,452	0	146,853	-	195,599
Provisions					
Provisions for retirement benefits	21,306	1,388	3,206	9,273	10,216
Other provisions (*)	24,068	28,717	23,813	7,635	36,607
TOTAL	45,374	30,105	27,019	-1,638	46,823
Restricted provisions					
Accelerated tax depreciation	4	-	4	-	0
Special profit-sharing reserve	-	-	-	-	-
TOTAL	4	-	4	-	0

* The year-on-year movement mainly comprises a reversal of a provision further to the sale of an over-indebted customer portfolio to EOS Balbec.

The reduction in the provision for retirement benefits is related to the change in accounting policy following the IFRS IC agenda decision.

** The year-on-year movement mainly comprises :

reversal of a provision for tax inspections : **€5,575 thousand**;

reversal of Banca Carrefour runoff provision : **€2,161 thousand**;

charge to head office strategic workforce planning provision of **€12,764 thousand**, and reversal of strategic workforce planning provision of **€6,484 thousand**; and

charge to a provision for operational risks relating to fraudulent transactions.

Note 13

FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	12/31/2020	Increases	Decreases	12/31/2021
Fund for general banking risks	3,735	-	-	3,735

Note 14

EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS

(in thousands of euros)	12/31/2019	Increases	Decreases	12/31/2020
Share capital: 6,614,184 shares	101,347	-	-	101,347
Reserves and retained earnings				
Share premium	207,110	-	-	207,110
Share warrants	-	-	-	-
Legal reserves	10,135	-	-	10,135
Reserves required under the bylaws	-	-	-	-
Other reserves	140,236	-	-	140,236
Retained earnings	11,749	9,219	14,169	6,800
TOTAL RESERVES AND RETAINED EARNINGS	369,230	-	-	364,281
TOTAL EQUITY EXCLUDING FUND FOR GENERAL BANKING RISKS	470,577	-	-	465,628

Notes on off balance sheet items

Note 15

CONFIRMED CREDIT FACILITIES, SURETIES, ENDORSEMENTS AND OTHER COMMITMENTS GIVEN AND RECEIVED

(in thousands of euros)	12/31/2021	12/31/2020
Commitments given	2,911,873	3,060,540
Confirmed credit facilities available to customers	1,943,216	1,922,716
Commitments on interest rate instruments (swaps)	549,000	702,000
Sureties, endorsements and other guarantees given to customers	5,657	5,824
of which financial guarantees	5,657	5,824
Securities commitments	414,000	430,000
Commitments received	3,470,616	3,326,363
Financing commitments received from credit institutions	1,225,000	1,232,222
Financing commitments received from financial sector customers	400,000	400,000
Commitments on forward financial instruments	1,845,000	1,694,000
Sureties, endorsements and other guarantees received from credit institutions	116	141

Note 16

FORWARD FINANCIAL INSTRUMENTS

(in thousands of euros)	12/31/2021				12/31/2020			
	Micro-hedging	Non-hedging	Total	Fair value	Micro-hedging	Non-hedging	Total	Fair value
Firm OTC instruments								
Interest rate swaps	865,000	1,468,000	2,333,500	-4,102	591,000	1,774,000	2,365,000	-4,912
Cross currency swaps								
Caps	30,000	62,000	92,000	122	-	62,000	62,000	-
TOTAL	895,500	1,530,000	2,425,500	-3,980	591,000	1,836,000	2,427,000	-4,912
Residual maturity	≤1 year	> 1 year to ≤ 5 years	> 5 years	Total				
Nominal value of contracts	203,500	676,000	16,000	895,500				
Fair value	-883	-2,752	-345	-3,980				

Notes to the income statement

Note 17

INTEREST AND EQUIVALENT INCOME/EXPENSES

(in thousands of euros)	12/31/2021		12/31/2020	
	Income	Expenses	Income	Expenses
On transactions with credit institutions	14,457	12,259	9,695	11,642
On transactions with customers (*)	76,534	840	92,832	1,252
On bonds and other fixed-income securities	3,109	3,579	4,100	5,697
TOTAL	94,100	16,678	106,627	18,592
(*) Related parties (income)	667	-	205	-

Note 18

FEES AND COMMISSION

(in thousands of euros)	12/31/2021		12/31/2020	
	Income	Expenses	Income	Expenses
Fees and commission on securities transactions	10,576	-	10,314	-
Fees and commission on payment media	45,368	19,359	52,603	9,077
TOTAL	55,944	19,359	62,917	9,077

Note 19

OTHER INCOME AND EXPENSES FROM BANKING OPERATIONS

(in thousands of euros)	12/31/2021		12/31/2020	
	Income	Expenses	Income	Expenses
Share of joint operations	5,923	9,324	6,110	9,277
Expenses recharged to Group companies	-	-	-	-
Other income and expenses from banking operations ^(*)	52,097	250	60,077	3,740
TOTAL	58,019	9,574	66,187	13,017
(*) Related parties (income)	49,651	-	57,433	-

Note 20

GENERAL OPERATING EXPENSES

(in thousands of euros)	12/31/2021	12/31/2020
Wages and salaries	30,361	35,541
Social security charges and payroll taxes	15,544	15,116
Profit-sharing	2,017	1,040
Personnel costs	47,922	51,696
of which retirement benefit expenses	3,674	4,113
Other administrative expenses	70,355	92,574
TOTAL GENERAL OPERATING EXPENSES	118,277	144,270

Note 21

COST OF RISK

(in thousands of euros)	12/31/2021	12/31/2020
Net change in impairment allowances	75,720	3,279
Charges on customer loans mainly covered by impairment allowances	-182,343	-95,777
TOTAL	-106,623	-92,498

Note 22

GAINS AND LOSSES ON PORTFOLIOS

(in thousands of euros)	12/31/2021		12/31/2020	
	Income	Expenses	Income	Expenses
Gains and losses on trading portfolios				
On financial instruments	1,371	-	1,843	-
Foreign exchange gains and losses	-	-	-	-
TOTAL	1,371	-	1,843	-
Gains and losses on investment portfolios and equivalents				
Impairment of investment securities	-	778	-	598
Gains and losses on disposals of investment securities	-	-	-	-
Expenses related to investment securities	-	-	-	-
TOTAL	-	778	-	598

Note 23

GAINS AND LOSSES ON NON-CURRENT ASSETS

(in thousands of euros)	12/31/2021		12/31/2020	
	Income	Expenses	Income	Expenses
Gains/losses on property, plant & equipment, intangible assets and non-current financial assets				
On non-current assets	49,142	21,031	9,737	23,163
TOTAL	49,142	21,031	9,737	23,163

Other information

Note 24

DIRECTORS AND KEY EXECUTIVES

(in thousands of euros)	12/31/2021	12/31/2020
Remuneration awarded to directors and key executives	1,554	1,798

Note 25

HEADCOUNT

(number of employees)	12/31/2021	12/31/2020
Average headcount for the year, comprising:	785	1,128
Non-managerial grades	508	799
Managerial grades	277	329

Note 26

IDENTITY OF CONSOLIDATING ENTITIES

Carrefour Banque is included by the full consolidation method in the consolidated financial statements of the Carrefour SA Group (equity interest: 60.00%), registered office 93, avenue de Paris, 91300 Massy, France; and by the equity method in the consolidated financial statements of BNP Paribas SA, registered office 16, boulevard des Italiens, 75009 Paris, France, via its subsidiary BNP Paribas Personal Finance SA (equity interest: 40.00%), registered office 1, boulevard Haussmann, 75009 Paris, France.

Appropriation of profits

The appropriation of profit to be submitted to the Annual General Meeting for approval is as follows:

The net profit for the year ended December 31, 2021 of **€2,379,996.98** is taken to retained earnings, the balance on which is thereby increased to a credit balance of **€9,180,222.46**.

The change in accounting policy on lump-sum retirement benefits further to the IFRS IC agenda decision resulted in a change in the amount of shareholders' equity during the year, as a result of which retained earnings was adjusted from a debit balance of €2,419,250.52 to a credit balance of €6,680,225.48.

In accordance with Article 243 bis of the French General Tax Code (CGI), the dividend distributed per share in respect of the three previous financial years, and the amount of income per share eligible for relief under Article 158.3(2) of the CGI, were as follows :

Financial year (€)	Dividend distributed	Income eligible for relief under Article 158.3(2) of the CGI	Income eligible for relief under Article 158.3(2) of the CGI
2018	3.03	3.03	-
2019	-	-	-
2020	-	-	-

Statutory Auditors' report on the company financial statements

Year ended December 31, 2021

To the Annual General Meeting of the shareholders of Carrefour Banque S.A.

OPINION

In accordance with the assignment entrusted to us by the Annual General Meeting, we have conducted our audit of the accompanying financial statements of Carrefour Banque SA for the year ended December 31, 2021.

In our opinion, the financial statements give a true and fair view of the company's assets, liabilities and financial position at December 31, 2021, and of the results of its operations for the year then ended, in accordance with French generally accepted accounting principles.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

BASIS FOR OUR OPINION

Auditing standards

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 audit opinion.

Our responsibilities under those standards are described in the section "Statutory auditors' responsibilities for the audit of the financial statements" below.

Independence

We conducted our audit engagement in compliance with the rules on independence specified in the Commercial Code and the code of ethics of the auditing profession for the period from January 1, 2021 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014.

Non-audit services that we provided to your company (and to entities controlled by it) during the year ended December 31, 2021 and not disclosed in the management report or the notes to the financial statements consist of:

- the issuance of statutory auditors' comfort letters in connection with the Euro Medium Term Notes (EMTN) programme;
- the issuance of a statutory auditors' attestation to the European Central Bank in connection with obligations under the TLTRO III programme;
- the issuance of an agreed-upon procedures report relating to certain data used in the calculation of ex ante 2022 contributions to the Single Resolution Fund.

EMPHASIS OF MATTER

Without prejudice to the opinion expressed above, we draw your attention to the section of Note 1 relating to the change in accounting policy arising from the update in November 2021 by the Autorité des Normes Comptables to its recommendation no. 2013-02 on the measurement and accounting treatment of commitments relating to retirement and similar benefits.

JUSTIFICATION OF OUR ASSESSMENTS – KEY AUDIT MATTERS

The global crisis caused by the Covid-19 pandemic created challenging conditions for the preparation and audit of this year's financial statements. The crisis – and the unprecedented public health measures taken in response – had multiple consequences for businesses, especially for their operations and finances, and also created increased uncertainty about their future prospects. Some of those measures, such as travel restrictions and teleworking, also had an impact on internal organisation within companies and on the arrangements for conducting audits.

It is in this complex and evolving context that, pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the financial statements for the year, and our response to those risks. Our assessments should be seen in the context of the audit of the financial statements taken as a whole, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the financial statements taken in isolation.

MEASUREMENT OF IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS

Risk identified and key judgments	Our audit approach
<p>Carrefour Banque is exposed to credit risk and counterparty risk. Those risks arise as a result of the inability of customers or counterparties to meet their financial obligations, and require the recognition of impairment allowances to cover known risks of non-recovery of loans.</p> <p>As mentioned in note 1.D. to the financial statements, impairment allowances recognised equal the difference between the carrying amount of the loans (amortised cost) and the present value of the estimated future cash flows.</p> <p>The calculation of impairment allowances is based on:</p> <ul style="list-style-type: none"> - a statistical approach applied to portfolios of loans with similar characteristics, given that individual loans are not material and that they share common characteristics in terms of credit risk; - statistical modelling of recoveries based on observations of historical data and probabilities of default that reflect the level of risk for each loan portfolio (such as the number of months in arrears or specific factors). <p>As of December 31, 2021, total impairment allowances against customer loans and advances were €195 million on a gross value of €1,097 million, as disclosed in note 3 ("Customer loans") to the financial statements.</p> <p>We regarded the measurement of impairment allowances against customer loans as a key audit matter, given the materiality of the accounting estimates involved and the significant extent to which the bank exercises judgment in estimating future recoveries.</p>	<p>As part of our audit procedures, we performed a review of:</p> <ul style="list-style-type: none"> - the segmentation of loans into portfolios with similar characteristics, and the mapping of provisioning models for each product category; - the calculation of the related statistically-based impairment allowances, by assessing the appropriateness of the methodology used to calculate impairment allowances in light of the operations carried on by Carrefour Banque and the structure of its loan book, and by analysing the compliance of the calculation methods and risk parameter calibrations with the principles for statistical expected loss estimates contained in ANC Regulation 2014-07. <p>We also assessed and tested control systems for:</p> <ul style="list-style-type: none"> - monitoring credit risk and counterparty risk; - identifying and monitoring counterparties with payment incidents, and downgrading exposures to "doubtful" or "compromised doubtful"; - assessing risks of non-recovery. <p>Our IT experts tested the design and use of the IT controls in place within Carrefour Banque, including a review of general IT controls, interfaces, and embedded controls specific to cash flows used to calculate statistical provisions.</p> <p>Finally, we assessed the appropriateness of the disclosures provided in the note on significant events and in note 1.D to the financial statements, in light of the evolving context of the pandemic.</p>

SPECIFIC VERIFICATIONS

We also carried out the specific procedures required by law and regulations, in accordance with the professional standards applicable in France.

INFORMATION GIVEN IN THE MANAGEMENT REPORT AND IN OTHER DOCUMENTS ADDRESSED TO THE SHAREHOLDERS ABOUT THE FINANCIAL POSITION AND FINANCIAL STATEMENTS

We have no matters to report regarding the fairness or consistency with the financial statements of the information given in the management report prepared by the Board of Directors or in documents addressed to the shareholders about the company's financial position and financial statements.

We have the following matter to report regarding the fairness and consistency with the financial statements of the disclosures about payment periods referred to in Article D. 441-6 of the Commercial Code: as indicated in the management report, those disclosures do not include banking and related transactions, because Carrefour Banque regards such transactions as falling outside the scope of the disclosure requirements.

Report on corporate governance

We hereby attest that the information required under Articles L. 225-37-4 and L. 22-10-10 of the Commercial Code is contained in the Board of Directors' report on corporate governance.

Appointment as statutory auditors

We were appointed as statutory auditors of Carrefour Banque S.A. by the Annual General Meetings of May 25, 2014 (Deloitte & Associés) and May 5, 2021 (Mazars).

As of December 31, 2021, Deloitte & Associés was in its eighteenth uninterrupted year as statutory auditor, and Mazars was in its first.

Responsibilities of management, and of those charged with governance, for the financial statements

It is the responsibility of management to prepare financial statements that give a true and fair view in accordance with French generally accepted accounting principles, and to implement such internal control as it determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.

It is the responsibility of the Audit Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.

The financial statements were closed off by the Board of Directors on February 14, 2022.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Objectives and audit approach

It is our responsibility to prepare a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit.

In addition, the auditor:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are not provided or are inadequate, to issue a qualified opinion or disclaimer;
- evaluates the overall presentation of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them.

Report to the Audit Committee

We submit a report to the Audit Committee that describes inter alia the scope of our audit, the work programme followed, and our findings. We also inform the Audit Committee of any significant deficiencies in internal control we have identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Audit Committee includes those risks of material misstatement that we determined were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We provide the Audit Committee with the written confirmation (as required under Article 6 of Regulation (EU) No. 537-2014) of our independence, within the meaning of the rules applicable in France and contained inter alia in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Audit Committee about risks to our independence, and related safeguards.

The Statutory Auditors

Mazars
Paris la Défense, April 15, 2022

Deloitte & Associés
Paris la Défense, April 15, 2022

Anne VEAUTE
Partner

Anne-Elisabeth PANNIER
Partner

Consolidated financial statements **2021**

29

Consolidated financial
statements as of
December 31, 2021
prepared in accordance with
IFRS as endorsed by the
European Union

33

Notes to the financial
statements

62

Statutory auditors' report

Statement of financial position at December 31, 2020 and December 31, 2021

ASSETS (in thousands of euros)	Note	IFRS 12/31/2021	IFRS 12/31/2020
Cash, central banks and postal cheque accounts		2,849	1,909
Financial assets at fair value through profit or loss	4.1	3,406	4,072
Hedging derivatives	4.2	910	68
Financial assets at fair value through other comprehensive income	4.3	82,107	163,408
Available-for-sale financial assets		-	-
Loans and advances to credit institutions at amortised cost	4.5	1,480,610	1,275,046
Loans and advances to customers at amortised cost	4.6	1,236,446	1,678,575
Securities at amortised cost		414,014	430,015
Current and deferred tax assets	4.8	61,997	54,881
Accrual accounting adjustments and other assets	4.9	88,296	130,101
Equity investments, interests in related undertakings and other long-term investments		-	-
Property, plant and equipment and intangible assets	4.10	111,402	110,456
of which discontinued operations (C-Zam), fully written down		-	-
TOTAL ASSETS		3,482,037	3,848,530

LIABILITIES AND EQUITY (in thousands of euros)	Notes	IFRS 12/31/2021	IFRS 12/31/2020
Cash, central banks and postal cheque accounts		-	-
Financial liabilities at fair value through profit or loss	4.1	3,477	4,269
Hedging derivatives	4.2	7,541	10,699
Amounts due to credit institutions	4.5	380,848	383,401
Amounts due to customers	4.6	317,401	347,608
of which C-Zam deposit accounts		-	2,244
Debt securities in issue	4.7	2,135,075	2,502,267
Current and deferred tax liabilities	4.8	2,104	9,155
Accrual accounting adjustments and other liabilities	4.9	71,099	91,427
Provisions	4.12	41,552	36,291
Shareholders' equity attributable to the Group:		522,940	463,413
Share capital and associated reserves		308,457	308,457
Consolidated reserves		165,495	202,446
Net profit/(loss) for the period		48,988	-47,490
TOTAL LIABILITIES AND EQUITY		3,848,530	3,848,530

Consolidated financial statements

Consolidated income statement for the years ended December 31, 2020 and December 31, 2021

INCOME STATEMENT (in thousands of euros)	Notes	2021	2020
Interest and equivalent income	5.1	155,983	179,651
Interest and equivalent expenses	5.1	-18,824	-20,835
Income from variable-income securities		6,443	6,061
Fee and commission income	5.2	60,418	67,138
Fee and commission expenses	5.2	-21,689	-11,198
Net gains/(losses) on financial instruments at fair value through profit or loss	5.3	-1,029	40
Other income from banking operations	5.4	62,763	71,889
Other expenses on banking operations	5.4	-15,734	-30,726
NET BANKING INCOME		228,331	262,019
General operating expenses		-163,734	-166,735
Amortisation, depreciation and impairment of intangible assets and property, plant & equipment	4.10	-9,193	-15,306
GROSS OPERATING PROFIT/(LOSS)		55,404	79,978
Cost of risk	5.5	-53,742	-78,062
OPERATING PROFIT/(LOSS)		1,662	1,916
Gains and losses on non-current assets		31,127	-2,119
Gain from bargain purchase/(goodwill impairment)		-	-
CURRENT PRE-TAX PROFIT/(LOSS)		32,788	-202
Income taxes	5.6	16,199	-34,669
Non-controlling interests		-	-
NET PROFIT/(LOSS) FROM CONTINUING OPERATIONS		48,988	-34,871
Discontinued operations (C-Zam)		-	-12,619
NET PROFIT/(LOSS) ATTRIBUTABLE TO THE GROUP		48,988	-47,490

Consolidated statement of comprehensive income for the years ended December 31, 2020 and December 31, 2021

(in thousands of euros)	2021	2020
Net profit/(loss) attributable to the Group	48,988	-47,490
Non-controlling interests	-	-
Actuarial gains/(losses) on retirement benefit obligations	694	951
Reclassifiable changes in fair value of cash flow hedging derivatives	3,129	5
Non-reclassifiable changes in fair value of cash flow hedging derivatives	-2,503	8,954
Other comprehensive income	1,320	9,910
TOTAL RECOGNISED INCOME AND EXPENSE	50,308	-37,580
Attributable to owners of the parent company	50,308	-37,580
Attributable to non-controlling interests	-	-

Statement of changes in equity between January 1, 2020 and December 31, 2021

(in thousands of euros)	Share capital & share premium		Consoli- dated reserves	Gains and losses recognised directly in equity				Net profit/ (loss) attribu- table to the Group	Total equity attribu- table to the Group	Total equity attributable to the Group	Total consoli- dated equity
	Share capital	Share premium		Changes in fair value of financial instruments							
				Financial assets : reclassi- fiable	Financial assets: non- reclassi- fiable	Hedging derivatives	Actuarial gains/ (losses)				
IFRS EQUITY AT 01/01/2020											
AFTER APPROPRIATION	101,347	207,110	194,573	1,955	24,111	3,820	11,156		510,11		510,211
Transactions with shareholders											
Capital increases											
Reclassifications											
Impact of acquisitions and disposals on non-controlling interests									-		-
Sub-total			-						-		-
Gains and losses recognised directly in equity											
Other movements				-38	8,954	43	951		9,910		9,910
Sub-total				-38	8,954	43	951		9,910		9,910
Other movements											
Net profit/(loss) for the period								-47,490	-47,490		-47,490
Other movements									-		-
Sub-total								48,988	58,207		-47,490
IFRS EQUITY AT 12/31/2020	101,347	207,110	194,573	-1,993	33,065	-3,777	-10,205	48,988	472,632	0	472,632
Appropriation of 2020 profits			-47,490					47,490			
IFRS EQUITY AT 01/01/2021											
AFTER APPROPRIATION	101,347	207,110	147,083	-1,993	33,065	-3,777	-10,205	96,478	472,632	0	472,632
Transactions with shareholders											
Capital increases											
Reclassifications			-1,848	1,848					-		-
Distributions											
Impact of mergers											
Impact of acquisitions and disposals on non- controlling interests											
Sub-total			- 1,848	1,848					-		-
Gains and losses recognised directly in equity											
Other movements				330	2,503	2,799	694		1,320		1,320
Sub-total				330	2,503	2,799	694		1,320		1,320
Other movements											
Net profit/(loss) for the period								48,988	48,988		48,988
Other movements											
Sub-total								48,988	48,988		48,988
IFRS EQUITY AT 12/31/2021	101,347	207,110	145,236	185	30,562	-978	-9,511	145,465	522,940	0	522,940

Consolidated financial statements

Cash flow statement for the years ended December 31, 2020 and December 31, 2021

(in thousands of euros)	2021	2020
Pre-tax profit/(loss)	32,788	-202
Non-monetary items included in pre-tax profit/(loss) and other adjustments not included in profit or loss	-262,705	-282,945
Depreciation and amortisation property, plant & equipment and intangible assets, net	9,036	10,137
Impairment of goodwill and other non-current assets	0	-5,897
Net change in provisions	-129,524	-119,211
Share of profits and losses of associates and joint ventures	-	-
Net gains and losses on investing activities	-58,113	13,354
Net income and expenses on financing activities	-	-
Other movements	-84,104	-181,328
Net cash inflows/(outflows) arising from assets and liabilities related to operating activities	68,038	237,869
Net cash inflows/(outflows) arising from transactions with credit institutions	-81,260	229,666
Net cash inflows/(outflows) arising from transactions with customers	557,809	623,971
Net cash inflows/(outflows) arising from transactions affecting other financial assets and liabilities	-406,055	-612,619
Income taxes paid	-2,456	-3,149
Net cash generated by/(used in) operating activities	-161,879	-45,278
Net cash inflows/(outflows) arising from financial assets and equity investments	154,051	6,368
Net cash inflows/(outflows) arising from property, plant & equipment and intangible assets	-7,638	-6,583
Net cash generated by/(used in) investing activities	146,413	-215
Net cash inflows/(outflows) arising from transactions with shareholders	-	-
Net cash inflows/(outflows) arising from other financing activities	-	-
Net cash generated by/(used in) financing activities	-	-
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
NET INCREASE/(DECREASE) IN CASH POSITION	-15,466	-45,494
Cash and cash equivalents at start of period	150,163	195,657
Cash, central banks and postal cheque accounts (assets and liabilities)	1,909	473
Loans to credit institutions repayable on demand	148,254	195,184
Borrowings from credit institutions repayable on demand	-	-
Cash and cash equivalents at end of period	134,697	150,163
Cash, central banks and postal cheque accounts (assets and liabilities)	2,849	1,909
Loans to credit institutions repayable on demand	131,848	148,254
Borrowings from credit institutions repayable on demand	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	-15,466	-45,494

Significant events of 2021

• Strategic workforce planning

Carrefour Banque carried out a strategic workforce planning exercise, for which a provision of €12.8 million was recognised in the financial statements.

• Impairment of deferred tax assets

Reversals of impairment allowances against deferred tax assets arising on temporary differences and tax losses amounting to €15 million were recognised as of December 31, 2021 in respect of Carrefour Banque.

• IFRS IC agenda decision on lump-sum retirement benefits

There was a change in accounting policy on lump-sum retirement benefits as a result of the IFRS IC agenda decision. This had an impact of €9.2 million on the shareholders' equity of Carrefour Banque.

• Divestment of exposures to overindebted customers :

Carrefour Banque carried out a partial sale of exposures to overindebted customers (€81 million of loans outstanding, covered by €45 million of provisions)

• Divestment of equity interest

The equity interest in Fimaser was divested on December 27, 2021. A gain of €31.5 million was recognised in the Carrefour Banque financial statements.

• Divestment of Carrefour Banca customer portfolio

Following the decision to discontinue the activities of Carrefour Banca, the doubtful loan book was sold on July 23, 2021 and the non-doubtful loan book on December 6, 2021; the sale involved loans outstanding of €119 million, covered by provisions of €52 million.

Notes to the financial statements

Note 1

BUSINESS TRENDS IN FRANCE

Because the Covid-19 pandemic has been with us since the first quarter of 2020, the risks identified have remained broadly similar throughout the two financial years presented (2020 and 2021).

Description of specific risks arising from the ongoing pandemic and the actual or expected impacts on the various components of the Carrefour Banque group's operations

As soon as the pandemic reached France, the Group took steps to identify specific risks associated with the spread of coronavirus, and to identify the consequences as it developed. Those risks are summarised below:

- Business risk: The Carrefour Banque business model relies on providing finance to retail customers. Economic recovery seemed to have started in 2021. However, a combination of supply chain issues, labour shortages, and the rising costs of raw materials and energy may weaken growth. In addition, the competitive landscape could be adversely affected by the consequences of the pandemic, with players adopting aggressive tactics to acquire or retain customers in an unfavourable economic climate.
- Liquidity risk:
 - A reduced appetite for borrowing among customers has reduced demand for refinancing. Amidst uncertainties about the economy and fears of unemployment, customer credit activities remain flat. Customers are cautious in their appetite for revolving credit.
 - Liquidity remains in plentiful supply, as a direct consequence of the accommodative monetary policy adopted by the ECB from the onset of the public health crisis.
- Operational risk:
 - The introduction of teleworking for Group employees under government measures to contain the spread of the virus created no difficulties in terms of business continuity. The increased risk of errors or delays in processing was limited, thanks to a strong focus on maintaining oversight and control over the most critical operations.
 - Particular attention was paid to stepping up the monitoring of external access to information systems given the significant expansion of teleworking.
 - Arrangements put in place at the height of the crisis were maintained so that they could be rapidly reactivated in the event of a partial or full return to lockdown in areas like teleworking (strong authentication controls for employees) and building up stocks of personal protective equipment (such as face coverings).

Consolidated financial statements

- There was no particular disruption to outsourced services, all of which continued to operate despite the exceptional circumstances. Supplier payments continued, and there was no service interruption for customers in terms of electronic signatures. To date, no dispute has arisen between Carrefour Banque and its business partners.
- Payment fraud increased during the period. Carrefour Banque took steps to reinforce its already strong authentication measures to bring the risk under control.
- Credit risk: The socio-economic fallout from the pandemic could adversely impact our expected credit losses and cost of risk. Carrefour Banque has used its forward-looking systems to estimate the future impacts of the Covid-19 crisis.

This included assessing the specific impacts of the crisis, and adapting our expected credit loss modelling to take account of the changed circumstances :

- According to Banque de France data, there was an increased incidence of over-indebtedness referrals, personal debt management plans and approved debt recovery plans in 2021 versus 2020.
- The extension of the state-backed loan scheme until mid-2022, and the deferral of repayment commitments for existing state-backed loans, potentially weakens the solvency of businesses who have benefited from such loans.
- In the financial statements for the year ended December 31, 2020, Carrefour Banque booked a forward-looking provision of €13.5 million in anticipation of these effects. In December 2021, Carrefour Banque topped up this forward-looking provision by €4.5 million, taking it to €18 million.

Measures taken by Carrefour Banque to manage specific risks arising from the ongoing pandemic

Carrefour Banque has continued to apply a number of specific measures in response to the public health situation in France (our principal market) and to its economic and social impacts.

- We tightened our systems for monitoring the main risks identified :
 - Credit risk : closer monitoring of customers, and adapting our loan approval policy for our most vulnerable customers.
 - Liquidity risk : heightened vigilance in relation to requests for repayment of short-term refinancing vehicles.

Note 2

A / APPLICABLE ACCOUNTING STANDARDS

Carrefour Banque ("the Company") is a société anonyme [a form of public limited company] with share capital of €101,346,956.72. It is a credit institution and insurance broker, with its registered office at 9 avenue du Lac, 91051 Evry Cedex, France. The consolidated financial statements for the year ended December 31, 2021 include the Company and its subsidiaries (collectively "the Group"). They have been prepared and are presented in euros, the Company's functional currency.

Pursuant to European regulation 1606/2002 of July 19, 2002, the consolidated financial statements of the Company for the year ended December 31, 2021 have been prepared in accordance with international financial reporting standards (IFRS) as endorsed by the European Union as of January 1, 2021 and mandatorily applicable as of that date.

The term "IFRS" refers collectively to International Financial Reporting Standards and International Accounting Standards (IAS), and to interpretations issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) and the Standing Interpretations Committee (SIC).

The full set of IASB pronouncements endorsed by the European Union can be consulted via the website of the European Financial Reporting Advisory Group at the following address: <https://www.efrag.org/Endorsement>.

B / IMPACT OF CHANGES IN ACCOUNTING POLICY

The Group did not elect any changes in accounting policy as of December 31, 2020.

IAS 19, "Employee Benefits" – Alignment on the IFRS IC agenda decision issued in May 2021

In May 2021, the IFRS Interpretations Committee (IFRS IC) issued a final agenda decision clarifying the allocation of benefits to periods of service. The IFRS IC was responding to a request relating to a defined-benefit scheme with the following characteristics: provided that they are still in the company's employment on reaching retirement age, employees are entitled to a lump-sum benefit linked to their length of service, but their entitlement is capped at a specified number of years of service.

The IFRS IC concluded that under IAS 19, the commitment arising under such a scheme should be recognised only over the years of service immediately prior to retirement during which the benefit entitlement vests in the employee.

That decision overturned the policy previously applied, which involved recognising the benefit entitlement on a straight line basis over the employee's entire career. The effect was a reversal of the provision for those employees who had not yet reached the age from which the benefit cap is reached. For the remaining employees who have reached that age, the provision is now recognised over a shorter period.

The effects of this decision are applied retrospectively, and were recognised in opening retained earnings.

Balance sheet - Assets (in thousands of euros)	IFRS 12/31/2019 Published	Impact of IFRS IC decision on IAS 19	IFRS 01/01/2020	IFRS 12/31/2020
Cash, central banks and postal cheque accounts	473	-	473	1,909
Financial assets at fair value through profit or loss	4,667	-	4,667	4,072
Hedging derivatives	64	-	64	68
Financial assets at fair value through other comprehensive income	156,767	-	156,767	163,408
Loans and advances to credit institutions at amortised cost	1,980,649	-	1,980,649	1,275,046
Loans and advances to customers at amortised cost	2,096,816	-	2,096,816	1,678,575
Securities at amortised cost	1	-	1	430,015
Current and deferred tax assets	87,626	-	87,626	54,881
Accrual accounting adjustments and other assets	131,219	-	131,219	130,101
Property, plant and equipment and intangible assets	129,265	-	129,265	110,456
TOTAL ASSETS	4,587,547	-	4,587,547	3,848,530

Balance sheet - Liabilities & equity (in thousands of euros)	IFRS 12/31/2019 Published	Impact of IFRS IC decision on IAS 19	IFRS 01/01/2020	IFRS 12/31/2020
Cash, central banks and postal cheque accounts	-	-	-	-
Financial liabilities at fair value through profit or loss	4,663	-	4,663	4,269
Hedging derivatives	10,577	-	10,577	10,699
Amounts due to credit institutions	388,266	-	388,266	383,401
Amounts due to customers	415,881	-	415,881	347,608
<i>Of which C-Zam deposit accounts</i>	-	-	-	2,244
Debt securities in issue	3,109,944	-	3,109,944	2,502,267
Current and deferred tax liabilities	9,895	-	9,895	9,155
Accrual accounting adjustments and other liabilities	102,878	-	102,878	91,247
Provisions	44,450	9,129	35,231	36,291
Shareholders' equity attributable to the Group:	500,992	9,129	510,211	463,413
Share capital and associated reserves	308,457	-	308,457	308,457
Consolidated reserves	258,620	9,129	267,839	202,446
Net profit/(loss) for the period	66,086	-	66,086	47,490
TOTAL LIABILITIES & EQUITY	4,587,547	-	4,587,547	3,848,530

Note 3

SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

3.1 / IFRS 9 "FINANCIAL INSTRUMENTS"

IFRS 9 sets out the accounting and disclosure principles applicable to financial assets and financial liabilities. Key changes introduced by IFRS 9 include:

- classification of financial instruments based on the business model and the contractual characteristics of the instrument (part 1);
- a financial asset impairment model based on expected credit losses, replacing the previous incurred loss model (part 2); and
- more flexible hedge accounting principles than under IAS 39, excluding macro-hedging (part 3).

Part 1: Classification and measurement of financial assets and financial liabilities

IFRS 9 uses a classification and measurement model for financial assets based on the contractual characteristics of the cash flows and the business model under which the asset is held.

That model comprises three categories:

- Financial assets at amortised cost;
- Financial assets at fair value through other comprehensive income. The new financial asset classification and measurement principles have no material impact on the accounting policies applied by the Group, since the majority of its financial assets - previously classified in the "Loans and receivables" category - continue to be measured at amortised cost (see the transition statement showing the effect of first-time application of IFRS 9 on the consolidated opening balance sheet).
- Financial assets at fair value through profit or loss.
- Loans and advances to customers are measured at amortised cost insofar as they meet the IFRS 9 criteria for classification and measurement at amortised cost, in terms of their contractual cash flows (solely payments of principal and interest) and their business model (held to collect).
- Equity interests in non-consolidated entities must be measured at fair value, though either of the two fair value options may be elected. Because they are equity instruments, they are not subject to the impairment principles specified in Chapter 5.5 of IFRS 9 (Part 2 of the standard).

Part 2: Impairment and provisioning of financial assets

- The impairment model used for customer loans and advances has been adjusted to align with IFRS 9, and involves a two-step process:
- classification into exposure classes with similar risk profiles in terms of the probability of default;
- followed by modelling of the probability of credit losses over a 12-month period or to maturity (i.e. the residual term of the financial instrument), depending on the classification used.

• Classification of customer exposures

Customer exposures are allocated to one of three stages, based on an analysis of significant increases in credit risk:

- Stage 1: exposures to debtors whose credit risk has not increased significantly since initial recognition.
- Stage 2: exposures to debtors whose financial position has weakened (significant increase in credit risk) since initial recognition, but for which no objective evidence of impairment (default) has yet been identified at individual level.
- Stage 3: exposures to debtors with a known risk of default.

For customer exposures measured at amortised cost, impairment is determined using the general method specified in IFRS 9, and represents:

- on initial recognition: expected losses over the next 12 months;
- in the event of an increased credit risk: expected credit losses over the lifetime of the asset.

• Significant increase in credit risk

The main criteria used to determine whether there has been a significant increase in credit risk since initial recognition requiring reclassification from Stage 1 to Stage 2 are:

- payment arrears: payments more than 30 days past due (rebuttable presumption according to IFRS 9, which the Group has chosen not to rebut);
- renegotiation: renegotiated contracts with payments less than 30 days past due.
- Significant increase in credit risk is assessed contract by contract, and the contagion principle is applied to all exposures with the debtor in question.

• Objective evidence of impairment (default)

There is objective evidence of impairment when one of the following criteria is met:

- payment arrears: payments more than 90 days past due (rebuttable presumption according to IFRS 9, which the Group has chosen not to rebut);
- renegotiation: contracts renegotiated (without substantial modification) due to the debtor being in significant difficulties, with payments more than 30 days past due;
- legal recovery: contracts subject to debt recovery proceedings at the end of the reporting period;
- contagion: all contracts with any debtor with whom there is a contract that meets one of the first three default criteria. Customer exposures with objective evidence of impairment are classified as Stage 3.

New definition of default (Guidelines on Article 178 of Regulation (EU) 575/2013)

Carrefour Banque has applied the new definition of "default".

Stage 3 exposures remain in that category for an extra three months before being reclassified as Stage 2.

Restructured loans are classified as Stage 3 for a 12-month probationary period, before being reclassified as Stage 2 for a minimum of 24 months. In the event of payment default, they are reclassified back to Stage 3 for 12 months.

• Estimating expected credit losses

The expected loss calculation is based on four key parameters: probability of default; loss given default; exposure given default; and discount rate. Each of those parameters is calibrated based on a segmentation of customer exposures reflecting the products distributed by each entity (personal loans, credit cards/revolving credit, and asset finance), based on historical data and taking account of forward-looking information. Expected credit losses are calculated for a 12-month timeframe for Stage 1 exposures, and to maturity for Stage 2 and 3 exposures.

To address the risk of debtor insolvency, the Group has set up systems to exercise control over the quality and solvency of customers:

- a decision-making support system which incorporates tools to handle credit scoring, budgets and credit references;
- Banque de France file queries, where available;
- active management of negotiated and legal recovery procedures;
- permanent credit risk monitoring tools.

Lending operations are monitored by the Credit Risk department, which is responsible for all these systems. The Risk Management Committee presents an executive summary at every Board meeting.

Part 3: Hedge accounting

The Group has elected to adopt the new general hedge accounting model introduced by IFRS 9, under which it must ensure that hedging relationships are consistent with its risk management objectives and strategy, and adopt a more qualitative and forward-looking approach in assessing hedge effectiveness.

3.2 / ACCOUNTING ESTIMATES

3.2.1 / IMPAIRMENT OF AMOUNTS DUE FROM CUSTOMERS

For impairment of amounts due from customers, refer to the section of Note 3.1. relating to IFRS 9 part 2 ("Impairment and provisioning of financial assets").

3.2.2 / IMPAIRMENT OF DEFERRED TAX ASSETS

The recoverability of deferred tax assets is assessed separately for each tax entity, taking account of (i) estimates of future taxable profits/losses derived from the strategic plan and (ii) deferred tax liabilities at the end of the reporting period. Deferred tax assets for which recovery is not regarded as probable are written down via an impairment allowance.

3.2.3 / PROVISIONS FOR RISKS AND CHARGES

Provisions for operational risks were assessed in light of the events of 2021.

3.2.4 / EMPLOYEE BENEFIT COMMITMENTS

The consolidated income statement and consolidated statement of recognised income and expense for the year ended December 31, 2020 have not been restated to reflect first-time application of the IFRS IC agenda decision, because the impact on those statements was immaterial.

3.3 / CONSOLIDATION

3.3.1 / SCOPE AND METHOD OF CONSOLIDATION

The consolidated financial statements of the Carrefour Banque Group include all entities under the exclusive control of the Company, which does not exercise joint control or significant influence over any other entities. Subsidiaries are consolidated from the date on which the Group obtains effective control.

Entities under exclusive control are consolidated using the full consolidation method.

Control exists when Carrefour Banque has the power to govern, directly or indirectly, the financial and operating policies of an entity.

In determining the percentage of control, the Group takes account of potential voting rights that give access to additional votes, provided that they are exercisable or convertible immediately.

As of December 31, 2021, the scope of consolidation of the Carrefour Banque Group comprised:

- Carrefour Banque, registered office 9, avenue du Lac, Evry (91051), registered number 313 811 515. Carrefour Banque is the parent company, and has share capital of €101,346,956.72;
- FCT Master Credit Cards PASS – EuroTitrisation, a securitisation umbrella fund, registered office 41, rue Délizy, Pantin (93500), registered in the Bobigny companies register as no. 352 458 352 458 368 00045;
- Fimaser, acquired on September 30, 2013 for €20.7 million, registered office Avenue des Olympiades, Brussels (1140), registered in the Brussels companies register. Fimaser has share capital of €8,655,202.42 of which 99.98% was owned by Carrefour Banque, and was divested on December 27, 2021.

Consolidated financial statements

CSF, acquired on December 31, 2010 for €11,502 million, registered office Via Caldera no. 21, Milan (Italy), share capital €5,000,000, is 100% owned by Carrefour Banque, with the status of a branch.

The Group also consolidates separate legal entities established specifically to manage a transaction or group of similar transactions (special purpose entities – “SPEs”), even if it has no equity interest in the SPE, when it has power over the relevant activities of the SPE and the ability to use that power to influence the amount of the returns from the SPE :

- the activities of the SPE are conducted exclusively for the Group so that the Group obtains benefits from the SPE's operation;
- the Group has the decision-making and managerial powers to obtain the majority of the benefits of the ordinary activities of the SPE, as evidenced in particular by the ability to wind up the SPE, amend its articles of association, or formally veto such amendment;
- the Group has rights to obtain the majority of the benefits of the SPE and therefore may be exposed to risks incident to the activities of the SPE. These benefits may take the form of a right to receive some or all of the SPE's annual profits, a right to a share of the SPE's net assets, a right to dispose of one or more assets, or a right to a majority of the residual assets of the SPE in the event of liquidation;
- the Group retains the majority of the risks incurred by the SPE in order to obtain benefits from them; this would apply, for example, if the Group retains exposure to the first losses on a portfolio of assets carried by the SPE.

As of December 31, 2021, separate legal entities formed specifically to manage a tax-efficient transaction or group of tax-efficient transactions have not been consolidated insofar as Carrefour Banque does not have power over the relevant activities of such entities.

3.3.2 / CONSOLIDATION RULES

The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Elimination of reciprocal transactions

Reciprocal balances arising from transactions between consolidated entities are eliminated, as are the transactions themselves (including income, expenses and dividends). Gains and losses arising from disposals of assets within the Group are eliminated, unless they indicate an impairment loss. Unrealised gains and losses incorporated into the value of available-for-sale assets are maintained at Group level.

Foreign currency translation

All entities in the scope of consolidation have the euro as their functional currency.

3.3.3 / BUSINESS COMBINATIONS AND MEASUREMENT OF GOODWILL

Business combinations

Business combinations are accounted for using the acquisition method.

Whenever the Group acquires control over a company or group of companies, it must identify and measure at fair value all of the assets acquired and liabilities assumed. The difference between (i) the fair value of the consideration transferred, including the amount recognised for any non-controlling interest in the acquiree, and (ii) the net amount recognised (usually at fair value) for the identifiable assets acquired and liabilities assumed, is recognised as goodwill. This goodwill is subsequently subject to impairment testing at cash generating unit level. It is recognised in the balance sheet of the acquiree, in the functional currency of the acquiree.

In accordance with the revised IFRS 3, which took effect on January 1, 2010, the Group applies the following policies:

- acquisition-related costs are recognised immediately as an operating expense as incurred;
- for each business combination, the Group assesses whether to apply the full goodwill method or the partial goodwill method :
 - under the full goodwill method, non-controlling interests are measured at fair value and are attributed a share of the goodwill arising on the acquisition;
 - under the partial goodwill method, non-controlling interests continue to be measured at their share of the acquiree's net assets, and hence are not attributed any goodwill;
- any potential price adjustment is measured at its estimated fair value at the acquisition date. The initial measurement may only be subsequently amended (via an adjustment to goodwill) if new information is obtained about facts and circumstances that existed at the acquisition date and the adjustment falls within the twelve-month measurement period. If the financial liability recognised in respect of contingent purchase consideration is adjusted after the end of the measurement period, or is adjusted in a way that does not meet these criteria, the adjustment is recognised as a component of comprehensive income;
- in a step acquisition, any existing equity interest is remeasured at fair value through profit or loss when the Group obtains control. Conversely, loss of control requires any residual equity interest to be remeasured at fair value on the same basis;
- any negative goodwill (gain on a bargain purchase) is recognised immediately in profit or loss;
- any acquisition or disposal of equity interests which occurs subsequent to a business combination but does not affect control is treated as a transaction between shareholders and under the revised IAS 27 is recognised directly in equity.

If an entity or additional equity interest is acquired during the financial year, only the profits or losses arising since the acquisition date are included in consolidated profit or loss for the year.

Given its organisational structure and the inter-dependence of the cash flows generated by its banking activities, the Carrefour Banque Group constitutes a single cash generating unit.

Effectively, the Group's banking activities are run by a single management team, and share a common sales force and sales supervision team. The selling of insurance products is handled by Carrefour Banque staff, while all the Group's activities use common management reporting tools and information systems and share the same accounting, financial control, payroll and human resources functions.

Allocation of goodwill

Goodwill is allocated in full to the sole cash generating unit, constituting the Carrefour Banque Group.

3.4 / FINANCIAL ASSETS AND LIABILITIES

3.4.1 / NON-DERIVATIVE FINANCIAL ASSETS

In accordance with IFRS 9 "Financial Instruments", financial assets are classified in one of three categories:

- financial assets at amortised cost;
- financial assets at fair value through other comprehensive income;
- financial assets at fair value through profit or loss.

The accounting treatment applied varies according to the classification of the asset and is determined by the Group at the date of initial recognition, based on the contractual characteristics of the cash flows from the asset and purpose for which the asset was acquired (the business model).

Purchases and sales of financial assets are recognised on the transaction date, i.e. the date on which the Group is committed to buy or sell the asset.

3.4.1.1 / FINANCIAL ASSETS AT AMORTISED COST

Financial assets at amortised cost are debt instruments: loans and advances to customers, the contractual cash flows from which consist solely of payments of principal and interest on that principal, and which are held with the objective of collecting those cash flows (held to collect business model).

Such assets are initially recognised at fair value, which is usually the amount disbursed at inception and includes origination costs directly attributable to the transaction together with certain fee and commission income regarded as an adjustment to the effective return on the loan; subsequently, they are measured at amortised cost using the effective interest method.

Impairment allowances against such assets are determined using the methods described below:

They are written down by means of impairment allowances if they have been subject to one or more loss event subsequent to their initial recognition. Impairment allowances are therefore recognised for customer loans that are subject to a known credit risk. The methodology applied to amounts due from customers is described in the section of Note 3.1. relating to IFRS 9 part 2 ("Impairment and provisioning of financial assets"). In December 2020, Carrefour Banque adjusted the accounting rules applied to debt scheduled for relief on completion of over-indebtedness arrangements, to comply with accounting standards and with current practice as adopted by French banks.

This accounting change had no impact on the net loss for 2020, or on the net presentation of exposures in the balance sheet.

Previously, the gross amount of debt scheduled for relief was recognised in the balance sheet, and offset by an impairment allowance covering 100% of that gross amount. From December 31, 2020 onwards, the gross amount and the associated impairment allowance were both reversed out. The carrying amount in the Carrefour Banque balance sheet remained unchanged, but the gross amount is lower.

3.4.1.2 / FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

These assets include debt instruments whose contractual cash flows consist solely of payments of principal and interest on that principal, and which are held with the objective of collecting those contractual cash flows and selling the asset (held to collect and sell business model); they are measured at fair value.

Changes in fair value are recognised in "Reclassifiable changes in fair value of debt instruments" and "Non-reclassifiable changes in fair value of debt instruments" until the underlying asset is sold, when they are transferred to profit or loss or to equity respectively.

Financial assets at fair value through other comprehensive income also include investments in equity instruments (primarily shares) which the Group has irrevocably elected to designate in this category. In such cases, when the asset is sold the unrealised gains and losses that were previously recognised in equity (other comprehensive income) will not be reclassified to profit or loss; only the dividend income is recognised in profit or loss.

The principal type of assets included in this category are equity interests in non-consolidated entities for which the Group has elected to adopt this accounting treatment.

For listed securities, fair value is the quoted market price. For unlisted securities, the preferred methods for determining fair value are by reference to recent transactions or by using valuation techniques that rely on reliable and observable market data. However, in the absence of observable market data for comparable companies, the fair value of unlisted securities is most often determined on the basis of discounted cash flow projections or revalued net assets, using internal parameters (level 3 in the fair value hierarchy).

3.4.1.3 / FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes all debt instruments not eligible for classification as either financial assets at amortised cost or financial assets at fair value through other comprehensive income, as well as investments in equity instruments (such as shares) which the Group has not elected to designate as financial assets at fair value through other comprehensive income.

They are measured at fair value, with changes in fair value recognised in net banking income.

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recognised at fair value, less transaction costs and directly attributable issuance premiums. After initial recognition, they are measured at amortised cost.

3.4.2 / Non-derivative financial liabilities

3.4.2 / NON-DERIVATIVE FINANCIAL LIABILITIES

Non-derivative financial liabilities are initially recognised at fair value, less transaction costs and directly attributable issuance premiums. After initial recognition, they are measured at amortised cost.

The Group's main non-derivative financial liabilities consist of bond issues, other debt securities, passbook accounts, bank borrowings, other negotiable debt instruments, certificates of deposit, trade payables, other creditors, and all other operating payables (mainly employee-related liabilities and amounts due to suppliers of non-current assets).

Financial instruments issued by Carrefour Banque group companies are classified as debt instruments if there is a contractual obligation for the company to deliver cash to the holder in consideration. A debt instrument also exists if the Group is obliged to exchange financial assets or financial liabilities with another entity on potentially unfavourable terms, or to deliver a variable number of its own equity instruments.

Debt securities in issue are measured at amortised cost using the effective interest method.

3.4.3 / DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to cover its exposure to the risks inherent in its activities, mainly interest rate risk. The Carrefour Banque Group is by nature not exposed to foreign exchange risk.

Derivatives are initially recognised at fair value. Subsequent changes in fair value are recognised using the methods described below.

3.4.3.1 / DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS

Hedge accounting is applicable if and only if all the following conditions are met :

- the hedging instruments and hedged items in the hedging relationship are eligible for hedge accounting;
- there is a hedging relationship that is clearly and formally documented on the inception date of the instrument, and the effectiveness of the hedging relationship is demonstrated by a qualitative, forward-looking test;
- at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and of the entity's risk management objective and strategy for undertaking the hedge.

The Carrefour Banque group applies two types of hedge accounting: cash flow hedges and fair value hedges.

The group distributes two principal consumer credit product families, which involves managing two types of portfolio: loans associated with the PASS card, and all other personal loans distributed to customers. To protect its financial margin, the Group has developed specific hedging strategies appropriate to each type of portfolio. These strategies use derivatives to limit the impact of a rise in interest rates.

Cash flow hedges

For instruments designated as cash flow hedges, changes in fair value on the effective portion are recognised in other comprehensive income until the hedged transaction impacts profit or loss. Changes in fair value on the ineffective portion are recognised within net banking income.

The fair value remeasurement of the derivative is recognised by adjusting the carrying amount of the derivative in the balance sheet, with the opposite entry recognised in equity.

On inception of a hedging relationship, the Group prepares formal documentation: designation of the hedged instrument or risk (or portion thereof), hedging strategy and nature of the hedged risk, designation of the hedging instrument, and methods used to assess the effectiveness of the hedging relationship.

Fair value hedges

For instruments designated as fair value hedges, changes in fair value are recognised in profit or loss, where they offset changes in the fair value of the underlying item to the extent of the risk hedged by the effective portion.

Swaps used to convert fixed-rate bonds to floating-rate are treated as fair value hedges. The hedged portion of financial liabilities hedged by such swaps is remeasured at fair value. Those changes in fair value are recognised in profit or loss, where they are offset by symmetrical changes in the fair value of the effective portion of the interest rate swap. No assets or liabilities were hedged by fair value hedges as of December 31, 2020 or December 31, 2019.

Gains or losses arising from remeasurements of the derivative are recognised in profit or loss symmetrically with those arising from the hedged instrument to the extent of the hedged risk, such that the net impact on profit or loss is limited to any ineffectiveness of the hedge.

Amounts recognised in equity during the life of the hedge are transferred to profit or loss (as interest income or expense) as and when gains or losses on the hedged instrument are recognised in the income statement.

If the hedged item ceases to exist, the cumulative amount recognised in equity must be recognised in profit or loss immediately.

3.4.3.2 / OTHER DERIVATIVE INSTRUMENTS

Other derivative instruments consist of held-for-trading derivatives; they are measured at fair value, with changes in fair value recognised in profit or loss.

Held-for-trading derivatives are reported in the balance sheet within "Financial assets at fair value through profit or loss" if they have a positive fair value, and within "Financial liabilities at fair value through profit or loss" if they have a negative fair value. Realised and unrealised gains and losses are recognised in profit or loss, in "Net gains/losses on financial instruments at fair value through profit or loss".

To pool the hedging needs of the affiliates of Carrefour Banque (i.e. the Spanish financial services operations of the Carrefour Group – “the affiliates”), the Carrefour Banque Group acts as a central treasury management unit, and contracts derivatives both on its own account and on behalf of the affiliates in the interests of mutualisation, organisational efficiency and access to markets.

In this context:

- the risk designated as the hedged risk is the interest rate risk associated with the interbank rate component included in the rate charged on commercial customer lending transactions;
- the hedging instruments are primarily plain vanilla interest rate swaps;
- retrospective hedge effectiveness is ensured by the fact that all the derivatives, as of their date of inception, have the effect of reducing interest rate risk on the portfolio of underlying hedged assets. Retrospectively, hedge accounting must be discontinued for such a hedge if the underlying assets specifically associated with the hedge for each maturity band are no longer sufficient.

The term “own equity instrument derivative” refers to shares issued by the parent company (Carrefour Banque) and by its fully-consolidated subsidiaries.

IAS 32 specifies the situations in which an own equity instrument derivative must be recognised as an equity instrument, as a debt instrument, or as a derivative financial instrument (which in the latter case means that the instrument must be measured at fair value, with changes in fair value recognised in profit or loss).

IAS 32 establishes the following principles:

- a) Only those own equity instrument derivatives that will be settled by the exchange of a fixed quantity of cash for a fixed number of own equity instruments can be recognised directly in equity. In such cases, they are not remeasured.
- b) An instrument that is settled net or that allows one of the parties to choose the method of settlement is treated as a derivative financial instrument. In such cases, changes in the fair value of the instrument are recognised in profit or loss.
- c) An own equity instrument derivative that requires the issuer to repurchase its own shares in exchange for a fixed amount of cash gives rise to a financial liability equal to the redemption amount.

3.4.4 / METHOD USED TO DETERMINE FAIR VALUE

Financial instruments are classified in three levels, in decreasing order of the observability of the values and inputs used to determine their fair value:

- Level 1 – Financial instruments with quoted market prices: this level consists of financial instruments with directly usable quoted prices in an active market.
- Level 2 – Financial instruments measured by valuation techniques that use observable inputs: this level consists of financial instruments valued by reference to (i) similar instruments quoted in an active market, or (ii) identical or similar instruments quoted in an inactive market but for which there are observable transactions, or (iii) financial instruments measured using valuation techniques based on observable inputs.
- Level 3 – Financial instruments measured by valuation techniques that use unobservable inputs: an instrument is classified as level 3 if a significant part of its valuation relies on unobservable inputs, defined as inputs whose value is derived from assumptions or correlations that are based neither on observable transaction prices for the same instrument at the measurement date nor on observable market data available as of that date.

Counterparty risk (CVA/DVA), which is taken into account via an adjustment to the model-derived valuation of derivatives, is calculated using observable market data. The Carrefour Banque group does not determine the market value of derivative instruments internally, but rather obtains those values from its counterparties.

3.4.5 / INCOME AND EXPENSE ON FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets at fair value through profit or loss

The Carrefour Banque group reports interest on financial instruments measured at fair value that do not meet the definition of a derivative in “Interest and equivalent income” and “Interest and equivalent expenses”. Changes in the fair value of these instruments (other than accrued interest) are reported in “Net gains/losses on financial instruments at fair value through profit or loss”.

Hedging derivatives

Interest income and expenses on fair value hedging derivatives are reported with the income from the items whose risk exposure they hedge. Similarly, interest income and expenses on derivatives used to provide economic hedges of transactions designated as “at fair value through profit or loss” are included in the line item which records interest on the hedged transaction.

Financial assets at amortised cost

Income and expense on instruments measured at amortised cost are recognised in profit or loss using the effective interest method.

The effective interest rate is the rate that discounts future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

Consolidated financial statements

3.4.6 / COST OF RISK

Cost of risk includes charges to and reversals of impairment allowances recognised for credit risk on fixed-income securities, and on loans and advances to customers and credit institutions; see the section of Note 3.1. relating to IFRS 9 part 2 ("Impairment and provisioning of financial assets").

3.4.7 / DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group derecognises some or all of a financial asset when the contractual rights to receive the cash flows from the asset expire, or when the Group has transferred the contractual rights to receive the cash flows from the asset and substantially all of the risks and rewards of ownership of the asset. If any of these conditions is not met, the Group retains the asset in its balance sheet, and recognises a liability representing the obligations arising in connection with the transfer of the asset.

The Group derecognises some or all of a financial liability when some or all of that liability is extinguished.

3.4.8 / OFFSET OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

A financial asset and financial liability are offset, with a net amount reported in the balance sheet, if and only if the Group has an enforceable legal right to offset the amounts involved and intends either to settle the amount net or to realise the asset and settle the liability simultaneously.

3.5 / INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Intangible assets mainly comprise:

- software, which is amortised over periods of between three and eight years. Internally-developed software that meets the criteria for recognition as an intangible asset is capitalised at its direct development cost, which includes external expenses and employee costs directly attributable to the project;
- leasehold rights, which are not amortised but tested for impairment annually;
- acquired intangible rights, which are tested for impairment annually.

Property, plant and equipment under construction is reported at cost net of any impairment losses. Intangible assets are amortised and property, plant and equipment depreciated from the date they are ready for use until the date of their disposal, retirement or reclassification as held-for-sale assets under IFRS 5.

Depreciation and amortisation are charged on a straight line basis, with the principal components treated separately as appropriate, over the following estimated useful lives:

Licences and software	3 to 8 years
Computer hardware	3 to 5 years
Fixtures and fittings	5 to 8 years
Other property, plant & equipment	3 to 10 years

Given the nature of the assets used by the Group, no residual value is recognised for property, plant and equipment. Depreciation methods and useful lives are reviewed at each reporting date, and where necessary are adjusted prospectively.

When entering into long-term lease contracts (especially for property assets), the Group analyses the terms of the contract to determine whether it is an operating lease or a finance lease (i.e. a lease which transfers to the lessee substantially all of the risks and rewards of ownership of the asset). Assets acquired by the Group under a finance lease are accounted for as follows:

- the leased asset is capitalised as an item of property, plant and equipment at the lower of its fair value or the present value of the minimum lease payments. It is then depreciated over the same period as items of property, plant and equipment owned by the Group, or over the term of the lease if this is shorter than the useful life of the asset;
- a corresponding liability is recognised on the liabilities side of the balance sheet;
- the lease payments are split between interest expense and repayments of the liability.

Depreciable assets are tested for impairment if indications of potential impairment are identified at the reporting date.

Non-depreciable assets are tested for impairment at least once a year.

If there is an indication that an asset may have become impaired, the new recoverable amount of the asset is compared with its carrying amount. Any impairment losses are recognised in profit or loss. Impairment losses are reversed if there is a change in the estimate of the recoverable amount or if there is no longer any indication of impairment. Impairment losses are reported in the income statement line item "Amortisation, depreciation and impairment of intangible assets and property, plant and equipment".

Gains and losses on disposals of intangible assets and property, plant and equipment are reported in the income statement line item "Gains and losses on other non-current assets".

IFRS 16, "LEASES"

IFRS 16 replaced IAS 17, "Leases", and the associated interpretations, with effect from January 1, 2019. The new standard specifies the principles for lease accounting, and introduces significant changes to the way lessees account for leases by ending the distinction previously made between operating leases and finance leases.

Under IFRS 16, all leases are recognised in the balance sheet by recording an asset representing the right to use the leased asset, matched by a lease liability corresponding to the present value of the future lease payments over the reasonably certain term of the lease. IFRS 16 also changes the way leases are presented in the income statement (recognition of depreciation expense and interest expense, instead of the lease expense previously recognised) and in the cash flow statement (lease payments, representing interest payments and repayments of the liability, are presented within financing activities).

The Group applies the two exemptions offered by IFRS 16, relating to low-value assets and to short-term leases (with a term of no more than 12 months).

3.6 / EMPLOYEE BENEFITS

Group employees receive short-term benefits (paid leave, sick leave, profit-sharing), long-term benefits (jubilee benefits, long-service awards, compensation for paid leave entitlement not taken) and post-employment benefits under defined-contribution and defined-benefit plans (lump-sum retirement benefits, pensions, etc.).

Defined-contribution plans

Defined-contribution plans involve the payment of periodic contributions to an external body that administers and manages the plan. Under such plans, the employer is released from any further obligation; instead, the external body is responsible for paying employees the benefits to which they are entitled. Examples include the basic social security old age scheme in France, top-up retirement plans, and defined-contribution pension plans.

Contributions to such plans are recognised as expenses when they fall due.

Defined-benefit plans

The Carrefour Banque Group records a provision for the various defined-benefit plans under which employees gain entitlement on the basis of their length of service with the Group.

The obligation is calculated annually using the projected unit credit method, taking into account actuarial assumptions such as the rate of salary increases, retirement age, mortality, employee turnover and the discount rate. The discount rate used is the interest rate as of the reporting date on high-quality bonds with a maturity similar to that of the Group's obligations. The calculations are performed by a qualified actuary.

Under the amended IAS 19, which became effective on January 1, 2014, the "corridor" method is no longer permitted. Consequently, the Group recognised all unamortised actuarial gains and losses and unrecognised past service costs in equity; these items will never impact profit or loss.

Share-based payment

Share-based payments are not recognised in the Carrefour Banque Group financial statements on grounds of immateriality.

3.7 / SEGMENT INFORMATION

By virtue of its organisational structure and internal reporting systems, the Carrefour Banque Group constitutes a single operating segment. The geographical segment in which the Group operates is France. Activities carried on outside France (Italy and Belgium) do not make a material contribution to the activities of the Group.

3.8 / PROVISIONS

Other provisions

In accordance with IAS 37 "Provisions, contingent assets and contingent liabilities", provisions are established at the reporting date if the Group has a present obligation (legal or constructive) as a result of a past event, the amount of that obligation can be measured reliably, and it is probable that an outflow of resources representing economic benefits will be required to settle the obligation. Such obligations may be statutory, regulatory, contractual or constructive. These provisions are estimated using methods appropriate to the nature of the obligation, based on the most likely assumptions. The amount of provisions is discounted where the effect of the passage of time is material.

3.9 / CURRENT AND DEFERRED TAXES

Income tax expense for the period includes current tax expense and deferred tax expense.

Deferred taxes are calculated using the balance sheet method for all temporary differences between the carrying amount of an asset or liability in the consolidated balance sheet and the tax base of that asset or liability (subject to the exceptions specified in IAS 12). Deferred taxes are determined using the liability method; they reflect the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities, and are calculated using tax rates enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised on deductible temporary differences, and for tax losses and tax credits available for carry-forward to the extent that their recovery is regarded as probable.

Consolidated financial statements

The expense recorded in France for the corporate value added contribution (CVAE) is also classified as an income tax expense, because the Group takes the view that CVAE meets the definition specified in IAS 12.

IFRIC 23, "UNCERTAINTY OVER INCOME TAX TREATMENTS"

First-time application of IFRIC 23 did not lead to any changes to the way in which the Group previously measured tax uncertainties. However, tax risks relating to income taxes - previously classified as provisions - are now presented separately within current or non-current tax liabilities, depending on their maturity (within one year, or after more than one year). This new presentation is in line with the IFRS IC Agenda Decision of September 2020.

3.10 / CASH FLOW STATEMENT

"Cash and cash equivalents" consists of the net balances recorded for cash, central banks and postal cheque accounts plus the net balance of loans to/borrowings from credit institutions payable on demand.

Net cash generated by (or used in) operating activities mainly comprises cash flows generated by the activities of the Carrefour Banque Group, transactions with credit institutions, transactions with customers, and transactions involving debt securities in issue.

Net cash generated by (or used in) investing activities mainly comprises cash flows generated by acquisitions and disposals of financial assets, and of property, plant and equipment and intangible assets, plus changes in the scope of consolidation.

Net cash generated by (or used in) financing activities mainly comprises inflows and outflows arising from transactions with shareholders (dividends paid in cash, and capital increases paid in cash). Capital increases involving the issuance of shares in exchange for assets are excluded from the cash flow statement if the assets obtained in exchange are of a non-monetary nature.

Note 4

NOTES TO THE BALANCE SHEET AS OF 31 DECEMBER 2020 AND 31 DECEMBER 2021

4.1 / FINANCIAL ASSETS, FINANCIAL LIABILITIES AND DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss, amounting to €3.4 million as of December 31, 2021, consist of the positive fair value of swaps contracted by Carrefour Banque on behalf of Service Financieros Carrefour (SFC), a non-consolidated Spanish entity. Financial liabilities at fair value through profit or loss, amounting to €3.5 million, consist of the negative fair value of swaps contracted by Carrefour Banque on behalf of SFC. Carrefour Banque provides a credit facility to SFC, and consequently contracts swaps on the market which are then passed on to SFC.

(in thousands of euros)	12/31/2021			12/31/2020		
	Held for trading	Designated at fair value	TOTAL	Held for trading	Designated at fair value	TOTAL
Financial assets at fair value through profit or loss						
Equities and other variable-income securities	-	-	-	-	-	-
Equities and other variable-income securities	-	-	-	-	-	-
Derivative financial instruments	3,406	-	3,406	4,072	-	4,072
Derivatives	3,406	-	3,406	4,072	-	4,072
TOTAL FINANCIAL ASSETS	3,406		3 406	4 072	-	4 072
AT FAIR VALUE THROUGH PROFIT OR LOSS	-					
Financial liabilities at fair value through profit or loss	3,477	-	3,477	4,269	-	4,269
Derivative financial instruments	3,477	-	3,477	4,269	-	4,269
Derivatives	-	-	-	-	-	-
Other derivative instruments	-	-	-	-	-	-
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	3,477	-	3,477	4,269	-	4,269

4.2 / HEDGING DERIVATIVES

The table below shows the fair value of derivative financial instruments used for hedging purposes and those not used for hedging purposes.

(in thousands of euros)	12/31/2021		12/31/2020	
	Notional amount	Fair value	Notional amount	Fair value
CASH FLOW HEDGES	860,500	-4,443	607,000	-5,506
Interest rate derivatives - liabilities	680,000	-5,319	592,000	-5,509
Interest rate derivatives - assets	180,500	876	15,000	3
FAIR VALUE HEDGES	-	-1,935	125,000	-4,983
Interest rate derivatives - liabilities	-	-1,935	125,000	-4,983
DERIVATIVES USED FOR HEDGING PURPOSES	860,500	-6,377	732,000	-10,489
DERIVATIVES NOT USED FOR HEDGING PURPOSES	919,000	-72	1,108,000	-199
Derivatives - assets	3,402	4,030		4 030
Derivatives - liabilities	-3,475	-4,229		-4 229
COUNTERPARTY RISK	1,779,500	-181	1,840,000	-149
Credit value adjustment (CVA) derivatives - assets	-216	-213		-213
Debit value adjustment (DVA) derivatives - liabilities	36	65		65

Derivative financial instruments used for hedging purposes are contracted over-the-counter.

4.3 / FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

(in thousands of euros)	12/31/2021			12/31/2020		
	Gross	Impairment	Net	Gross	Impairment	Net
Financial assets at fair value through OCI	82,107	-	82,107	163,408	-	163,408
Equity investments in non-consolidated entities	33,373	-	33,373	35,916	-	35,916
Other financial assets	48,733	-	48,733	127,492	-	127,492
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI	82,107	-	82,107	163,408	-	163,408

Financial assets at fair value through other comprehensive income consist of the investments in the non-consolidated entity Servicios Financieros Carrefour (SFC), and the assets constituting the HQLA Lyxor fund.

4.4 / FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The classification (by valuation method) of financial instruments measured at fair value complies with the requirements of IFRS 7 except for CVA and DVA.

(in thousands of euros)	12/31/2021				12/31/2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Held-for-trading financial instruments at fair value through profit or loss	3,406	-	-	3,406	4,072	-	-	4,072
Hedging derivatives	-	912	-	912	-	68	-	68
Financial assets at fair value through OCI	82,107	-	-	82,107	163,408	-	-	163,408
Financial liabilities								
Held-for-trading financial instruments at fair value through profit or loss	3,477	-	-	3,477	4,269	-	-	4,269
Hedging derivatives	-	7,470	-	7,470	-	10,705	-	10,705

Consolidated financial statements

4.5 / INTERBANK TRANSACTIONS, AMOUNTS DUE FROM AND TO CREDIT INSTITUTIONS

Loans and advances to credit institutions

(in thousands of euros)	12/31/2021	12/31/2020
Demand accounts	152,688	171,646
Loans	1,302,914	1,093,400
Term deposits	25,000	10,000
TOTAL LOANS AND ADVANCES TO CREDIT INSTITUTIONS	1,480,602	1,275,046

Amounts due to credit institutions

(in thousands of euros)	12/31/2021	12/31/2020
Demand accounts	20,842	23,395
Borrowings	360,006	360,007
TOTAL AMOUNTS DUE TO CREDIT INSTITUTIONS	380,848	388,266

4.6 / LOANS AND ADVANCES TO CUSTOMERS, AMOUNTS DUE TO CUSTOMERS

Loans and advances to customers

(in thousands of euros)	12/31/2021	12/31/2020
Current accounts in debit	207,815	391,662
Loans to customers	1,216,327	1,634,997
Finance leases	-	-
TOTAL LOANS AND ADVANCES TO CUSTOMERS BEFORE IMPAIRMENT	1,424,142	2,026,660
Impairment of loans and advances to customers	187,696	348,085
TOTAL LOANS AND ADVANCES TO CUSTOMERS NET OF IMPAIRMENT	1,236,446	1,678,575

Movements in loans and advances to customers (IFRS 9)

(in thousands of euros)	Stage 1: Non-doubtful exposures	Stage 2 Exposures with significant increase in credit risk	Stage 3 Exposures in default	TOTAL
GROSS EXPOSURES AT JANUARY 1, 2021	1,220,505	202,994	306,566	1,730,065
Transfers				
to Stage 1	-	-10,430	7,634	-2,796
to Stage 2	-1,695	-	-9,804	-11,499
to Stage 3	-10,864	1,933	-	-8,930
New financial assets (originated or acquired)	282,790	4,161	8,586	295,536
Financial assets derecognised in the period (other than write-offs)	-378,910	-60,654	-7,963	-447,526
Write-offs	-2,162	-66,075	-107,930	-176,166
Changes due to contractual modifications not requiring derecognition	-802	-282	2,665	1,581
Other adjustments	-3,348	39,165	8,061	43,878
Mergers	-	-	-	-
GROSS EXPOSURES AT DECEMBER 31, 2021	1,105,514	110,813	207,815	1,424,142

Movements in impairment allowances for loans and advances to customers (IFRS 9)

(in thousands of euros)	Stage 1: Non-doubtful exposures	Stage 2: Exposures with significant increase in credit risk	Stage 3: Exposures in default	Provision for credit risk on off balance sheet commitments	TOTAL
IMPAIRMENT OF EXPOSURES AT 1 JANUARY 2021	22,796	61,081	184,892	1,781	270,549
Transfers					
to Stage 1	-	840	5,391	-	4,551
to Stage 2	30	-	644	-	675
to Stage 3	171	3,244	-	-	3,073
New financial assets (originated or acquired)	3,033	1,054	3,788	-	7,876
Financial assets derecognised in the period (other than write-offs)	16,274	77,484	76,763	-	170,521
Write-offs	-	-	-	-	-
Changes due to contractual modifications not requiring derecognition	-	-	-	-	-
Changes in risk models and parameters	5,268	40,650	15,598	-	61,516
Other adjustments	4,454	2,949	11,603	435	13,542
Mergers	-	-	-	-	-
IMPAIRMENT OF EXPOSURES AT DECEMBER 31, 2021	19,076	24,756	143,865	2,216	189,912

Amounts due to customers

(in thousands of euros)	12/31/2021	12/31/2020
Current accounts in credit	13,608	23,287
Term accounts and equivalents	-	-
Other accounts in credit	2,239	2,244
Regulated savings accounts	301,281	320,845
IFRS 16 liabilities	273	1,232
TOTAL AMOUNTS DUE TO CUSTOMERS	317,401	347,608

4.7 / DEBT SECURITIES IN ISSUE

(in thousands of euros)	12/31/2021	12/31/2020
Certificates of deposit	79,000	113,000
Other negotiable debt instruments	491,798	721,814
Bond issues	1,564,277	1,667,453
TOTAL DEBT SECURITIES IN ISSUE	2,135,075	2,502,267

4.8 / CURRENT AND DEFERRED TAXES

Income tax expense for the period includes current tax expense and deferred tax expense. It also includes the amount recorded in France for the corporate value added contribution (CVAE), because the Group takes the view that CVAE meets the definition specified in IAS 12 "Income Taxes". Deferred taxes are calculated and recognised using the balance sheet method for all temporary differences between the carrying amount and tax base of assets or liabilities recognised in the consolidated balance sheet (subject to the exceptions specified in IAS 12), and for tax losses available for carry-forward.

Deferred taxes are calculated using tax rates enacted or substantively enacted by the end of the reporting period. Deferred tax assets and liabilities are not discounted, and are presented within non-current assets and liabilities in the balance sheet.

The recoverability of deferred tax assets is assessed separately for each tax entity, taking account of (i) estimates of future taxable profits/losses derived from the strategic plan for each country and (ii) deferred tax liabilities at the end of the reporting period. Deferred tax assets for which recovery is not regarded as probable are written down via an impairment allowance.

Consolidated financial statements

(in thousands of euros)	12/31/2021	12/31/2020
Current tax assets	3,768	5,790
Deferred tax assets	58,229	49,090
CURRENT AND DEFERRED TAX ASSETS	61,997	54,881
Current tax liabilities	5,575	5,841
Deferred tax liabilities	2,104	3,314
CURRENT AND DEFERRED TAX LIABILITIES	7,679	9,155

Movement in deferred taxes during the period

(in thousands of euros)	12/31/2021	12/31/2020
Net deferred tax asset at start of period	45,776	77,815
Deferred tax gain/(expense) (see Note 5.7)	13,854	-32,044
Changes in deferred taxes arising from financial assets (changes in fair value, and reclassification of past changes in fair value to profit or loss)	-	-
Changes in deferred taxes arising from hedging instruments (changes in fair value, and reclassification of past changes in fair value to profit or loss)	-875	-37
Exchange rate fluctuations and other movements	-2,630	42
Net deferred tax asset at end of period	56,125	45,776

The increase in deferred tax assets is due to the reversal of impairment allowances relating to tax losses available for carry-forward and temporary differences at the end of the reporting period.

Breakdown of net deferred tax asset by source

(in thousands of euros)	12/31/2021	12/31/2020
Available-for-sale financial assets	-	-
Unrealised finance lease reserve	-	-
Provisions for employee benefit obligations	5,109	5,851
Provisions for credit risk	55,876	59,030
Other items	-47,986	-56,171
Tax losses available for carry-forward	43,126	37,066
Net deferred tax asset	56,125	45,776
Deferred tax assets	58,229	49,090
Deferred tax liabilities	2,104	3,314

4.9 / ACCRUAL ACCOUNTING ADJUSTMENTS, OTHER ASSETS AND LIABILITIES

(in thousands of euros)	12/31/2021	12/31/2020
Items in course of collection	36,086	59,943
Prepayments	19,563	7,279
Accrued income	8,410	10,464
Other accrual accounting adjustments	3,649	5,697
Sundry Group debtors	11,650	21,401
Other sundry debtors	8,937	25,316
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER ASSETS	88,296	130,101
Accrued expenses	726	261
Deferred income	14,491	17,538
Items in course of collection	6,894	10,093
Sundry Group creditors	5,596	19,945
Taxes payable	533	561
Employee-related liabilities	15,038	18,729
Trade payables	27,227	16,438
Other sundry creditors	594	7,863
TOTAL ACCRUAL ACCOUNTING ADJUSTMENTS AND OTHER LIABILITIES	71,099	91,427

Sundry Group debtors and creditors have reduced since the in-store finance booths were transferred to the Carrefour group in September 2020.

4.10 / INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

(in thousands of euros)	12/31/2021			12/31/2020		
	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount	Gross value	Accumulated depreciation, amortisation & impairment	Carrying amount
Investment property	-	-	-	-	-	-
Land and buildings	-	-	-	-	-	-
Equipment, furniture, fixtures and fittings	16,399	13,906	2,494	17,453	14,075	3,378
Assets leased out	-	-	-	-	-	-
Other property, plant and equipment	1,558	854	704	4,309	4,309	1,669
Property, plant and equipment	17,957	14,759	3,198	21,762	16,715	5,047
Acquired or internally-developed software	103,360	68,755	34,605	94,092	62,283	31,809
Other intangible assets	73,600	-	73,600	73,600	-	75,785
Intangible assets	176,960	68,755	108,205	167,692	62,283	105,409

Intangible assets

"Other intangible assets" include in particular leasehold rights and customer relationships.

For impairment testing purposes, leasehold rights are valued as the sum total of the differences between (i) the market rent and (ii) the rent payable over the residual lease term discounted at the market rate of return.

As of December 31, 2021, impairment testing of these assets on an individual basis (performed using the methods described in Note 3.4, "Intangible assets and property, plant and equipment") did not result in the recognition of any impairment losses. Refer also to Note 3.5 for the application of IFRS 16, "Leases".

Depreciation and amortisation

The net amount of depreciation charged against property, plant and equipment was €15 million in 2021, and €17 million in 2020; the net amount of amortisation charged against intangible assets was €68.8 million in 2021.

Minimum future lease payments receivable under non-cancellable leases represent the payments that the lessee is obliged to make during the term of the lease.

Consolidated financial statements

4.11 / PROVISIONS

(in thousands of euros)	12/31/2020	Charges	Reversals	Other movements	12/31/2021
Employee benefits	22,521	1,653	-168	-13,809	10,198
Restructuring provisions	5,126	16,704	-6,767	-3,431	11,632
Provisions for employee-related risks	1,057	665	-79	-108	1,535
Provisions for legal risks	780	-	-140	-640	-
IFRS 9 off balance sheet provisions	4,403	223	-	-1,965	2,216
Other provisions	2,404	16,608	-3,040	-	15,972
TOTAL PROVISIONS	36,291	35,407	-10,193	-6,336	41,552

The provision for employee benefits has reduced due to the change in accounting policy on first-time application of the IFRS IC agenda decision (see Note 2.1). Other provisions include the discontinuation of the operations of Carrefour Banca, and a provision for operational risks relating to fraudulent transactions..

[Note 5](#)

NOTES TO THE INCOME STATEMENT FOR THE YEARS ENDED 31 DECEMBER 2020 AND DECEMBER 31, 2021

5.1 / INTEREST AND EQUIVALENT INCOME AND EXPENSES

(in thousands of euros)	2021			2020		
	Income	Expenses	Net	Income	Expenses	Net
Transactions with customers	132,172	805	131,367	159,674	1,222	158,451
Accounts, loans and borrowings	132,172	805	131,367	159,674	1,222	158,451
Interbank transactions	8,938	385	8,553	5,887	189	5,698
Accounts, loans and borrowings	8,938	385	8,553	5,887	189	5,698
Repos	-	-	-	-	-	-
Debt securities issued by the Group	2,641	1,825	816	2,837	1,782	1,055
Cash flow hedging instruments	12,232	15,798	-3,566	11,253	17,616	-6,362
Other interest and equivalent income/expenses	-	11	-11	-	26	-26
TOTAL INTEREST AND EQUIVALENT INCOME/EXPENSES	155,983	18,824	137,158	179,651	20,835	158,816

5.2 / FEE AND COMMISSION INCOME AND EXPENSE

Fee and commission income on financial assets amounted to €60.4 million in 2021 (compared with €67.1 million in 2020); fee and commission expense on financial liabilities not measured at fair value through profit or loss totalled €21.7 million in 2021 (versus €11.2 million in 2020).

5.3 / NET GAINS/LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

"Net gains/losses on financial instruments at fair value through profit or loss" comprises all profit and loss items (including dividends) generated by held-for-trading financial instruments and by financial instruments designated by the Group at fair value through profit or loss, except for interest income and expenses (reported in "Interest and equivalent income and expenses", note 5.1).

(in thousands of euros)	2021	2020
Held-for-trading portfolio	4	3
Debt instruments	-	-
Other derivative financial instruments	4	3
Changes in fair value - ineffective portion	-	-
Fair value hedges	173	-
Losses on hedging instruments	-	-
Gains on hedged items	173	-
Cash flow hedges	-	-
Changes in fair value of hedging derivatives - ineffective portion	-	-
Gain/(loss) from counterparty risk on derivative instruments	-3	35
Remeasurement of foreign exchange positions	-	-
TOTAL	174	38

5.4 / OTHER INCOME AND EXPENSES ON BANKING OPERATIONS

(in thousands of euros)	2021			2020		
	Income	Expenses	Net	Income	Expenses	Net
Share of joint operations	55,083	10,077	45,005	64,396	10,173	54,223
Expenses recharged to Group companies	5,923	-	5,923	6,110	-	6,110
Other income and expenses on banking operations	1,758	5,657	-3,899	1,384	20,553	-19,169
Net income from insurance activities	-	-	-	-	-	-
TOTAL OTHER INCOME AND EXPENSES ON BANKING OPERATIONS	62,763	15,734	47,029	71,889	30,726	41,163

5.5 / COST OF RISK

"Cost of risk" consists of charges to impairment allowances recorded in respect of credit risk arising from the Group's intermediation activities
Major events during 2021 :

- total centralisation of loan approvals;
- optimised loan recovery management, with an abbreviated agreed-upon recovery procedure; and
- personalised support initiated on first default for the highest risk profiles.

Cost of risk for the period

(in thousands of euros)	2021	2020
Net reversals of impairment allowances	141,820	112,726
Charges on customer loans mainly covered by impairment allowances	-195,562	-190,788
TOTAL COST OF RISK FOR THE PERIOD	-53,742	-78,062

Cost of risk for the period by asset class

(in thousands of euros)	2021	2020
Loans and advances to credit institutions	-	-
Loans and advances to customers	-53,742	-78,062
Other assets	-	-
TOTAL COST OF RISK FOR THE PERIOD	-53,742	-78,062

Consolidated financial statements

Impairment allowances recognised for credit risk

(in thousands of euros)	2021	2020
TOTAL IMPAIRMENT ALLOWANCES AT START OF PERIOD	348,756	461,481
Net reversals of impairment allowances	-141,820	-112,725
Other movements relating to newly-consolidated entities	-	-
Gross impact of IFRS 9 - Impairment of assets	-	-
Gross impact of IFRS 9 - Impairment of off balance sheet items	-	-
TOTAL IMPAIRMENT ALLOWANCES AT END OF PERIOD	206,935	348,756

Impairment allowances by asset class

(in thousands of euros)	2021	2020
Impairment of assets		
Loans and advances to customers	206,935	348,756
Other assets	-	-
TOTAL IMPAIRMENT ALLOWANCES AND PROVISIONS	206,935	348,756

Net reversals include (i) write-offs of amounts scheduled for debt relief on completion of over-indebtedness arrangements and (ii) provisions no longer required following the sale of the portfolio of over-indebted customer exposures.

5.6 / INCOME TAXES

(in thousands of euros)	2021	2020
Income taxes	-2,345	2,625
Deferred taxes	-13,855	32,044
TOTAL	-16,199	34,669

(in thousands of euros)	2021	2020
Current pre-tax profit/(loss)	32,788	-202
Standard tax rate	25.83%	32.02%
Surtaxes	4.70%	4.70%
Theoretical tax charge/(gain)	8,469	-65
Items taxed at reduced rates		
Net impact of add-backs and deductions (*)	-36,334	32,914
Levies and duties equivalent to income taxes	0	0
Other items	11,666	1,820
Income tax expense/(gain)	-16,199	34,669
Current income tax expense/(gain) for the period	-2,345	2,625
Deferred income tax expense/(gain) for the period (see Note 4.8)	-13,855	32,044

(*) Includes reversal of impairment allowances charged against deferred tax assets arising on tax losses available for carry-forward and temporary differences.

Note 6

RISK EXPOSURE AND REGULATORY RATIOS

6.1 / OVERVIEW OF RISK EXPOSURE

The Carrefour Banque Group specialises in providing consumer credit to retail customers. The Group distributes two principal product families: loans associated with the Mastercard PASS card, and the full range of personal loans (new and used cars, motorcycles, home improvements, cash advances, internal/external debt consolidation, asset finance, etc.).

The principal risks identified by Carrefour Banque are :

- **Interest rate risk** : Carrefour Banque would be adversely affected by interest rate risk if the rate payable on its debts were to rise faster than the rate charged to its customers. An unfavourable movement in interest rates of this kind would be liable to adversely affect the profitability of Carrefour Banque, and hence its ability to repay its debts.
- **Market risk** : Market risk is the risk of loss arising from fluctuations in the prices of financial instruments in a portfolio, and may relate to share prices, exchange rates or other financial products.
- **Liquidity risk** : Liquidity risk is the risk that an entity may be unable to meet its obligations, or to unwind or offset a position, due to market conditions.
- **Counterparty risk** : Counterparty risk is the risk that arises if refinancing and/or derivatives transactions are concentrated with a very limited number of counterparties.
- **Solvency risk** : Solvency is the ability of Carrefour Banque to secure its future over a relatively long time-frame without defaulting on its payments. There is an underlying risk for our customers: while loan customers incur no financial risk in the event Carrefour Banque were to fail, there is a risk to our savings customers.
- **Credit risk** : For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations. Insolvency of borrowers to whom the Company has advanced funds is one of the principal risks affecting its operations.
- **Business continuity risk** : Business continuity risk is the risk that arises if service-providers fail to deliver adequately on back-up systems or the business continuity plan; if systems are not available and not covered by regular business continuity or business recovery plans; if staff are unavailable and not covered by back-up arrangements or outsourcing of key operations; and if our premises are inaccessible and not covered by one or more fallback sites.
- **Information systems risk** : This risk relates to all aspects of information systems, in terms of both continuity and security (data protection, crisis management procedures, infrastructure stability, etc).
- **External fraud risk** : Carrefour Banque has identified various types of external fraud that could adversely affect its operations, including (but not limited to) card fraud, identity fraud and document fraud.
- **Outsourcing risk** : For each outsourced service, a formal Service Level Agreement is entered into so as to enshrine the service-provider's obligations in a contractual framework, including continuity of service. The inherent risks of outsourcing include (but are not limited to) under-performance or breach of contract by the service-provider, loss of control over the outsourced service, loss of know-how, and inadequately negotiated contracts.
- **Legal risk** : The main legal risk liable to affect Carrefour Banque is the risk that the drafting or interpretation of a contract with a customer or service-provider may lead to financial loss or an unwanted increase in the bank's commitments.
- **Strategy risk** : Strategy risk relates to the negative consequences of not being able to deliver on strategic objectives. However the Board of Directors, in its role overseeing senior management, regularly monitors attainment of Carrefour Banque's strategic objectives.
- **Reputational risk** : Reputational risk is the risk of an impairment in the value of Carrefour Banque, or more generally an adverse impact on its revenue or capital, as a result of events that harm its reputation or products.
- **Compliance risk** : This is the risk of incurring legal, administrative or disciplinary penalties, material financial loss or reputational damage, as a result of failure to comply with (i) directly-applicable laws and regulations (national or European), or (ii) with professional and ethical standards, or (iii) instructions from the effective directors specifically made pursuant to guidance from the supervisory body.

Carrefour Banque is subject to the regulatory obligations of Regulation 575/2013 of the European Parliament, and is in compliance with those obligations.

6.2 / CREDIT RISK

For Carrefour Banque, credit risk is the risk that a debtor may not fulfil its contractual obligations. Insolvency of borrowers to whom the Company has advanced funds is one of the principal risks affecting its operations. Consequently, Carrefour Banque has specifically focused on systems designed to exercise control over the quality and solvency of its customers, such as :

- a decision-making support system which incorporates tools to handle credit scoring, budgets and credit references, checks out negative reports, and takes account of events related to the Covid-19 crisis;
- active management of negotiated and legal recovery procedures;
- permanent credit risk monitoring tools.

Provisions for credit risk are established in accordance with currently applicable accounting standards.

Credit risk management

Loan approval systems

The Carrefour Banque Group has its own in-house distribution network. Network sales staff are trained and sensitised to deal with issues relating to the prevention of over-indebtedness and the risk of financial exclusion, and approve loans on the basis of credit scoring and expert systems..

Organisational structure

Carrefour Banque has reinforced its risk management structure by creating a Risk Management and Internal Control Co-ordination department, bringing together the following functions :

1/ Credit risk :

Responsible for loan acceptance policy, administration of decision-making tools used in the loan approval process, strategies for dealing with defaulting loans, estimating provisioning rates (used as the basis for the cost of risk calculations performed by the Finance Department), and checking the quality of the underlying assets in securitisation transactions.

Consolidated financial statements

2/ Operational risks and risk mapping :

Responsible for compiling and maintaining risk mapping, and for monitoring and identifying operational risks.

3/ Level 2 permanent control :

Responsible for preparing and executing the level 2 control plan, and for supporting business lines in level 1 control ;

4/ Compliance :

Responsible for oversight of financial security, control over outsourced critical or important services, protection of customer interests, ethical standards, and monitoring of regulatory requirements.

5/ Fraud prevention and anti money laundering :

Responsible for establishing rules and for monitoring systems used to prevent fraud, money laundering and the financing of terrorism.

This reinforced organisational structure reflects Carrefour Banque's commitment to enhancing control over the risks it faces while protecting the interests of its customers and complying with currently applicable regulations.

Risk measurement and oversight

- Governance of risk operates via :

- A Credit Risk Management Committee that meets quarterly, and consists of the Chief Financial Officer plus representatives from the operational management, sales, risk management, finance, marketing, compliance and permanent control functions. This Committee makes decisions on operational matters relating to control over credit risk. It establishes credit risk indicators, approves escalation criteria, flags up problem areas and disseminates information. The Committee's role is defined in the risk management policy.
- Carrefour Banque BNPP PF Risk Committee: this Committee meets quarterly, and brings together managers from major BNPP PF partners and the Carrefour Banque Risk Management department. It performs benchmarking on trends in risk indicators, and assesses performance on legal and negotiated recovery.
- Board of Directors (four meetings a year): each Board meeting includes a presentation on risk trends, and action plans for controlling credit risk (both preventive and remedial measures).

- Oversight of risk using risk monitoring indicators:

- Monthly review of ratio of defaults to total loans outstanding.
- Monthly loan acceptance review: loan application acceptance rate, with focus on reconciling the decision per the expert system with the advisor's decision, by product and by salesperson.
- Monthly review of level of risk on approval by product, by salesperson and by advisor, in quantity and in amount, with distribution to salespeople of lists of over-indebtedness referrals less than 3 months old.
- Monitoring of application profiles, application conversion (expert system decisions versus salesperson decision) and generational risk.
- Monthly review of "rejected-approved" applications by salesperson, product and reason (system decision compared to salesperson decision), including applications initially rejected due to inadequate score, budget overrun or non-compliance with standards. The aim is to understand trends in applications initially rejected but then approved in order to identify additional training needs and the reasons why rejected applications are subsequently approved, and to see whether the system is too restrictive. Since 2008, the information system has required an explanation for any application initially refused but subsequently accepted.
- Monthly review of cost of risk, trends in over-indebtedness referrals and compromised loans, debt recovery referrals, and collections on debt recovery proceedings by counterparty.
- Daily review of effectiveness of in-house recovery (number of calls made and received, % of regularisations, etc) by customer manager, by group head and by phase, supplied to staff via the "risk weather report", and to external service-providers.

Obligations related to the use of internal ratings systems to calculate capital requirements in respect of credit risk

After receiving clearance from the ACPR (the French banking regulator), the Risk Management Department decided to revert to the standard method from February 2021.

Non-doubtful exposures

Under IFRS 9, a distinction is drawn between non-doubtful exposures and restructured exposures (loans wholly or partially rescheduled or refinanced).

Doubtful exposures

The table below shows doubtful exposures, and the related impairment allowances.

	12/31/2021			12/31/2020		
	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures	Gross doubtful exposures (impaired assets and commitments provided for)	Impairment allowances on doubtful exposures	Net doubtful exposures
in thousands of euros)						
Loans and advances to customers	391,662	256,142	135,520	391,662	256,142	135,520
TOTAL DOUBTFUL EXPOSURES	391,662	256,142	135,520	391,662	256,142	135,520

Ageing of doubtful exposures

	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
December 31, 2021 (in thousands of euros)						
Loans and advances to customers	89,902	19,932	2,366	12,728	82,886	207,814
Impairment allowances on doubtful exposures	50,113	2,506	1,253	9,389	80,603	143,865
Doubtful exposures by time past due	39,789	17,426	1,112	3,339	2,283	63,950
	Not past due	More than overnight to 3 months	3 to 6 months	6 months to 1 year	More than 1 year	TOTAL
December 31, 2020 (in thousands of euros)						
Loans and advances to customers	155,783	17,313	14,608	95,399	108,559	391,662
Impairment allowances on doubtful exposures	88,311	3,864	9,931	75,843	78,193	256,142
Doubtful exposures by time past due	67,472	13,448	4,677	19,556	30,367	135,520

6.3 / INTEREST RATE RISK ON THE BANKING BOOK

Overview of interest rate risk management

Carrefour Banque has two principal customer banking books denominated in euros (personal loans and revolving credit), for which specific interest rate hedging strategies are used.

For personal loans, Carrefour Banque's strategy is to contract interest rate hedges with a maturity profile which matches that of customer assets based on static data.

For revolving credit, the hedging strategy is based on 4-year observed dynamic data, within a range defined by upper and lower stop limits.

The objective is to protect the Group's financial margin by using plain vanilla interest rate swaps.

Interest rate risk is overseen by a monthly risk committee, which defines appropriate indicators and sets risk limits.

6.4 / LIQUIDITY RISK

The exposure of the Carrefour Banque group to liquidity risk is monitored via a liquidity policy approved by senior management as part of the Group's overall policies.

The refinancing position is assessed using internal standards, early warning indicators and regulatory ratios. Liquidity risk management aims to address the following objectives:

- Refinancing buffer, based on a monthly review of projected cash surpluses and/or needs via a comparison between a static or dynamic projection of commitments received and a dynamic projection of customer exposures.
- Compliance with Basel III liquidity ratios.
- Diversification of sources of refinancing (bonds, securitisation, negotiable debt instruments, on balance sheet savings deposits).
- Adequate liquidity backup.

Note 7

EMPLOYEE REMUNERATION AND BENEFITS

7.1 / PERSONNEL COSTS

Personnel costs amounted to €53.8 million in 2021, compared with €62.5 million in 2020. The year-on-year change was mainly due to the strategic workforce planning exercise carried out in May.

Fixed and variable salaries and wages, plus voluntary and statutory profit-sharing expenses, came to €34 million (versus €38.7 million in 2020); retirement benefits, pension costs and other social charges amounted to €19.8 million (versus €23.8 million in 2020); and payroll-based taxes and equivalents totalled €3.7 million (versus €4.2 million in 2020).

7.2 / POST-EMPLOYMENT BENEFITS

The cost of defined-benefit plans is determined at the end of each annual reporting period using the projected unit credit method. The calculation is based on an actuarial method that builds in assumptions about salary increases and the retirement age.

The Group's defined-benefit plans take the form of retirement benefits payable under collective agreements in a single lump sum on the retirement date. In accordance with currently applicable legislation and collective agreements, the Group pays a lump-sum benefit to each employee on retirement, expressed in number of months' salary (based on the salary paid in the twelve months preceding retirement) and determined according to the employee's length of service with the Group.

Consolidated financial statements

Net expense for the period

(in thousands of euros)	2021	2020
Service cost	-732	-746
Interest expense	53	192
Expected return on plan assets	-	-
Amortisation of actuarial gains and losses	-	-
Other items	8	-
Net expense/(income)	-671	-554

Movement in the provision

(in thousands of euros)	TOTAL
Provision at December 31, 2020	8,807
Impact in income statement	-671
Effect of changes in scope of consolidation	-1,266
Benefits paid directly by the employer	-166
Other items	-9,082
Provision at December 31, 2021	-2,378

The decrease in the provision reflects the change in accounting policy due to the IFRS IC agenda decision.

Amount of the liability

Obligation (in thousands of euros)	TOTAL
Defined benefit obligation at December 31, 2020	22,521
Provision	-2,378
Fair value of plan assets	-
Gross obligation	-2,378
Actuarial gains and losses	12,576
Defined benefit obligation at December 31, 2021	10,198

Actuarial assumptions

The assumptions used in the measurement of retirement benefit obligations are as follows :

Assumption	2021	2020
Age on retirement	60 - 65 years	60 - 65 years
Salary inflation rate	2.0%	1.9%
Social security charges rate	56%	53%
Discount rate	0.80%	0.40%

7.3 / OTHER LONG-TERM BENEFITS

The Group operates a scheme that enables employees who work during part of their paid leave entitlement to save credits in exchange for future benefits. The provision recorded in respect of this scheme was €1.4 million at December 31, 2021 and €1.4 million at December 31, 2020.

7.4 / EXECUTIVE REMUNERATION

Remuneration paid to key executives totalled €1.554 million for the year ended December 31, 2021, compared with €1.798 million for the year ended December 31, 2020.

Note 8

FINANCING AND GUARANTEE COMMITMENTS

8.1 / FINANCING COMMITMENTS

Contractual value of financing commitments given and received by the Group

(in thousands of euros)	12/31/2021	12/31/2020
Financing commitments given		
To credit institutions	594,000	702,000
Hedging commitments	594,000	702,000
To customers	1,943,216	1,922,716
Confirmed credit facilities available to customers	1,943,216	1,922,716
Hedging commitments	-	-
Other commitments given to customers	-	-
Pledges	2,179	2,158
Securities commitments	414,000	430,000
TOTAL FINANCING COMMITMENTS GIVEN	2,908,395	3,056,874
Financing commitments received		
From credit institutions	3,470,500	3,326,222
Hedging commitments	1,845,500	1,694,000
Refinancing commitments	1,625,000	1,632,222
TOTAL FINANCING COMMITMENTS RECEIVED	3,470,500	3,326,222

8.2 / SIGNED GUARANTEE COMMITMENTS GIVEN AND RECEIVED

(in thousands of euros)	12/31/2021	12/31/2020
Guarantee commitments given		
To credit institutions	-	-
To customers	3,478	3,666
Surety bonds (administrative, tax and other)	3,478	3,666
Other guarantees given to customers	3,478	3,666
TOTAL GUARANTEE COMMITMENTS GIVEN		
Guarantee commitments received	115	140
Surety bonds received	115	140
TOTAL GUARANTEE COMMITMENTS RECEIVED	115	140

8.3 / OTHER GUARANTEE COMMITMENTS

Financial instruments posted as collateral

(in thousands of euros)	12/31/2021	12/31/2020
Securities posted as collateral	-	-

Financial instruments received as collateral

As of December 31, 2021 and December 31, 2020, no financial instruments received by the Group as collateral or in reverse repos had been effectively sold or reposted as collateral

Consolidated financial statements

Note 9

ADDITIONAL INFORMATION

9.1 / CHANGES IN SHARE CAPITAL

As of December 31, 2021, the share capital of Carrefour Banque consisted of 6,614,184 shares with a par value of €15.3, all fully paid; 60% of the share capital is held by Carrefour SA, and 40% by BNP Paribas Personal Finance SA (BNPP PF).

On May 29, 2015, 89,828 new shares were issued on exercise of the share warrants held by BNPP PF, representing a capital increase of €1.4 million. In 2010, 506,148 new shares with an aggregate par value of €7.8 million were issued in connection with acquisitions and asset-for-share exchange transactions involving in-store finance and insurance booths, the aim of which was to unite within Carrefour Banque the banking and insurance product distribution networks previously carried by various legal entities within the Carrefour Group. Of those newly-issued shares, 358,181 (€5.5 million) were issued in exchange for the transfer of the finance booths to Carrefour Banque.

9.2 / CHANGES IN SHARE CAPITAL AND RESERVES OF SUBSIDIARIES ATTRIBUTABLE TO THE GROUP AND TO NON-CONTROLLING INTERESTS

The Carrefour Banque Group does not have any non-controlling interests in its consolidated financial statements.

9.3 / BUSINESS COMBINATIONS

No business combinations took place in 2021.

9.4 / RELATED-PARTY TRANSACTIONS

Transactions between the Carrefour Banque Group and related parties (the Carrefour Group and the BNPP PF Group) are concluded on the market terms prevailing on the date of the transaction.

The tables below show year-end balances and items of income and expense arising from transactions with other companies in the Carrefour and BNPP PF groups.

Related-party transactions – year-end balances

(in thousands of euros)	12/31/2021		12/31/2020	
	BNPP PF	Carrefour	BNPP PF	Carrefour
Assets				
Loans, advances and securities				
Current accounts	56,240	-	42,818	-
Loans	-	1,169,000	-	1,093,000
Sundry assets	434	11,650	-	21,401
TOTAL	56,674	1,180,650	42,818	1,114,401
Liabilities				
Deposits				
Current accounts	-	-	-	-
Other borrowings	-	-	-	-
Sundry liabilities	-	5,968	-	19,945
TOTAL	-	5,968	-	19,945
Financing and guarantee commitments				
Financing commitments received	532,500	400,000	532,500	400,000
Other guarantee commitments				
Other guarantee commitments received	115	-	115	-

Related-party transactions – income and expenses

(in thousands of euros)	12/31/2021		12/31/2020	
	BNPP PF	Carrefour	BNPP PF	Carrefour
Interest and equivalent income	66	5,923	4	6,110
Interest and equivalent expenses	-122	-7,450	-677	-22,326
Fee and commission income	1,624	-	1,399	-
Fee and commission expenses	-3,290	-	-3,259	-
TOTAL	-1,722	-1,527	-2,533	-16,216

9.5 / MATURITY SCHEDULE

The table below breaks down financial assets and financial liabilities reported in the balance sheet by contractual maturity. Financial assets at fair value through profit or loss and available-for-sale financial assets are regarded as "undetermined" since these instruments are liable to be sold or redeemed prior to maturity. Derivative instruments (including CVA and DVA) are also regarded as "undetermined".

December 31, 2021 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	2,849	-	-	-	-	2,849
Financial assets at fair value through profit or loss	3,406	-	-	-	-	-	3,406
Hedging derivatives	910	-	-	-	-	-	910
Financial assets at fair value through other comprehensive income	82,107	-	-	-	-	-	82,107
Loans and advances to credit institutions at amortised cost	-	178,286	1,168,000	134,324	-	-	1,480,610
Loans and advances to customers at amortised cost	-	203,497	105,726	218,045	640,050	69,128	1,236,446
Securities at amortised cost	-	14	-	-	414,000	-	414,014
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	86,422	384,646	1,273,726	352,369	1,054,369	69,128	3,220,342
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	3,477	-	-	-	-	-	3,477
Hedging derivatives	7,541	-	-	-	-	-	7,541
Amounts due to credit institutions	-	20,848	-	-	360,000	-	380,848
Amounts due to customers	-	15,173	303,015	-507	-244	-36	317,401
Debt securities in issue	-	3,153	147,000	985,000	1,006,228	-	2,135,075
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	11,018	32,868	450,015	984,493	1,365,984	-36	2,844,342

Consolidated financial statements

December 31, 2021 (in thousands of euros)	Undetermined	Overnight or on demand	More than overnight to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	TOTAL
Cash, central banks and postal cheque accounts	-	1,909	-	-	-	-	1,909
Financial assets at fair value through profit or loss	4,072	-	-	-	-	-	4,072
Hedging derivatives	68	-	-	-	-	-	68
Available-for-sale financial assets	163,408	-	-	-	-	-	163,408
Loans and advances to credit institutions	-	182,046	1,093,000	-	-	-	1,275,046
Loans and advances to customers	-	262,137	132,638	304,052	453,246	526,502	1,678,575
Securities at amortised cost	-	15	-	-	430,000	-	430,015
Remeasurement difference on interest rate hedged portfolios	-	-	-	-	-	-	-
Financial assets by maturity	167,549	446,107	1,225,638	304,052	883,246	526,502	3,553,093
Central banks and postal cheque accounts	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	4,269	-	-	-	-	-	4,269
Hedging derivatives	10,699	-	-	-	-	-	10,699
Amounts due to credit institutions	-	23,401	360,000	-	-	-	383,401
Amounts due to customers	-	28,343	322,220	-1,054	-223	-1,678	347,608
Debt securities in issue	-	3,180	408,000	630,000	1,467,447	-	2,502,267
Subordinated debt	-	-	-	-	-	-	-
Financial liabilities by maturity	14,968	48,564	1,090,220	628,946	1,467,224	-1,678	3,248,244

9.6 / FAIR VALUE OF FINANCIAL INSTRUMENTS CARRIED AT AMORTISED COST

The disclosures contained in this note should be used and interpreted with the utmost caution, for the following reasons :

- These fair values represent a snapshot estimate of the value of these instruments as of December 31, 2021. They are liable to fluctuate from day to day as a result of variations in a number of parameters, including interest rates and counterparty credit quality. In particular, these fair values may be materially different from the amounts actually paid or received on maturity of these instruments. In most cases, these remeasured fair values are not intended to be (and in practice could not be) realised immediately. Consequently, they do not represent the effective value of these instruments for the Carrefour Banque Group on a going concern basis.
- Most of the snapshot fair values are not meaningful, and hence are not taken into account in managing the Carrefour Banque Group activities that use these financial instruments.

(in thousands of euros)	12/31/2021		12/31/2020	
	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
Financial assets				
Loans and advances to credit institutions	1,480,610	1,480,610	1,275,046	1,275,046
Loans and advances to customers	1,236,446	1,235,762	1,678,575	1,673,367
Financial liabilities				
Amounts due to credit institutions	380,848	380,848	383,401	383,401
Amounts due to customers	317,401	317,401	347,608	347,625
Debt securities in issue	2,135,075	2,135,075	2,502,267	2,494,508

The fair value of a financial instrument is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The fair values of the assets and liabilities mentioned in the table above were determined using the discounted cash flow method.

9.7 / DISCLOSURE OF INTERESTS IN OTHER ENTITIES

The schedule below shows information about non-consolidated structured entities in which Carrefour Banque has an interest :

Entity (in thousands of euros)	Year	Description of activity	Status	Amount advanced	Debt waivers
SCI Ambaville	2013	Social and ultra-social housing in Réunion Island	En cours	6 021	-4 015
TOTAL				6,021	-4,015

9.8 / OPERATIONS OUTSIDE FRANCE

The schedule below shows information about Carrefour Banque's operations by country :

Information about operations by country

(in thousands of euros)

Name of operation	CARREFOUR BANQUE/GIE	Carrefour Banca	Fimaser	
Description of business	Credit institution, investment services provider	Lending, payment media management and insurance brokerage	Electronic money issuance, lending and insurance brokerage (life insurance only)	TOTAL
Country	France	Italy	Belgium	
Revenues	N/A	N/A	N/A	N/A
Net banking income	205,505	3,979	18,848	228,331
Average number of full-time employees	869	7	66	762
Public subsidies received	NONE	NONE	NONE	NONE
Current pre-tax profit/(loss)	19,745	5,760	7,284	32,788
Current taxes	4,048	-26	-1,677	2,345
Deferred taxes	16,132	-1,800	-477	13,855

9.9 / AUDITORS' FEES

(in thousands of euros)

	DELOITTE	MAZARS	KPMG
Audit of financial statements	267	132	107
Non-audit services	48	48	-
TOTAL AUDITORS' FEES	315	180	107

Consolidated financial statements

Statutory Auditors' report on the consolidated financial statements

Year ended December 31, 2021

To the Annual General Meeting of the shareholders of Carrefour Banque SA,

OPINION

In accordance with the assignment entrusted to us by your Annual General Meeting, we have conducted our audit of the accompanying consolidated financial statements of Carrefour Banque S.A. for the year ended December 31, 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 as at December 31, 2021, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union.

The opinion expressed above is consistent with the contents of our report to the Audit Committee.

BASIS FOR OUR OPINION

Auditing standards

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 audit opinion.

Our responsibilities under those standards are described in the section "Statutory auditors' responsibilities for the audit of the consolidated financial statements" below.

Independence

We conducted our audit engagement in compliance with the rules on independence specified in the Commercial Code and the code of ethics of the auditing profession for the period from January 1, 2021 to the date of issuance of this report. Specifically, we provided no services prohibited by Article 5, Paragraph 1 of Regulation (EU) No. 537/2014.

Non-audit services that we provided to your company (and to entities controlled by it) during the year ended December 31, 2021 and not disclosed in the management report or the notes to the consolidated financial statements consist of :

- the issuance of statutory auditors' comfort letters in connection with the Euro Medium Term Notes (EMTN) programme;
- the issuance of a statutory auditors' attestation to the European Central Bank in connection with obligations under the TLTRO III programme;
- the issuance of an agreed-upon procedures report relating to certain data used in the calculation of ex ante 2022 contributions to the Single Resolution Fund.

EMPHASIS OF MATTER

Without prejudice to the opinion expressed above, we draw your attention to the section of Note 2.B on employee benefits, which explains the effects on the consolidated financial statements for the year ended December 31, 2021 of applying the IFRS IC agenda decision on accounting for certain post-employment benefit plans.

Justification of our assessments – Key audit matters

The global crisis caused by the Covid-19 pandemic created challenging conditions for the preparation and audit of this year's financial statements. The crisis – and the unprecedented public health measures taken in response – had multiple consequences for businesses, especially for their operations and finances, and also created increased uncertainty about their future prospects. Some of those measures, such as travel restrictions and teleworking, also had an impact on internal organisation within companies and on the arrangements for conducting audits.

It is in this complex and evolving context that, pursuant to Articles L. 823-9 and R. 823-7 of the Commercial Code regarding the justification of our assessments, we draw your attention to key audit matters that relate to those risks of material misstatement that in our professional judgment were of the most significance in the audit of the consolidated financial statements for the year, and our response to those risks.

Our assessment should be seen in the context of the audit of the consolidated financial statements taken as a whole, and of the formation of our opinion as expressed above. We do not express an opinion on elements of the consolidated financial statements taken in isolation.

MEASUREMENT OF IMPAIRMENT OF LOANS AND ADVANCES TO CUSTOMERS

Risk identified and key judgments	Our audit approach
<p>The Carrefour Banque group is exposed to credit risk and counterparty risk. Those risks arise as a result of the inability of customers or counterparties to meet their financial obligations, and the Group recognises impairment allowances to cover the credit risks inherent in its operations.</p> <p>Impairment allowances are determined using expected loss calculations performed in accordance with IFRS 9:</p> <ul style="list-style-type: none"> - for exposures classified in category 1: expected loss over a 12-month timeframe if credit risk has not increased significantly since initial recognition; - for exposures classified in category 2 (significant increase in credit risk since initial recognition) and category 3 (known credit risk): calculation of expected loss to maturity. <p>The persistence of the Covid-19 crisis means there is still significant uncertainty in the economy, with the nature of the pandemic still evolving and a rise in the number of over-indebtedness referrals.</p> <p>As a result, risk monitoring systems and methods used for calculating impairment allowances required some adaptations which had already been initiated in the previous year, as described in Note 1 to the consolidated financial statements.</p> <p>Consequently, estimating expected and known credit losses requires the exercise of judgment, in particular:</p> <ul style="list-style-type: none"> - estimating expected losses for each category of exposure, while taking account of support measures and the lack of historical comparatives; - assessing significant increases in credit risk that would lead to exposures being reclassified to a different category; <p>In the notes to the consolidated financial statements, Note 1, part 2 of Note 3.1, Note 4.6 (Loans and advances to customers, amounts due from customers) and Note 5.5 (Cost of risk) address all aspects of the estimation of credit losses.</p> <p>Total impairment allowances against loans and advances in the balance sheet as of December 31, 2021 amounted to €206.9 million. Cost of risk for the year ended December 31, 2021 was €53.7 million.</p> <p>Given the extent of the accounting estimates required to determine expected losses, especially in the evolving context of the Covid-19 crisis, we regarded measurement of impairment losses against loans and advances as a key audit matter.</p>	<p>With support from our credit experts, we reviewed the segmentation into portfolios and the mapping of provisioning models for each product family, including an analysis of the compliance of calculation methods and risk parameter calibrations with IFRS 9, with particular reference to:</p> <ul style="list-style-type: none"> - the criteria for determining a significant increase in credit risk; - expected loss calculations (including calibration of probability of default and loss given default, and the use of forward-looking information). <p>We reperformed the segmentation of exposures into stages using our own tools, to obtain assurance that operational risk was controlled and ensure the methodology for determining a significant increase in credit risk was being correctly applied in the bank's own expected loss calculation tools.</p> <p>We reviewed, on a sample basis, the operational implementation of impairment models, including a review of the quality of the computer applications used to calibrate risk parameters and the compliance of those applications with the relevant methodology.</p> <p>Our IT experts tested the design and use of the IT controls in place within Carrefour Banque, including a review of general IT controls and interfaces specific to IFRS 9 cash flows.</p> <p>We tested the design and use of level 1 controls put in place by Carrefour Banque in connection with the process used for calculation and back-testing of key risk parameters.</p> <p>Finally, we assessed the appropriateness of the disclosures provided in Note 1, part 2 of Note 3.1, Note 4.6 and Note 5.5 to the consolidated financial statements in the context of the evolving pandemic, and with reference to the credit risk disclosure requirements of IFRS 7.</p>

SPECIFIC VERIFICATIONS ON THE GROUP MANAGEMENT REPORT

We also carried out, in accordance with professional standards applicable in France, the specific verifications required by the law and regulations on the information about the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

OTHER VERIFICATIONS AND INFORMATION SPECIFIED BY LEGAL AND REGULATORY REQUIREMENTS

Appointment as statutory auditors

We were appointed as statutory auditors of Carrefour Banque S.A. by the Annual General Meetings of May 25, 2014 (Deloitte & Associés) and May 5, 2021 (Mazars).

As of December 31, 2021, Deloitte & Associés was in its eighteenth uninterrupted year as statutory auditor, and Mazars was in its first.

RESPONSIBILITIES OF MANAGEMENT, AND OF THOSE CHARGED WITH GOVERNANCE, FOR THE CONSOLIDATED FINANCIAL STATEMENTS

It is the responsibility of management to prepare consolidated financial statements that give a true and fair view in accordance with IFRS as endorsed by the European Union, and to implement such internal control as it determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, it is the responsibility of management to assess the company's ability to continue as a going concern; to disclose in those financial statements any matters relating to going concern; and to apply the going concern basis of accounting unless it is intended to liquidate the company or cease trading.

It is the responsibility of the Audit Committee to oversee the process for the preparation of financial information and the effectiveness of internal control and risk management systems, and of internal audit, as regards procedures for preparing and processing accounting and financial information.

The consolidated financial statements were closed off by the Board of Directors on February 14, 2022.

AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Objectives and audit approach

It is our responsibility to prepare 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 from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could be reasonably expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the Commercial Code, our audit does not involve guaranteeing the viability of the company or the quality of how it is managed.

As part of an audit in accordance with professional standards applicable in France, the auditor exercises professional judgment throughout the audit.

In addition, the auditor :

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's 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;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;
- concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Those conclusions are based on the audit evidence obtained up to the date of the auditor's report, with the caveat that future events or conditions may cause a company to cease to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's 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 disclaimer;
- evaluates the overall presentation of the consolidated financial statements, and whether the consolidated financial statements represent the underlying transactions and events in a manner that gives a true and fair view of them;
- obtains what the auditor considers 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 auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements, and for the opinion expressed on those financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee that describes inter alia the scope of our audit, the work programme followed, and our findings. We also inform the Audit Committee of any significant deficiencies in internal control we have identified as regards the procedures used for the preparation and processing of accounting and financial information.

The information contained in our report to the Audit Committee includes those risks of material misstatement that we determined were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters that we are required to describe in the present report.

We provide the Audit Committee with the written confirmation (as required under Article 6 of Regulation (EU) No. 537-2014) of our independence, within the meaning of the rules applicable in France and contained inter alia in Articles L. 822-10 to L. 822-14 of the Commercial Code and in the code of ethics of the French auditing profession. Where applicable, we also communicate with the Audit Committee about risks to our independence, and related safeguards.

The Statutory Auditors

Mazars
Paris la Défense, April 15, 2022

Deloitte & Associés
Paris la Défense, April 15, 2022

Anne VEAUTE
Partner

Anne-Elisabeth PANNIER
Partner



www.carrefour-banque.fr

Carrefour Banque, (limited liability company) with share capital of €101,346,956.72,
registered office: 9 avenue du Lac - CS 30671 - 91051 EVRY Cedex, France
Registered no. RCS N°313 811 515 - ORIAS No: 07 027 516 (www.orias.fr).