SUPPLEMENT N° 3 DATED 11 MARCH 2021
TO THE BASE PROSPECTUS DATED 20 NOVEMBER 2020

BPCE
Euro 40,000,000,000
Euro Medium Term Note Programme

BPCE (the "**Issuer**") may, subject to compliance with all relevant laws, regulations and directives, from time to time issue Euro Medium Term Notes (the "**Notes**") denominated in any currency under its Euro 40,000,000,000 Euro Medium Term Note Programme (the "**Programme**").

This third supplement (the "**Second Supplement**") is supplemental to, and should be read in conjunction with, the base prospectus dated 20 November 2020 (the "**Base Prospectus**"), the first supplement dated 8 December 2020 (the "**First Supplement**") and the second supplement dated 19 February 2021 (the "**Second Supplement**"), prepared by the Issuer in relation to its Programme and which received approval n°20-564 on 20 November 2020, approval n°20-587 on 8 December 2020 and approval n°21-042 on 19 February 2021, respectively, by the *Autorité des marchés financiers* (the "**AMF**")

The Base Prospectus, as supplemented (including by this Third Supplement), constitutes a base prospectus for the purpose of Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Terms defined in the Base Prospectus have the same meaning when used in this Third Supplement.

The Issuer has prepared this Third Supplement to its Base Prospectus, pursuant to Article 23 of the Prospectus Regulation for the following purposes:

- incorporating by reference the audited consolidated annual financial statements of Groupe BPCE and BPCE SA group and the audited annual financial statements of BPCE for the year ended 31 December 2020 and the activities and financial information 2020 of Groupe BPCE; and
- updating the sections "Risk Factors", "Subscription and Sale" and "General Information".

Application has been made to the AMF in France for approval of this Third Supplement to the Base Prospectus, in its capacity as competent authority under the Prospectus Regulation. The AMF only approves this Third Supplement to the Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, such approval should not be considered as an endorsement of the quality of the Notes. Investors should make their own assessment as to the suitability of investing in the Notes.

Save as disclosed in this Third Supplement, no other significant new factor, material mistake or material inaccuracy relating to the information included in the Base Prospectus has arisen or been noted, as the case may be, since the publication of the Base Prospectus. To the extent that there is any inconsistency between (a) any statement in this Third Supplement and (b) any other statement in, or incorporated by reference in, the Base Prospectus, the statements in (a) above will prevail.

To the extent applicable, investors who have already agreed to purchase or subscribe for Notes to be issued under the Programme before this Third Supplement is published, have the right, exercisable within a time limit of minimum two (2) working days after the publication of this Third Supplement *(i.e.* no later than 15 March 2021), to withdraw their acceptances, provided that the significant new factor, material mistake or material inaccuracy arose or was noted before the closing of the offer period or the delivery of the Notes, whichever occurs first. Investors may contact the Autorised Offerors should they wish to exercise the right of withdrawal.

Copies of this Third Supplement (a) may be obtained free of charge at the registered office of the Issuer (BPCE Service Emissions - 50, avenue Pierre Mendès France – 75201 Paris Cedex 13) and (b) will be made available on the websites of the Issuer (www.groupebpce.fr) and of the AMF (www.amf-france.org).

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1. RISK FACTORS

On page 13 of the Base Prospectus, the section "Risk Factors Relating to the Issuer" is deleted and replaced as follows:

"**RISK FACTORS**

The banking and financial environment in which Groupe BPCE operates is exposed to numerous risks which obliges it to implement an increasingly demanding and strict policy to control and manage these risks.

Some of the risks to which Groupe BPCE is exposed are set out below. However, this is not a comprehensive list of all of the risks incurred by Groupe BPCE in the course of conducting its business or given the environment in which it operates. The risks presented below are those identified to date as significant and specific to Groupe BPCE, and liable to have a material adverse impact on its business, financial position and/or results. For each of the risk sub-classes listed below, the risk factor considered to date by Groupe BPCE as the most significant is listed first.

The risks presented below are those identified to date as liable to have an adverse impact on the businesses of BPCE SA group and BPCE SA.

The risk factors described below are presented as of the date of this document and the situation described may change, even significantly, at any time.

STRATEGIC, BUSINESS AND ECOSYSTEM RISKS

The ongoing coronavirus (Covid-19) pandemic and its economic consequences may continue to adversely impact the Group's operations, results and financial position

The emergence of Covid-19 in late 2019 and rapid spread of the pandemic across the globe have adversely impacted economic conditions in multiple business sectors, sparked a declined in the financial position of economic agents, while also disrupting the financial markets. In response, many affected countries have been forced to implement preventive health measures (closed borders, lockdown measures, restrictions on certain economic activities, etc.). In particular, the sudden recession gripping affected countries and the drop in global trade have had and will continue to have negative effects on global economic conditions for as long as global production, investments, supply chains and consumer spending are impacted, in turn impacting the business operations of the Group, its customers and its counterparties.

The resurgence of the virus in the autumn of 2020 led to new restrictions (in particular, another lockdown in France and a number of European countries) and, following a rebound during the summer, the economic environment may take another hit. A virus that is still active, with variants that are more contagious or more resistant to vaccines, could trigger the extension or repetition of restrictive measures, which could last several months, and thus continue to adversely affect the Group's business, financial performance and results.

In response, massive fiscal measures and monetary policy initiatives have been undertaken to stimulate activity. The French government, for example, has instituted a state-guaranteed loan program for businesses and professionals, as well as many other tax and social security measures for employees and their employers, (short-time working measures). For its part, the European Central Bank has made access to highly substantial refinancing operations more abundant and less expensive. Groupe BPCE has actively participated in the French state-guaranteed loan program in the interest of financially supporting its customers and helping them overcome the effects of this crisis on their activities and income (e.g. automatic six-month deferral on loans to certain professional customers and micro-enterprises/SMEs). Such measures may be insufficient to offset the negative impacts of the pandemic on the economy or to fully stabilize the financial markets over the long-term. The economic environment may get worse before it starts to get better.

The lockdown or curfew measures and temporary administrative closure of certain activities taken in France, the Group's main country of operation (76% of net exposures were located in France on December 31, 2020), have taken a major toll on the business of economic agents. The Group's results and financial position have been impacted by such measures, as a result of the decline in revenues and the significant increase in credit risk provisioning (cost of risk) to deal with the proven and, for the most part, future deterioration in asset quality in general and in certain specific sectors that have been particularly affected. Within the Corporate and Professional portfolios, the sectors most likely to be affected at present are mainly the Wholesale and non-food retail sectors (gross exposure on December 31, 2020 of €16.4 billion), Tourism-Hotels-Catering (gross exposure on December 31, 2020 of €14.1 billion), Automotive (gross exposure on December 31, 2020 of €9.6 billion), Consumer goods excluding cosmetics and personal care (gross exposure on December 31, 2020 of €5.8 billion) and Real Estate Professionals excluding residential exposure (gross exposure on December 31, 2020 of €5.4 billion). The Oil & Gas sector has been very significantly impacted by a sharp drop in demand brought on by the pandemic and by the initially uncoordinated supply-side action taken by certain oil-producing countries (e.g. OPEC countries, Russia), causing the price of the barrel to plummet and sparking major price volatility (net EAD of €10.0 billion on December 31, 2020 for Natixis). Finally, the aviation sector has been and continues to be particularly affected by this crisis (net EAD of €3.8 billion on airlines and companies specializing in aircraft leasing as of December 31, 2020 within the scope of Natixis).

For 2020, the cost of risk, the impact of which was however mitigated by the support measures for businesses and individuals put in place by the French government, amounted to €2,998 million, corresponding to 41 basis points (compared to 19 basis points for 2019) when compared to gross customer loans outstanding at the beginning of the period. The significant increase in the cost of risk is mainly related to the impact of the Covid-19 crisis in forward-looking information when assessing expected losses (future risk), but also to a lesser extent the increase in individual provisions (proven risk) concentrated on the Energy and Natural Resources sector, and more particularly Oil and Gas, in Corporate and Investment Banking. The method applied to impairment of credit risk and the assumptions made in the scenarios are described in § 1.5.2.1 "Impairment of credit risk" to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements.

This ongoing crisis could lead to a significant increase in the Group's cost of risk (provisions for actual or future credit risk) in 2021.

The Group's results and financial position may continue to be affected by adverse financial market developments (extreme volatility, equity market and index slump, spread tensions, steep and unforeseen decline in dividends, etc.). Accordingly, the valuation of certain products was affected during the period by illiquid markets, particularly in Natixis' Corporate and Investment Banking operations, which were exposed to the effects of the significant adjustment of valuation inputs, such as the "dividend" component.

The deterioration of economic conditions and its impacts on the Group increased the risk that the Group's ratings, like those of other banks, will be downgraded by the financial rating agencies. Furthermore, the French government's ratings may end up being downgraded, due in large part to an increase in public deficits and indebtedness. These factors could have a negative impact on the Group's funding cost on the financial markets.

More generally, the Covid-19 pandemic poses a risk to Groupe BPCE, insofar as it (i) causes organizational changes (teleworking, for example) that may generate an operational risk; (ii) it has triggered and could again trigger a slowdown in trade, or even requests for early repayment, in money market transactions and could have an impact on the supply of liquidity; (iii) increases the liquidity needs of customers and, therefore, the amounts loaned to these customers to enable them to withstand the crisis; (iv) could lead to an increase in business failures, particularly among the most vulnerable companies or those in the most exposed sectors; and (v) causes sudden movements in the valuation of market assets, which could have an impact on the market activities or investments of institutions.

Developments in the Covid-19 crisis (uncertainty over the duration, magnitude and future trajectory of the pandemic, especially given the uncertainties about the rate of vaccination of the population to achieve herd immunity and because of the emergence of variants that are more contagious or more resistant to vaccines, the implementation of new lockdown or restriction measures in the event of additional epidemic waves) are a major source of uncertainty, making it difficult to predict the overall impact on the Group's main markets and on the global economy in general. At the date of this Third Supplement, the impact of this situation, factoring in the aforementioned support measures, on Groupe BPCE's businesses (retail banking, insurance, asset management, corporate and investment banking), income (mainly net banking income and cost of risk) and financial position (liquidity and solvency) is difficult to quantify.

The physical and transition components of climate risk, together with their repercussions for economic players, could adversely affect the activities, income and financial position of Groupe BPCE.

The risks associated with climate change are factors that exacerbate existing risks, including credit risk, operational risk and market risk. In particular, BPCE is exposed to physical and transition climate risk.

Physical risk leads to increased economic costs and financial losses resulting from the severity and increased frequency of extreme weather events related to climate change (such as heat waves, landslides, floods, fires and storms), as well as long-term gradual changes in climate (such as changes in rainfall patterns, extreme weather variability, and rising sea levels and average temperatures). It could have an extensive impact in terms of scope and magnitude, that may affect a wide variety of geographic areas and economic sectors relevant to Groupe BPCE. For example, the *Cévennes* episodes that affect the south-east of France every year can cause the flooding of buildings, factories and offices, slowing down or even making it impossible for some of the Group's customers to carry out their activities. For example, a corporate customer of the Group producing a component essential to the opening of buildings was flooded in the end of 2019, causing it to file for bankruptcy. This company was supplying a real estate project whose construction had to stop while a new supplier was found. The real estate project was delayed, which induced a credit risk on the operation for the bank financing it and led to penalties for late opening, late rental, etc. Thus, physical climate risk can spread along the value chain of Groupe BPCE's corporate customers, which can lead to default and thus generate financial losses for Groupe BPCE. These physical climate risks are likely to increase and could lead to significant losses for Groupe BPCE.

The transition risk is connected to the process of adjusting to a low-carbon economy. The process of reducing emissions is likely to have a significant impact on all sectors of the economy by affecting the value of financial assets and the profitability of companies. The increase in costs related to this energy transition for economic players, whether corporates or individual customers, could lead to an increase in defaults and thus significantly increase Groupe BPCE's losses. For example, the French law "*Energie-Climat*" of November 8, 2019 is expected to limit from 2028 the sale and rental of real estate with very low energy performances. Some of Groupe BPCE's customers will therefore have to plan renovation work for a possible future sale or lease of such type of properties. The risk consists in the impossibility for the Group's customers to carry out this costly work and consequently not being able to carry out the financial transaction necessary to balance their budget. These customers of Groupe BPCE could therefore become insolvent, which would result in significant financial losses for Groupe BPCE.

A persistently low interest rate environment may have an adverse impact on Groupe BPCE's profitability and financial position.

The global markets have been subject to low interest rates in recent years, and it appears this situation will not be changing anytime soon. When interest rates are low, credit spreads tend to tighten, meaning Groupe BPCE may not be able to sufficiently lower interest rates paid on deposits to offset the drop in revenues associated with issuing loans at lower market rates. Groupe BPCE's efforts to reduce the cost of deposits may be restricted by the high volumes of regulated products, especially on the French market, including in particular Livret A passbook savings accounts and PEL home savings plans, which earn interest above the current market rate. In addition, Groupe BPCE may incur an increase in prepayments and renegotiations of home loans and other fixed-rate loans to individuals and businesses, as customers seek to take advantage of lower borrowing costs. Combined with the issuance of new loans at low interest rates prevailing on the markets, Groupe BPCE may see an overall decrease in the average interest rate in the loan book. Reduced credit spreads and weaker retail banking revenues stemming from this decrease may undermine the profitability of the retail banking activities and overall financial position of Groupe BPCE. Furthermore, if market rates begin climbing again and Groupe BPCE's hedging strategies prove ineffective or only partially offset this fluctuation in value, its profitability may be affected. An environment of persistently low interest rates may also cause the market yield curve to flatten more generally, which in turn may lower the premium generated by Groupe BPCE's financing activities and have an adverse impact on its profitability and financial position. The flattening of the yield curve may also encourage financial institutions to enter into higher-risk activities in an effort to obtain the targeted level of return, which may heighten risk and volatility on the market.

The stress tests conducted by Groupe BPCE on capital markets activities showed that, on December 31, 2020, the highest-impact hypothetical stress test was the "rate increase" scenario, and the highest-impact historical stress test was the "2011 sovereign crisis" scenario.

For information purposes, the change in Groupe BPCE's projected one-year net interest income calculated under four scenarios ("rate increase," "rate decrease," "steepening of the curve," "flattening of the curve") compared to the central scenario showed, on September 30, 2020, the "rate decrease" to be the most adverse scenario.

Groupe BPCE may be vulnerable to political, macro-economic and financial environments or to specific circumstances in its countries of operation.

Some Groupe BPCE entities are exposed to country risk, which is the risk that economic, financial, political or social conditions in a foreign country (particularly in countries where the Group conducts business) may affect their financial interests. Groupe BPCE predominantly does business in France (82% of net banking income for the fiscal year ended December 31, 2020) and North America (10% of net banking income for the fiscal year ended December 31, 2020), with other European countries and the rest of the world accounting for 5% and 3%, respectively, of net banking income for the fiscal year ended December 31, 2020. Note 12.6 ("Locations by country") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements lists the entities established in each country and gives a breakdown of net banking income and income before tax by country of establishment.

A significant change in the political or macro-economic environment of such countries or regions may generate additional expenses or reduce profits earned by Groupe BPCE.

A major economic disruption, such as the 2008 financial crisis, the 2011 sovereign debt crisis in Europe or the development of a new epidemic like the coronavirus (the magnitude and length of which are still unknown), may have a material adverse impact on all Groupe BPCE activities, particularly if the disruption encompasses a lack of liquidity on the market, making it difficult for Groupe BPCE to obtain funding. In particular, some risks do not occur in the normal economic cycle because they are externally generated. Examples include the very short-term consequences of Brexit, the increase in credit risk associated with corporate debt around the world (leveraged loans market) and the threat of the Covid-19 epidemic growing even worse, or the longer-term impacts of climate change. During the last two major financial crises in 2008 and 2011, the financial markets were subject to strong volatility in response to various events, including but not limited to the decline in oil and commodity prices, the slowdown in emerging economies and turbulence on the equity markets, which have directly or indirectly impacted several Groupe BPCE businesses (primarily securities transactions and financial services).

Groupe BPCE may encounter difficulties in adapting, implementing and incorporating its policy governing acquisitions or joint ventures.

Although acquisitions are not a major part of Groupe BPCE's current strategy, the Group may nonetheless consider acquisition or partnership opportunities in the future. Although Groupe BPCE carries out an in-depth analysis of any potential acquisitions or joint ventures, in general it is impossible to carry out an exhaustive appraisal in every respect. As a result, Groupe BPCE may have to manage initially unforeseen liabilities. Similarly, the results of the acquired company or joint venture may prove disappointing and the expected synergies may not be realized in whole or in part, or the transaction may give rise to higher-than-expected costs. Groupe BPCE may also encounter difficulties with the consolidation of new entities. The failure of an announced acquisition or failure to consolidate a new entity or joint venture may place a strain on Groupe BPCE's profitability. This situation may also lead to the departure of key personnel. In the event that Groupe BPCE is obliged to offer financial incentives to its employees in order to retain them, this situation may also lead to an increase in costs and a decline in profitability. Joint ventures expose Groupe BPCE to additional risks and uncertainties in that it may depend on systems, controls and persons that are outside its control and may, in this respect, see its liability incurred, suffer losses or incur damage to its reputation. Moreover, conflicts or disagreements between Groupe BPCE and its joint venture partners may have a negative impact on the targeted benefits of the joint venture. On December 31, 2020, investments in associates totaled €4.6 billion, including €2.9 billion for CNP Assurances group (for more detailed information see Note 12.4 ("Partnerships and associates") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements).

Intense competition in France, Groupe BPCE's main market, or internationally, may cause its net income and profitability to decline.

Groupe BPCE's main business lines operate in a very competitive environment both in France and other parts of the world where it is does substantial business. This competition is heightened by consolidation, either through mergers and acquisitions or cooperation and arrangements. Consolidation has created a certain number of companies which, like Groupe BPCE, can offer a wide range of products and services ranging from insurance, loans and deposits to brokerage, investment banking and asset management. Groupe BPCE is in competition with other entities based on a number of factors, including the execution of transactions, products and services offered, innovation, reputation and price. If Groupe BPCE is unable to maintain its competitiveness in France or in its other major markets by offering a range of attractive and profitable products and services, it may lose market share in certain key business lines or incur losses in some or all of its activities.

For example, as of December 31, 2020, in France, Groupe BPCE is the leading bank for SMEs[1], and the second-largest bank for individuals and professionals[2]. It has a 26.1%[3] market share in home loans. In Retail Banking and Insurance, loan outstandings totaled €613 billion and deposits and savings[4] €816 billion (for more information on the contribution of each business line, see Chapter 4.3.3 "Income by sector" of Groupe BPCE Activities and Financial Information 2020). Moreover, a slowdown in the global economy or the economic environment of Groupe BPCE's main markets is likely to increase competitive pressure, in particular through greater pricing pressure and a slowdown in business volume for Groupe BPCE and its competitors. New and more competitive rivals could also enter the market. Subject to separate or more flexible regulation, or to other requirements governing prudential ratios, these new market participants would be able to offer more competitive products and services. Advances in technology and the growth of e-commerce have made it possible for institutions other than custodians to offer products and services that were traditionally considered as banking products, and for financial institutions and other companies to provide electronic and internet-based financial solutions, including electronic securities trading. These new entrants

[1] 53% (rank 1) total penetration rate (Kantar-TNS 2019 survey)

[2] Retail market share: 22.2% in household savings and 26.1% in mortgage loans to households (*Banque de France* Q3-2020). Overall penetration rate of 29.6% (rank 2) among retail customers (SOFIA Kantar study, March 2020). For professionals: 39.9% (rank 2) penetration rate among professionals and individual entrepreneurs (*Pépites CSA* 2019-2020 survey).

[3] Banque de France Q3-20 - Quarterly SURFI statements - Outstanding housing loans to households

[4] Balance sheet and financial savings

may put downward pressure on the price of Groupe BPCE's products and services or affect Groupe BPCE's market share. Advances in technology could lead to rapid and unexpected changes on Groupe BPCE's markets of operation. Groupe BPCE's competitive position, net earnings and profitability may be adversely affected should it prove unable to adequately adapt its activities or strategy in response to such changes.

Groupe BPCE's ability to attract and retain skilled employees is paramount to the success of its business and failing to do so may affect its performance.

The employees of Groupe BPCE entities are the Group's most valuable resource. Competition to attract qualified employees is fierce in many areas of the financial services sector. Groupe BPCE's earnings and performance depend on its ability to attract new employees and retain and motivate existing employees. Changes in the economic environment (in particular tax and other measures aimed at limiting the pay of banking sector employees) may compel Groupe BPCE to transfer its employees from one unit to another, or reduce the workforce in certain business lines, which may cause temporary disruptions due to the time required for employees to adapt to their new duties, and may limit Groupe BPCE's ability to benefit from improvements in the economic environment. This may prevent Groupe BPCE from taking advantage of potential opportunities in terms of sales or efficiency, which could in turn affect its performance.

Groupe BPCE had a headcount of 100,344 employees on December 31, 2020. 11,605 permanent employees were hired in the year.

CREDIT AND COUNTERPARTY RISKS

Groupe BPCE is exposed to credit and counterparty risks that could have a material adverse effect on the Group's business, financial position and income.

Groupe BPCE is significantly exposed to credit and counterparty risk through its financing or market activities. The Group could thus incur losses in the event of default by one or more counterparties, in particular if the Group encounters legal or other difficulties in exercising its collateral or if the value of the collateral does not allow it to fully cover the exposure in the event of a default. Despite the due diligence carried out by the Group, aimed at limiting the effects of having a concentrated credit portfolio, counterparty defaults may be amplified within a specific economic sector or world region by the effects of interdependence between these counterparties. Default by one or more major counterparties could thus have a material adverse effect on the Group's cost of risk, income and financial position.

For information, on December 31, 2020, Groupe BPCE's gross exposure to credit risk amounted to €1,353 billion, with the following breakdown for the main types of counterparty: 38% for retail, 27% for corporates, 17% for central banks and other sovereign exposures, and 7% for the public sector and similar entities. Credit risk-weighted assets amounted to €376.5 billion (including counterparty risk).

With regard to counterparty risks arising from capital market activities, gross exposure amounted to €62.2 billion as of December 31, 2020, mainly to financial institutions (49%). Risk-weighted counterparty risk amounted to €12.1 billion.

The main economic sectors to which the Group is exposed in its Corporate portfolio are Real Estate (17% of gross exposures on December 31, 2020), Energy (10%), Finance/Insurance (9%), Real Estate Leasing (7%) and Distribution/Retail (7%).

Groupe BPCE develops its activities mainly in France. The Group's net exposure to France is €967 billion, representing 76% of its total net exposure. The remaining exposures focus mainly on European institutions for 11%, and Europe (excluding France) for 6%, with the United States accounting for 4% of total net exposures.

A substantial increase in impairments or provisions for expected credit losses recognized in respect of Groupe BPCE's portfolio of loans and receivables could have a material adverse effect on its income and financial position.

In the course of its lending activities, Groupe BPCE regularly recognizes charges for asset impairments in order to reflect, if necessary, actual or potential losses on its portfolio of loans and receivables. Such impairments are expensed under "Cost of risk." Groupe BPCE's total charges for asset impairments are based on the Group's measurement of past losses on loans, volumes and types of loans granted, industry standards, loans in arrears, economic conditions and other factors associated with the recoverability of various types of loans. While Groupe BPCE makes every effort to set aside a sufficient level of provisions for asset impairment expenses, its lending activities may cause it in the future to have to increase its expenses for losses on loans, due to a rise in non-performing loans or for other reasons such as the deterioration of market conditions or factors affecting certain countries. Any substantial increase in charges for losses on loans, material change in Groupe BPCE's estimate of the risk of loss associated with its portfolio of loans, or any loss on loans exceeding past impairment expenses, could have an adverse impact on Groupe BPCE's results and financial position.

The increase in cost of risk can be attributed to the effect of the Covid-19 crisis considered in forward-looking information to estimate expected credit losses. The method applied to impairment of credit risk and the assumptions made in the scenarios are described in § 1.5.2.1 "Impairment of credit risk" to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements.

Note: Groupe BPCE's cost of risk amounted to €2,998 million in 2020, with credit risks accounting for 87% of Groupe BPCE's risk-weighted assets. On the basis of gross exposures, 38% relate to retail customers and 27% to corporate customers (of which 71% of exposures are located in France).

Consequently, the risk associated with a significant increase in impairment expenses on assets booked to Groupe BPCE's loans and receivables portfolio is significant for Groupe BPCE in terms of impact and probability, and is therefore monitored carefully and proactively.

A decline in the financial strength and performance of other financial institutions and market players may have an unfavorable impact on Groupe BPCE.

Groupe BPCE's ability to execute transactions may be affected by a decline in the financial strength of other financial institutions and market players. Institutions are closely interconnected owing to their trading, clearing, counterparty and financing operations. A default by a sector player, or even mere rumors or concerns regarding one or more financial institutions or the financial industry in general, may lead to a general contraction in market liquidity and subsequently to losses or further defaults in the future. Groupe BPCE is directly or indirectly exposed to various financial counterparties, such as investment service providers, commercial or investment banks, clearing houses and CCPs, mutual funds, hedge funds, and other institutional clients, with which it regularly conducts transactions. The default or failure of any such counterparties may have an adverse impact on Groupe BPCE's financial position. Moreover, Groupe BPCE may be exposed to the risk associated with the growing involvement of operators subject to little or no regulation in its business sector and to the emergence of new products subject to little or no regulation (including in particular crowdfunding and trading platforms). This risk would be exacerbated if the assets held as collateral by Groupe BPCE could not be sold or if their selling price would not cover all of Groupe BPCE's exposure to defaulted loans or derivatives, or in the event of fraud, embezzlement or other misappropriation of funds committed by financial sector participants in general to which Groupe BPCE is exposed, or if a key market operator such as a CCP defaults.

Exposures to "financial institutions" represent 4% of Groupe BPCE's total gross exposures (€1,353 billion) on December 31, 2020. In geographic terms, 73% of gross exposures to "institutions" are located in France.

Groupe BPCE is dependent on its access to funding and other sources of liquidity, which may be limited for reasons outside its control, thus potentially having a material adverse impact on its results.

Access to short-term and long-term funding is critical for the conduct of Groupe BPCE's business. Non-collateralised sources of funding for Groupe BPCE include deposits, issues of long-term debt and short/medium-term negotiable debt securities, banks loans and credit lines. Groupe BPCE also uses funding secured in particular by reverse repurchase agreements. If Groupe BPCE were unable to access the secured and/or unsecured debt market at conditions deemed acceptable, or incurred an unexpected outflow of cash or collateral, including a significant decline in customer deposits, its liquidity may be negatively affected. Furthermore, if Groupe BPCE were unable to maintain a satisfactory level of customer deposits (e.g. in the event its competitors offer higher rates of return on deposits), it may be forced to obtain funding at higher rates, which would reduce its net interest income and results.

Groupe BPCE's liquidity, and therefore its results, may also be affected by unforeseen events outside its control, such as general market disruptions, operational hardships affecting third parties, negative opinions on financial services in general or on the short/long-term outlook for Groupe BPCE, changes in Groupe BPCE's credit rating, or even the perception of the position of Groupe BPCE or other financial institutions among market operators.

Groupe BPCE's access to the capital markets, and the cost of long-term unsecured funding, are directly related to changes in its credit spreads on the bond and credit derivatives markets, which it can neither predict nor control. Liquidity constraints may have a material adverse impact on Groupe BPCE's financial position, results and ability to meet its obligations to its counterparties.

Groupe BPCE's liquidity reserves include cash placed with central banks and securities and receivables eligible for central bank funding. Groupe BPCE's liquidity reserve amounted to €307 billion on December 31, 2020, covering 246% short-term funding and short-term maturities of MLT debt. The one-month LCR (Liquidity Coverage Ratio) averaged 156% over 12 months on December 31, 2020 versus 141% on December 31, 2019. Any restriction on Groupe BPCE's access to funding and other sources of liquidity could have a material adverse impact on its results. Given the significance these risks hold for Groupe BPCE in terms of impact and probability, they are carefully and proactively monitored.

Significant changes in interest rates may have a material adverse impact on Groupe BPCE's net banking income and profitability.

Net interest income earned by Groupe BPCE during a given period has a material influence on net banking income and profitability for the period. In addition, material changes in credit spreads may influence Groupe BPCE's earnings. Interest rates are highly sensitive to various factors that may be outside the control of Groupe BPCE. In the last decade, interest rates have tended to be low but may increase, and Groupe BPCE may not be able to immediately pass on the impacts of this change. Changes in market interest rates may have an impact on the interest rate applied to interest-bearing assets, different from those of interest rates paid on interest-bearing liabilities. Any adverse change in the yield curve may reduce net interest income from associated lending and funding activities and thus have a material adverse impact on Groupe BPCE's net banking income and profitability.

The sensitivity of the net present value of Groupe BPCE's balance sheet to a +/-200 bp variation in interest rates is much lower than the 20% regulatory limit. Groupe BPCE's sensitivity to interest rate rises stood at -5.3% on December 31, 2020 (versus -5.7% on December 31, 2019). The change in Groupe BPCE's projected one-year net interest income calculated under four scenarios ("rate increase," "rate decrease," "steepening of the curve," "flattening of the curve") compared to the central scenario showed, on September 30, 2020, the "rate decrease" to be the most adverse scenario, with expected losses of €41 million year-on-year.

Market fluctuations and volatility expose Groupe BPCE (in particular Natixis) to losses in its trading and investment activities, which may adversely impact Group's BPCE's results and financial position.

In the course of its third-party trading or investment activities, Groupe BPCE may carry positions in the bond, currency, commodity and equity markets, and in unlisted securities, real estate assets and other asset classes. These positions may be affected by volatility on the markets (especially the financial markets), i.e. the degree of price fluctuations over a given period on a given market, regardless of the levels on the market in question. Certain market configurations and fluctuations may also generate losses on a broad range of trading and hedging products used, including swaps, futures, options and structured products, which could adversely impact Groupe BPCE's results and financial position. Similarly, extended market declines and/or major crises may reduce the liquidity of certain asset classes, making it difficult to sell certain assets and in turn generating material losses.

Market risk-weighted assets totaled €14.4 billion, i.e. around 3% of Groupe BPCE's total risk-weighted assets, on December 31, 2020. For information, the weight of Corporate & Investment Banking activities in the Group's net banking income was 12% for the year 2020. For more detailed information and examples, see Note 9.1.1.6 ("Analysis of financial assets and liabilities classified in Level 3 of the fair value hierarchy") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements.

Changes in the fair value of Groupe BPCE's portfolios of securities and derivative products, and its own debt, are liable to have an adverse impact on the carrying amount of these assets and liabilities, and as a result on Groupe BPCE's net income and equity.

The carrying amount of Groupe BPCE's securities, derivative products and other types of assets at fair value, and of its own debt, is adjusted (at balance sheet level) at the date of each new financial statement. These adjustments are predominantly based on changes in the fair value of assets and liabilities during an accounting period, i.e. changes taken to profit or loss or recognized directly in other comprehensive income. Changes recorded in the income statement, but not offset by corresponding changes in the fair value of other assets, have an impact on net banking income and thus on net income. All fair value adjustments have an impact on equity and thus on Groupe BPCE's capital adequacy ratios. Such adjustments are also liable to have an adverse impact on the carrying amount of Groupe BPCE's assets and liabilities, and thus on its net income and equity. The fact that fair value adjustments are recorded over an accounting period does not mean that additional adjustments will not be necessary in subsequent periods.

On December 31, 2020, financial assets at fair value totaled €246 billion (with approximately €183 billion in financial assets at fair value held for trading purposes) and financial liabilities at fair value totaled €191 billion (with €164 billion in financial liabilities at fair value held for trading purposes). For more detailed information, see also Note 4.3 ("Net gains or losses on financial instruments at fair value through profit or loss"), Note 4.4 ("Net gains or losses on financial instruments at fair value through other comprehensive income), Note 5.2 ("Financial assets and liabilities at fair value through profit or loss") and Note 5.4 ("Financial assets and liabilities at fair value through other comprehensive income") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements.

Groupe BPCE's revenues from brokerage and other activities associated with fee and commission income may decrease in the event of market downturns.

A market downturn is liable to lower the volume of transactions (particularly financial services and securities transactions) executed by Groupe BPCE entities for their customers and as a market maker, thus reducing net banking income from these activities. In particular, in the event of a decline in market conditions, Groupe BPCE may record a lower volume of customer transactions and a drop in the corresponding fees, thus reducing revenues earned from this activity. Furthermore, as management fees invoiced by Groupe BPCE entities to their customers are generally based on the value or performance of portfolios, any decline in the markets causing the value of these portfolios to decrease or generating an increase in the amount of redemptions would reduce the revenues earned by these entities through the distribution of mutual funds or other investment products (for the Caisses d'Epargne and the Banques Populaires) or through asset management activities (for Natixis).

Even where there is no market decline, if funds managed for third parties throughout Groupe BPCE and other Groupe BPCE products underperform the market, redemptions may increase and/or inflows decrease as a result, with a potential corresponding impact on revenues from its asset management business.

In 2020, the total net amount of fees and commissions received was €9,187 million, representing 41% Groupe BPCE's net banking income. Revenues earned from fees and commissions for financial services came to €407 million and revenues earned from fees for securities transactions €270 million. For more detailed information on the amounts of fees received by Groupe BPCE, see Note 4.2 ("Fee and commission income and expenses") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements.

Downgraded credit ratings could have an adverse impact on BPCE's funding cost, profitability and business continuity.

Groupe BPCE's long-term ratings on December 31, 2020 were A+ for Fitch Ratings, A1 for Moody's, A+ for R&I and A+ for Standard & Poor's. The decision to downgrade these credit ratings may have a negative impact on the funding of BPCE and its affiliates active in the financial markets (including Natixis). A ratings downgrade may affect Groupe BPCE's liquidity and competitive position, increase funding costs, limit access to financial markets and trigger obligations under some bilateral contracts governing trading, derivative and collateralized funding transactions, thus adversely impacting its profitability and business continuity.

Furthermore, BPCE and Natixis' unsecured long-term funding cost is directly linked to their respective credit spreads (the yield spread over and above the yield on government issues with the same maturity that is paid to bond investors), which in turn are heavily dependent on their ratings. An increase in credit spreads may materially raise BPCE and Natixis' funding cost. Shifts in credit spreads are correlated to the market and sometimes subject to unforeseen and highly volatile changes. Credit spreads are also influenced by market perception of issuer solvency and are associated with changes in the purchase price of Credit Default Swaps backed by certain BPCE or Natixis debt securities. Accordingly, a change in perception of an issuer solvency due to a rating downgrade could have an adverse impact on that issuer's profitability and business continuity.

INSURANCE RISKS

Groupe BPCE generates 11.3% of its net banking income from its insurance businesses. Net banking income from life and non-life insurance activities amounted to €2,550 million for the year 2020, compared to €3,306 million for 2019.

A deterioration in market conditions, and in particular excessive interest rate increases or decreases, could have a material adverse impact on the personal insurance business and income of Natixis.

The main risk to which Groupe BPCE insurance subsidiaries (predominantly Natixis) are exposed in their personal insurance business is market risk. Exposure to market risk is mainly related to the capital guarantee as applicable to euro-denominated savings products.

Among market risks, interest rate risk is structurally significant for Natixis Assurances, as its general funds consist primarily of bonds. Interest rate fluctuations may:

- in the case of higher rates: reduce the competitiveness of the euro-denominated offer (by making new investments more attractive) and trigger waves of redemptions on unfavorable terms with unrealized capital losses on outstanding bonds;
- In the case of lower rates: in the long-term, make the return on general funds too low to enable them to honor their capital guarantees.

Due to the allocation of general funds, the widening of spreads and the decline in the equity markets could also have a significant negative impact on the results of Natixis' personal insurance business.

A mismatch between the loss experience expected by the insurer and the amounts actually paid by Groupe BPCE to policyholders could have a significant adverse impact on its non-life insurance business and on the personal risk insurance portion of its insurance business, as well as its results. and its financial position.

The main risk to which Groupe BPCE's insurance subsidiaries, mainly Natixis, are exposed in connection with these latter activities is underwriting risk. This risk results from a mismatch between i) claims actually recorded and benefits actually paid as compensation for these claims and ii) the assumptions used by the subsidiaries to set the prices for their insurance products and to establish technical reserves for potential compensation.

Groupe BPCE uses both its own experience and industry data to develop estimates of future policy benefits, including information used in pricing insurance products and establishing the related actuarial liabilities. However, actual experience may not match these estimates, and unforeseen risks such as pandemics or natural disasters could result in higher-than-expected payments to policyholders.

In the event that the amounts actually paid by the Group to policyholders are greater than the underlying assumptions initially used to establish provisions, or if events or trends lead the Group to modify the underlying assumptions, the Group may be exposed to more significant liabilities than expected, which could have a negative impact on the non-life insurance business for the personal protection portion, as well as on the results and financial position of Groupe BPCE.

In the context of the Covid-19 pandemic, the Insurance business was significantly impacted by the crisis and has adapted by taking appropriate measures to maintain its business and continue to be operational for its customers.

The pandemic has resulted in a slowdown in commercial activity. The closure of bank branches due to the first lockdown weighed on the level of activity in the first half of the year, in particular that of savings activities. The results for the year 2020 were also marked by the economic consequences of the health crisis, in particular the decline in the equity markets. The latter was largely mitigated by the hedges put in place for the euro savings business in personal insurance, which was the most impacted by the market downturn.

Natixis Assurances kept track of its various risk exposures during, and especially market and credit risks. To that end, Natixis Assurances implemented greater oversight of its investments, subject to an equity hedging strategy.

Impacts in terms of underwriting risk were contained:

- non-life insurance: automobile claims are expected to decrease because of reduced risk as a consequence of the lockdown period. Conversely, in business interruption insurance, a negative impact is expected. However, this activity is covered by reinsurance;
- in personal insurance: with regard to personal risk insurance risks, the loss ratio for death risks (the main risk covered) has decreased slightly, and an increase can also be seen in the work stoppage cover.

Excluding non-recurring items, the gross operating income of the insurance business therefore remained very resilient and delivered positive growth.

In addition, the deterioration of the economic and financial environment, in particular the decline in the equity markets and the level of very low interest rates, also impacted Natixis Assurances' solvency, negatively impacting future margins. However, the coverage of the SCR (Solvency Capital Requirement) remains assured as of December 31, 2020. The various actions taken over the last few years, particularly in terms of financial coverage, reinsurance, business diversification or management of investments, have contributed to the solidity and resilience of the solvency of Natixis Assurances.

Nevertheless, in order to support its growth and take advantage of advantageous market conditions, in October 2020 Natixis Assurances issued a subordinated debt issue of €350 million subscribed by Natixis (eligible as Tier 2 capital).

NON-FINANCIAL RISKS

In the event of non-compliance with applicable laws and regulations, Groupe BPCE could be exposed to significant fines and other administrative and criminal penalties that could have a material adverse effect on its financial position, activities and reputation.

The risk of non-compliance is defined as the risk of sanction-judicial, administrative or disciplinary-but also of financial loss or damage to reputation, resulting from non-compliance with laws and regulations, professional standards and practices and ethical standards, specific to banking and insurance activities, whether national or international.

The banking and insurance sectors are subject to increased regulatory oversight, both in France and internationally. Recent years have seen a particularly substantial increase in the volume of new regulations that have introduced significant changes affecting both the financial markets and the relationships between investment service providers and clients or investors (e.g. MIFID II, PRIIPS, the Directive on the Insurance Distribution, Market Abuse Regulation, Fourth Anti-Money Laundering and Terrorism Financing Directive, Personal Data Protection Regulation, Benchmark Index Regulation, etc.). These new regulations have major impacts on the Company's operational processes.

The realization of the risk of non-compliance could result, for example, in the use of inappropriate means to promote and market the bank's products and services, inadequate management of potential conflicts of interest, the disclosure of confidential information. or privileged, failure to comply with due diligence on entering into relations with suppliers and customers, particularly in terms of financial security (particularly the fight against money laundering and the financing of terrorism, compliance with embargoes, the fight against fraud or corruption).

Within BPCE, the Compliance function is responsible for overseeing the system for preventing and managing non-compliance risks. Despite this system, Groupe BPCE remains exposed to the risk of fines or other significant sanctions from the regulatory and supervisory authorities, as well as civil or criminal legal proceedings that could have a significant adverse impact on its financial position, activities and reputation.

Any interruption or failure of the information systems belonging to Groupe BPCE or third parties may generate losses (including commercial losses) and may have a material adverse impact on Groupe BPCE's results.

As is the case for the majority of its competitors, Groupe BPCE is highly dependent on information and communication systems, as a large number of increasingly complex transactions are processed in the course of its activities. Any failure, interruption or malfunction in these systems may cause errors or interruptions in the systems used to manage customer accounts, general ledgers, deposits, transactions and/or to process loans. For example, if Groupe BPCE's information systems were to malfunction, even for a short period, the affected entities would be unable to meet their customers' needs in time and could thus lose transaction opportunities. Similarly, a temporary failure in Groupe BPCE's information systems despite back-up systems and contingency plans could also generate substantial information recovery and verification costs, or even a decline in its proprietary activities if, for example, such a failure were to occur during the implementation of a hedging transaction. The inability of Groupe BPCE's systems to adapt to an increasing volume of transactions may also limit its ability to develop its activities and generate losses, particularly losses in sales, and may therefore have a material adverse impact on Groupe BPCE's results.

Groupe BPCE is also exposed to the risk of malfunction or operational failure by one of its clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers that it uses to carry out or facilitate its securities transactions. As interconnectivity with its customers continues to grow, Groupe BPCE may also become increasingly exposed to the risk of the operational malfunction of customer information systems. Groupe BPCE's communication and information systems, and those of its customers, service providers and counterparties, may also be subject to failures or interruptions resulting from cybercriminal or cyberterrorist acts. For example, as a result of its digital transformation, Groupe BPCE's information systems are becoming increasingly open to the outside (cloud computing, big data, etc.) and many of its processes are gradually going digital. Use of the internet and connected devices (tablets, smartphones, apps used on tablets and mobiles, etc.) by employees and customers is on the rise, increasing the number of channels serving as potential vectors for attacks and disruptions, and the number of devices and applications vulnerable to attacks and disruptions. Consequently, the software and hardware used by Groupe BPCE's employees and external agents are constantly and increasingly subject to cyberthreats. As a result of any such attacks, Groupe BPCE may face malfunctions or interruptions in its own systems or in third-party systems that may not be adequately resolved. Any interruption or failure of the information systems belonging to Groupe BPCE or third parties may generate losses (including commercial losses) due to the disruption of its operations and the possibility that its customers may turn to other financial institutions during and/or after any such interruptions or failures.

The risk associated with any interruption of failure of the information systems belonging to Groupe BPCE or third parties is significant for Groupe BPCE in terms of impact and probability, and is therefore carefully and proactively monitored.

Reputational and legal risks could unfavorably impact Groupe BPCE's profitability and busines outlook.

Groupe BPCE's reputation is of paramount importance when it comes to attracting and retaining customers. Use of inappropriate means to promote and market Group products and services, inadequate management of potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, economic sanctions, data policies and sales and trading practices could adversely affect Groupe BPCE's reputation. Its reputation could also be harmed by inappropriate employee behavior, fraud, cybercrime or cyber terrorist attacks on Groupe BPCE's information and communication systems, or any fraud, embezzlement or other misappropriation of funds committed by financial sector participants to which Groupe BPCE is exposed, any decrease, restatement or correction of financial results, or any legal ruling or regulatory action with a potentially unfavorable outcome. Any such harm to Groupe BPCE's reputation may have a negative impact on its profitability and business outlook.

Ineffective management of reputational risk could also increase Groupe BPCE's legal risk, the number of legal disputes in which it is involved and the amount of damages claimed, or may expose the Group to regulatory sanctions. As an example, regarding the legal disputes and arbitration proceedings involving Groupe BPCE, a fine of €4.07 million was charged to the Caisses d'Epargne for the check imaging exchange commissions case. On January 29, 2020, the Court of Cassation rendered its verdict and overturned the appeal for lack of legal grounds on the demonstration of collusion. The ruling referred the case back to the Court of Appeal, with the banks returning to their position subsequent to the ADLC (anti-competition authority) ruling. Consequently, the Court of Appeal will have to issue a ruling in favor of Caisse d'Epargne before the fine will be reimbursed. The financial consequences of these disputes may have an impact on the financial position of the Group, in which case they may also adversely impact Groupe BPCE's profitability and business outlook.

As of December 31, 2020, total provisions for legal and tax risks amounted to €1,208 million euros.

Unforeseen events may interrupt Groupe BPCE’s operations and cause losses and additional costs.

Unforeseen events, such as a serious natural disaster, events related to climate risk (physical risk directly associated with climate change), pandemics, attacks or any other emergency situation can cause an abrupt interruption in the operations of Groupe BPCE entities, affecting in particular the Group’s core business lines (liquidity, payment instruments, securities services, loans to individual and corporate customers, and fiduciary services) and trigger material losses, if the Group is not covered or not sufficiently covered by an insurance policy. These losses could relate to material assets, financial assets, market positions or key personnel, and have a direct and potentially material impact on Groupe BPCE’s net income. Moreover, such events may also disrupt Groupe BPCE’s infrastructure, or that of a third party with which Groupe BPCE does business, and generate additional costs (relating in particular to the cost of re-housing the affected personnel) and increase Groupe BPCE’s costs (such as insurance premiums). Such events may invalidate insurance coverage of certain risks and thus increase Groupe BPCE’s overall level of risk.

On December 31, 2020, operational risks accounted for 9% of Groupe BPCE’s risk-weighted assets, as on December 31, 2019. On December 31, 2020, Groupe BPCE’s losses in respect of operational risk can be primarily attributed to the “Corporate items” business line (59%). 34% of losses in respect of operational risk were recorded under the Basel classification “Clients, products and business practices.”

The failure or inadequacy of Groupe BPCE’s risk management and hedging policies, procedures and strategies may expose it to unidentified or unexpected risks which may trigger unforeseen losses.

Groupe BPCE’s risk management and hedging policies, procedures and strategies may not succeed in effectively limiting its exposure to all types of market environments or all kinds of risks, and may even prove ineffective for some risks that the Group was unable to identify or anticipate. Furthermore, the risk management techniques and strategies employed by Groupe BPCE may not effectively limit its exposure to risk and do not guarantee that overall risk will actually be lowered. These techniques and strategies may prove ineffective against certain types of risk, in particular risks that Groupe BPCE had not already identified or anticipated, given that the tools used by Groupe BPCE to develop risk management procedures are based on assessments, analyses and assumptions that may prove inaccurate. Some of the indicators and qualitative tools used by Groupe BPCE to manage risk are based on the observation of past market performance. To measure risk exposures, the heads of risk management carry out a statistical analysis of these observations.

These tools or indicators may not be capable of predicting future exposure to risk. For example, these risk exposures may be due to factors that Groupe BPCE may not have anticipated or correctly assessed in its statistical models or due to unexpected or unprecedented shifts in the market. This would limit Groupe BPCE’s risk management capability. As a result, losses incurred by Groupe BPCE may be higher than those anticipated on the basis of past measurements. Moreover, the Group’s quantitative models cannot factor in all risks. While no significant problem has been identified to date, the risk management systems are subject to the risk of operational failure, including fraud. Some risks are subject to a more qualitative analysis, which may prove inadequate and thus expose Groupe BPCE to unexpected losses.

Actual results may vary compared to assumptions used to prepare Groupe BPCE’s financial statements, which may expose it to unexpected losses.

In accordance with current IFRS standards and interpretations, Groupe BPCE must base its financial statements on certain estimates, in particular accounting estimates relating to the determination of provisions for non-performing loans and receivables, provisions for potential claims and litigation, and the fair value of certain assets and liabilities. If the values used for the estimates by Groupe BPCE prove to be materially inaccurate, in particular in the event of major and/or unexpected market trends, or if the methods used to calculate these values are modified due to future changes in IFRS standards or interpretations, Groupe BPCE may be exposed to unexpected losses.

Information on the use of estimates and judgments is provided in Note 2.3 ("Use of estimates") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements.

REGULATORY RISKS

Groupe BPCE is subject to significant regulation in France and in several other countries around the world where it operates; regulatory measures and changes could have a material adverse impact on Groupe BPCE's business and results.

The business and results of Group entities may be materially impacted by the policies and actions of various regulatory authorities in France, other governments of the European Union, the United States, foreign governments and international organizations. Such constraints may limit the ability of Groupe BPCE entities to expand their businesses or conduct certain activities. The nature and impact of future changes in such policies and regulatory measures are unpredictable and are beyond Groupe BPCE's control. Moreover, the general political environment has evolved unfavorably for banks and the financial industry, resulting in additional pressure on the part of legislative and regulatory bodies to adopt more stringent regulatory measures, despite the fact that these measures may have adverse consequences on lending and other financial activities, and on the economy. Because of the continuing uncertainty surrounding the new legislative and regulatory measures, it is not possible to predict what impact they will have on Groupe BPCE; however, this impact may be highly adverse.

For example, legislation and regulations have recently been enacted or proposed with a view to introducing a number of changes, some permanent, in the global financial environment. While the objective of these new measures is to avoid a recurrence of the global financial crisis, the impact of the new measures could substantially change, and may continue to change, the environment in which Groupe BPCE and other financial institutions operate.

As a result of some of these measures, Groupe BPCE has reduced, and may further reduce, the size of certain activities in order to comply with the new requirements. These measures are also liable to increase the cost of compliance with new regulations. This could cause revenues and consolidated profit to decline in the relevant business lines, sales to decline in certain activities and asset portfolios, and asset impairment expenses.

The purpose of the 2019 adoption of the final versions of the Banking Package was to align prudential requirements for banks with Basel III standards. The implementation of these reforms may result in higher capital and liquidity requirements, which could impact Groupe BPCE funding costs.

On November 11, 2020, the Financial Stability Board (FSB), in consultation with the Basel Committee on Banking Supervision and national authorities, reported the 2020 list of global systemically important banks (G-SIBs). Groupe BCPE is classified as a G-SIB by the FSB. Groupe BPCE also appears on the list of global systematically important financial institutions (G-SIFIs).

These regulatory measures, which may apply to various Groupe BPCE entities, and any changes in such measures may have a material adverse impact on Groupe BPCE's business and results.

Legislation and regulations have recently been enacted or proposed with a view to introducing a number of changes, some permanent, in the global financial environment. These new measures, aimed at avoiding a new global financial crisis, have significantly altered the operating environment of Groupe BPCE and other financial institutions, and may continue to alter this environment in the future. Groupe BPCE is exposed to the risk associated with changes in legislation and regulations.

In today's evolving legislative and regulatory environment, it is impossible to foresee the impact of these new measures on Groupe BPCE. The development of programs aimed at complying with these new legislative and regulatory measures (and updates to existing programs), and changes to the Group's information systems in response to or in preparation for new measures generates significant costs for the

Group, and may continue to do so in the future. Despite its best efforts, Groupe BPCE may also be unable to fully comply with all applicable laws and regulations and may thus be subject to financial or administrative penalties. Furthermore, new legislative and regulatory measures may require the Group to adapt its operations and/or may affect its results and financial position. Lastly, new regulations may require Groupe BPCE to strengthen its capital or increase its total funding costs.

The risk associated with regulatory measures and subsequent changes to such measures is significant for Groupe BPCE in terms of impact and probability, and is therefore carefully and proactively monitored.

BPCE may have to help entities belonging to the financial solidarity mechanism in the event they experience financial difficulties, including entities in which BPCE holds no economic interest.

As the central institution of Groupe BPCE, BPCE is responsible for ensuring the liquidity and solvency of each regional bank (Banques Populaires and Caisses d'Epargne) and the other members of the group of affiliates which are credit institutions subject to French regulations. The group of affiliates includes BPCE subsidiaries, such as Natixis, Crédit Foncier de France and Banque Palatine. While the regional banks (the "**contributing entities**") are required to provide BPCE with similar support, the benefits of the financial solidarity mechanism may be outweighed by the costs supported by Groupe BPCE.

The three guarantee funds created to cover Groupe BPCE's liquidity and insolvency risks are described in Note 1.2 ("Guarantee mechanism") to the Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements. On December 31, 2020, the Banque Populaire and Caisse d'Epargne funds each contained €450 million. The Mutual Guarantee Fund holds €176 million per network. The regional banks are obligated to make additional contributions to the guarantee fund on their future profits. While the guarantee fund represents a substantial source of resources to fund the solidarity mechanism, there is no guarantee these revenues will be sufficient. If the guarantee fund proves inadequate, BPCE, in accordance with its duties as central institution, will be required to offset the deficit by mobilizing its own resources and, where applicable, those of the contributing entities.

In light of this obligation, if a member of the Group (including one of the non-contributing affiliates) were to encounter a major financial hardship, the circumstances underlying said hardship may adversely impact the financial position of BPCE and the other contributing entities called upon for support in respect of the financial solidarity mechanism.

Investors in BPCE's securities could suffer losses if BPCE were to be subject to liquidation or resolution procedures.

The EU Regulation on the Single Resolution Mechanism No. 806/214 and the EU Directive for the recovery and resolution of banks No. 2014/59, as amended by the EU Directive No. 2019/879 (the "BRRD"), as transposed into French law in Book VI of the French Monetary and Financial ode, give the resolution authorities the power to write down BPCE securities or, in the case of debt securities, to convert them to equity.

Resolution authorities may write down or convert capital instruments, such as BPCE's Tier 2 subordinated debt securities, if the issuing institution or the group to which it belongs is failing or likely to fail (and there is no reasonable prospect that another measure would avoid such failure within a reasonable time period), becomes non-viable, or requires extraordinary public support (subject to certain exceptions). They shall write down or convert capital instruments before opening a resolution proceeding, or if doing so is necessary to maintain the viability of an institution. Any write-down or conversion of capital instruments shall be effected in order of seniority, so that Common Equity Tier 1 instruments are to be written down first, then additional Tier 1 instruments are to be written down or converted to equity, followed by Tier 2 instruments. If the write-down or conversion of capital instruments is not sufficient to restore the financial health of the institution, the bail-in power held by the resolution authorities may be applied to write down or convert eligible liabilities, such as BPCE's senior non-preferred and senior preferred securities.

On December 31, 2020, total Tier 1 capital amounted to €69.0 billion and Tier 2 prudential capital to €9.3 billion. Senior non-preferred debt instruments totaled €22 billion at end-December 2020.

For Groupe BPCE, all entities affiliated with the central institution of Groupe BPCE benefit from a guarantee and solidarity mechanism, the aim of which, in accordance with Articles L. 511-31 and L.512.107-6 of the French Monetary and Financial Code, is to ensure the liquidity and solvency of all affiliated entities and to organize financial solidarity throughout the Group.

This financial solidarity is rooted in legislative provisions instituting a legal solidarity system requiring the central institution to restore the liquidity or solvency of struggling affiliates and/or of all Group affiliates, by mobilizing if necessary up to all cash and cash equivalents and capital available to all contributing affiliates. As a result of this complete legal solidarity, and in the extreme case of a liquidation or resolution proceeding, one or more affiliates may not find itself subject to court-ordered liquidation, or be affected by resolution measures within the meaning of the "BRRD," without all affiliates also being affected. In accordance with Article L. 613-29 of the French Monetary and Financial Code, court-ordered liquidation proceedings are therefore brought in a coordinated manner with regard to the central institution and all of its affiliates.

The same article provides that, in the event of court-ordered liquidation proceedings being brought against all affiliates, the external creditors (of the same rank or enjoying identical rights) of all affiliates would be treated equally according to the ranking of the creditors and regardless of whether they are attached to a particular affiliated entity. As a result, investors in AT1 instruments and other pari passu securities would be more affected than investors in Tier 2 instruments and other pari passu securities, which in turn would be more affected than investors in external senior non-preferred debt, which in turn would be more affected than investors in external senior preferred debt. In the event of resolution, identical impairment and/or conversion rates would be applied to debts and securities of a given rank, irrespective of their ties with any specific entity, in the order of the ranking referred to above.

A resolution proceeding may be initiated against an institution, such as Groupe BPCE, if (i) it is failing or likely to fail, (ii) there is no reasonable prospect that another measure would avoid such failure within a reasonable time period, and (iii) a resolution measure is required, to achieve the objectives of the resolution: (a) to ensure the continuity of critical functions, (b) to avoid a significant adverse effect on the financial system, (c) to protect public funds by minimizing reliance on extraordinary public financial support, and (d) to protect customer funds and assets, in particular those of depositors. Failure of an institution means that it does not respect requirements for continuing authorization, it is unable to pay its debts or other liabilities when they fall due, it requires extraordinary public financial support (subject to limited exceptions), or the value of its liabilities exceeds the value of its assets.

In addition to bail-in power, resolution authorities are provided with broad powers to implement other resolution measures with respect to failing institutions or, under certain circumstances, their groups, which may include (without limitation): the total or partial sale of the institution's business to a third party or a bridge institution, the separation of assets, the replacement or substitution of the institution as obligor in respect of debt instruments, modifications to the terms of debt instruments (including altering the maturity and/or the amount of interest payable and/or imposing a temporary suspension on payments), discontinuing the listing and admission to trading of financial instruments, dismissal of managers or appointment of a temporary administrator (administrateur spécial) and issuance of new equity or own funds.

The exercise of the powers described above by resolution authorities could result in the partial or total write-down or conversion to equity of the capital instruments and the debt instruments issued by BPCE, or may substantially affect the amount of resources available to BPCE to make payments on such instruments, potentially causing BPCE investors to incur losses.

Tax legislation and its application in France and in countries where Groupe BPCE operates are likely to have an adverse impact on Groupe BPCE's profits.

As a multinational banking group that carries out large and complex international transactions, Groupe BPCE (particularly Natixis) is subject to tax legislation in a large number of countries throughout the world, and structures its activity in compliance with applicable tax rules. Changes in tax schemes by the competent authorities in these countries could materially impact Groupe BPCE's profits. Groupe BPCE manages its activities with a view to creating value from the synergies and sales capabilities of its various constituent entities. It also works to structure financial products sold to its customers from a tax efficiency standpoint. The structure of intra-group transactions and financial products sold by entities of Groupe BPCE are based on its own interpretations of applicable tax regulations and laws, generally based on opinions given by independent tax experts, and, as needed, on decisions or specific interpretations by the competent tax authorities. It is possible that in the future tax authorities may challenge some of these interpretations, as a result of which the tax positions of Groupe BPCE entities may be disputed by the tax authorities, potentially resulting in tax re-assessments, which may in turn have an adverse impact on Groupe BPCE's results."

2. DOCUMENTS INCORPORATED BY REFERENCE

On page 32 of the Base Prospectus, the following paragraphs are added in the section entitled "DOCUMENTS INCORPORATED BY REFERENCE" after the paragraph (i) and the following paragraphs are deemed to be renumbered accordingly:

*"(j) the Groupe BPCE 2020 audited consolidated annual financial statements for the year ended 31 December 2020, published in French (the "**Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements**") and the corresponding French Language statutory auditors' report (the "**Groupe BPCE 2020 Full-year Auditors' Report**");*

https://groupebpce.com/content/download/24287/file/1-Groupe%20BPCE_Comptes%20consolide%CC%81s%20IFRS%20au%2031%20de%CC%81cembre%202020%20.pdf

https://groupebpce.com/content/download/24290/file/2-%20Rapport%20des%20commissaires%20aux%20comptes%20sur%20les%20comptes%20consolides%20du%20Groupe%20BPCE.pdf

*(k) the Groupe BPCE SA 2020 audited consolidated annual financial statements for the year ended 31 December 2020, published in French (the "**Groupe BPCE SA 2020 Full-year Audited Consolidated Financial Statements**") and the corresponding French Language statutory auditors' report (the "**Groupe BPCE SA 2020 Full-year Auditors' Report**");*

https://groupebpce.com/content/download/24293/file/3-Groupe%20BPCE%20SA_Comptes%20consolide%CC%81s%20IFRS%20au%2031%20de%CC%81cembre%202020%20.pdf

https://groupebpce.com/content/download/24296/file/4-%20Rapport%20des%20commissaires%20aux%20comptes%20sur%20les%20comptes%20consolides%20du%20groupe%20BPCE%20SA.pdf

*(l) BPCE SA 2020 audited annual financial statements for the year ended 31 December 2020, published in French (the "**BPCE SA 2020 Full-year Audited Financial Statements**") and the corresponding French Language statutory auditors' report (the "**BPCE SA 2020 Full-year Auditors' Report**");*

https://groupebpce.com/content/download/24299/file/5-Rapport%20de%20gestion%20et%20comptes%20individuels%20annuels%20de%20BPCE%202020.pdf

https://groupebpce.com/content/download/24302/file/6-Rapport%20des%20commissaires%20aux%20comptes%20sur%20les%20comptes%20annuels%20de%20BPCE.pdf

*(m) the document entitled "Groupe BPCE chapitre Activités et informations financières 2020" available on the Issuer's website (the "**Groupe BPCE Activities and Financial Information 2020**");*

https://groupebpce.com/content/download/24305/file/7-Groupe%20BPCE_chapitre%20Activite%CC%81s%20et%20informations%20financie%CC%80res%202020%20.pdf

The information incorporated by reference is completed as follows:

Annex 6 of the Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation	**Reference (*pdf version pages*)**
4.1.5 Details of any recent events particular to the Issuer and which are to a material	*Groupe BPCE Activities and Financial Information 2020:*

extent relevant to an evaluation of the Issuer's solvency	Pages 1 to 6
11.1 Historical Financial Information	
11.1.1 Audited historical financial information	*BPCE SA 2020 Full-year Audited Financial Statements:* Pages 1 to 51
11.1.6 Consolidated financial statements	*Groupe BPCE 2020 Full-year Audited Consolidated Financial Statements:* Pages 1 to 142 *Groupe BPCE Activities and Financial Information 2020:* Pages 7 to 26 *Groupe BPCE SA 2020 Full-year Audited Consolidated Financial Statement*s: Pages 1 to 127
11.3 Auditing of historical annual financial information	*BPCE SA 2020 Full-year Auditors' Report:* Pages 1 to 8 *Groupe BPCE 2020 Full-year Auditors' Report :* Pages 1 to 11 *Groupe BPCE SA 2020 Full-year Auditors' Report :* Pages 1 to 10

Information contained in the Documents Incorporated by Reference other than information listed in the table above is for information purposes only."

3. SUBSCRIPTION AND SALE

On page 147 of the Base Prospectus, a new paragraph is included in the sub-section entitled "*Prohibition of Sales to UK Retail Investors*" in the section "SUBSCRIPTION AND SALE":

"If the Final Terms in respect of any Notes specifies "Prohibition of Sales to UK Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in the United Kingdom except that it may make an offer of such Notes to the public in the United Kingdom:

(a) at any time to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;

(b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation) in the United Kingdom subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(c) at any time in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression "**an offer of Notes to the public**" in relation to any Notes means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe for the Notes and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129, as it forms part of UK domestic law by virtue of the EUWA."

4. GENERAL INFORMATION

(i) “Significant change in the Issuer’s financial position or financial performance”

On page 188 of the Base Prospectus, the paragraph “*Significant change in the Issuer’s financial position or financial performance*” in the section entitled “GENERAL INFORMATION” is deleted and replaced as follows:

> “Except as disclosed in this Base Prospectus, including with respect to the impact that the sanitary crisis resulting from the coronavirus (COVID-19) may have, there has been no significant change nor any development reasonably likely to involve a significant change, that is material in the context of the issue of the Notes, in the financial position or financial performance of the Issuer, of the Groupe BPCE SA and of the Groupe BPCE since 31 December 2020.”

(ii) “Audited and unaudited financial information”

On page 190 of the Base Prospectus, the paragraph “*Audited and unaudited financial information*” in the section entitled “GENERAL INFORMATION” is deleted and replaced as follows:

> “The accounts of the Issuer are published on an annual and semi-annual basis. Copies of the audited non-consolidated financial statements of the Issuer and of the audited consolidated financial statements of Groupe BPCE and Groupe BPCE SA for the years ended 31 December 2019 and 31 December 2020 and of the unaudited consolidated financial statements of Groupe BPCE and Groupe BPCE SA for the year ended 31 December 2020 may be obtained, and copies of the Agency Agreement will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.”

(i) “Statutory Auditors”

On pages 190 of the Base Prospectus, the first paragraph of the paragraph “**Audited and unaudited financial information**” in the section “GENERAL INFORMATION” is deleted and replaced as follows:

“The statutory auditors of the Issuer (PricewaterhouseCoopers Audit Mazars and Deloitte et Associés), have audited and rendered an unqualified audit report on the accounts of the Issuer for the years ended 31 December 2019 and 2020.”

PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE THIRD SUPPLEMENT TO THE BASE PROSPECTUS

In the name of the Issuer

I declare, to the best of my knowledge, that the information contained in this Third Supplement is in accordance with the facts and that it contains no omission likely to affect its import.

BPCE
50 avenue Pierre Mendès-France
75013 Paris
France

Duly represented by:
Jean-Philippe BERTHAUT
Head of Group Funding
Duly authorised
on 11 March 2021

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

Autorité des marchés financiers

This Third Supplement has been approved on 11 March 2021 under the approval number n°21-065 by the AMF, in its capacity as competent authority under Regulation (EU) 2017/1129.

The AMF has approved this Third Supplement after having verified that the information it contains is complete, coherent and comprehensible.

This approval is not a favourable opinion on the Issuer and on the quality of the Notes described in this Third Supplement. Investors should make their own assessment of the opportunity to invest in such Notes.