



## BANQUE PALATINE

*(société anonyme à conseil d'administration)*

€ 5,000,000,000

### Euro Medium Term Note Programme

This prospectus supplement no. 2 (the "**Prospectus Supplement no. 2**") constitutes a second supplement to and must be read in conjunction with the Base Prospectus dated **25 June 2020** which received visa no. **20-282** from the *Autorité des marchés financiers* (the "**AMF**") on **25 June 2020** (the "**Base Prospectus**") prepared by **Banque Palatine** (the "**Issuer**") with respect to its Euro 5,000,000,000 Euro Medium Term Note Program (the "**Program**") as supplemented by the first Prospectus Supplement dated **26 August 2020** which received visa no. 20-429 from the *Autorité des marchés financiers* (the "**AMF**") on **26 August 2020** (the "**Prospectus Supplement no. 1**"). The Base Prospectus as supplemented by the Prospectus Supplement no.1 and by this Prospectus Supplement no.2 constitutes a base prospectus for the purpose of Article 8 of the Prospectus Regulation to be published when securities are offered to the public or admitted to trading, as amended (the "**Prospectus Regulation**").

Terms defined in the Base Prospectus and in the Prospectus Supplement no. 1 shall have the same meaning when used in this Prospectus Supplement no. 2.

This Prospectus Supplement no. 2 has been prepared pursuant to Article 23 of the Regulation (EU) 2017/1129 (the Prospectus Regulation) for the purpose of giving information with regard to the Issuer and the notes to be issued under the Program additional to the information already included or incorporated by reference in the Base Prospectus.

This Prospectus Supplement no. 2, the Base Prospectus, the Prospectus Supplement no. 1 and any documents incorporated by reference herein and therein will be published on the website of the Issuer (<https://www.palatine.fr/>) and filed with the AMF.

Pursuant to Article 23 of the Regulation (EU) 2017/1129 (the Prospectus Regulation), investors who have already accepted to purchase or subscribe for any Notes to be issued under the Program before this Prospectus Supplement no. 2 is published, shall have the right, exercisable within a time limit which shall not be shorter than two working days after the publication of this Prospectus Supplement no. 2 i.e. 15 March 2021, to withdraw their acceptance, provided that the new factor, material mistake or inaccuracy was prior to the final closing of the public offer and delivery of the financial securities. Investors who wish to exercise this right may contact their usual Banque Palatine interlocutor.



The supplement to the prospectus was approved on March 11, 2021 by the AMF, in its capacity as competent authority under Regulation (EU) 2017/1129.

The AMF approves this document after verifying that the information contained in the prospectus is complete, consistent and understandable within the meaning of Regulation (EU) 2017/1129.

This approval should not be considered as a favourable opinion on the issuer or on the quality of the securities covered by the supplement.

The supplement to the prospectus has the following approval number: 21-064

## TABLE OF CONTENTS

MODIFICATION OF THE BASE PROSPECTUS- RISK FACTORS .....	3
MODIFICATION OF THE BASE PROSPECTUS- DOCUMENTS INCORPORATED BY REFERENCE .....	5
MODIFICATION OF THE BASE PROSPECTUS-DESCRIPTION OF THE ISSUER.....	8
MODIFICATION OF THE BASE PROSPECTUS-GENERAL INFORMATION .....	10

## MODIFICATION OF THE BASE PROSPECTUS- RISK FACTORS

On page 12, the paragraph headed "A substantial increase in new asset impairment charges or a shortfall in the level of previously recorded asset impairment charges in respect of Banque Palatine's loan and receivables portfolio could have significant adverse effect on its results of operations and financial condition" of the Base Prospectus is deleted in its entirety and replaced with the following:

In connection with Banque Palatine's lending activities, the bank periodically establishes asset impairment charges, whenever necessary, to reflect actual or potential losses in respect of its loan and receivables portfolio, which are recorded in its profit and loss account under "cost of risk". Banque Palatine's overall level of such asset impairment charges is based upon the bank's assessment of prior loss experience, the volume and type of lending being conducted, industry standards, past due loans, economic conditions and other factors related to the recoverability of various loans. Although Banque Palatine uses its best efforts to establish an appropriate level of asset impairment charges, the bank's lending businesses may have to increase their charges for loan losses in the future as a result of increases in non-performing assets or for other reasons, such as deteriorating market conditions or factors affecting particular countries (please also refer to the risk factor entitled " Unforeseen events (such as the sanitary crisis related to the Covid-19) may cause an interruption of Banque Palatine's operations and cause substantial losses as well as additional costs"). Any significant increase in charges for loan losses or a significant change in the estimate of the risk of loss inherent in Banque Palatine's portfolio of non-impaired loans, as well as the occurrence of loan losses in excess of the charges recorded with respect thereto, could have a significant adverse effect on Banque Palatine's results of operations and financial condition.

As of 31 December 2020, the annual cost of risk came to €100.3 million in 2020, up €51.3 million from its 2019 level under the effect of the health crisis. The multiplication of amicable procedures weighed on the assigned risk burden (stage 3) which came in at € 83.8 million and stage 1 and stage 2 provisions recorded to deal with potential losses have increased of € 16.5 million.

Consequently, the risk associated with a significant increase in asset impairment expenses recorded on the Issuer's loan and receivable outstandings is significant for the Issuer in terms of impact and probability, and is therefore monitored carefully and proactively.

On page 19, the paragraph headed "Unforeseen events (such as the sanitary crisis related to the Covid-19) may cause an interruption of Banque Palatine's operations and cause substantial losses as well as additional costs" of the Base Prospectus is deleted in its entirety and replaced with the following:

Unforeseen events like severe natural disasters, pandemics, terrorist attacks or other states of emergency can lead to an abrupt interruption of operations of entities in Banque Palatine, and, to the extent not partially or entirely covered by insurance, can cause substantial losses. Such losses can relate to property, financial assets, trading positions and key employees. Such unforeseen events may additionally disrupt the bank's infrastructure, or that of third parties with which it conducts business, and can also lead to additional costs (such as relocation costs of employees affected) and increase costs (such as insurance premiums). Such events may also make insurance coverage for certain risks unavailable and thus increase the Issuer's global risk.

In particular, the sanitary measures (lockdown, curfew,...) concerning the entire population in France and around the world have caused a sharp contraction of the economy in 2020 following the development of the sanitary crisis related to Covid-19. The first expected or observed macroeconomic impacts are already being felt: global growth is declining, unemployment is rising, central banks are pursuing a policy of lowering rates (e.g. the Fed's rate cut at the beginning of March 2020, the easing of ECB TLTRO conditions, the easing of the asset repurchasing programs) and the financial markets' volatility has increased sharply before stabilizing at an intermediate high level. Beyond the issues of the macroeconomic and financial markets crisis, the fight against coronavirus was characterized by the confinement of the maximum of people. This confinement made the management of medium-sized businesses, Banque Palatine's core target clients, very difficult. However, French Government has set up a lot of support measures to help these enterprises to survive to the coronavirus crisis (e.g. mobilization of the State to the tune of 300 billion euros to guarantee bank cash lines which businesses may need because of the epidemic, deferral of payment of rents, water, gas and electricity bills for the smallest businesses in difficulty,...). In the context of the economic shock caused by the health crisis, the multiplication of companies placing themselves in ad hoc mandate or in conciliation procedure weighed heavily on the cost of risk: € 100.3 million in 2020 compared to € 49 million in 2019. Finally, in order to respect confinement restrictions which limits the spread of the virus and to protect the health of its employees while ensuring business continuity, Banque Palatine has taken a certain number of decisions, notably the physical separation of teams carrying

out a vital activity for Banque Palatine, the opening of back-up locations or the generalization of teleworking. Each of these impacts constitutes a risk that can adversely affect the results and solvency metrics (CET1 ratio) of Banque Palatine in the future.

## **MODIFICATION OF THE BASE PROSPECTUS- DOCUMENTS INCORPORATED BY REFERENCE**

On page 43, the section headed "DOCUMENTS INCORPORATED BY REFERENCE" of the Base Prospectus is deleted in its entirety and replaced with the following:

This Base Prospectus should be read and construed in conjunction with the information which are identified in the cross reference table below contained in the following documents which shall be incorporated in, and shall be deemed to form part of, this Base Prospectus:

- (a) the 2019 annual financial report (the "**2019 Financial Report**") of the Issuer in English language which includes the consolidated financial statements for the fiscal year ended 31 December 2019, together with the explanatory notes and the related auditors reports;

[https://www.palatine.fr/fileadmin/user\\_upload/BANQUE\\_PALATINE\\_FINANCIAL\\_REPORT\\_2019.pdf](https://www.palatine.fr/fileadmin/user_upload/BANQUE_PALATINE_FINANCIAL_REPORT_2019.pdf)

- (b) the 2018 annual financial report (the "**2018 Financial Report**") of the Issuer in English language which includes the consolidated financial statements for the fiscal year ended 31 December 2018, together with the explanatory notes and the related auditors reports;

[https://www.palatine.fr/fileadmin/user\\_upload/pdf/infos-financieres/PALATINE\\_RFA\\_VA\\_2018.pdf](https://www.palatine.fr/fileadmin/user_upload/pdf/infos-financieres/PALATINE_RFA_VA_2018.pdf)

- (c) the sections "Terms and Conditions of the Notes" of the following base prospectuses:

- (i) the base prospectus dated 4 July 2019 (pages 89 to 121) (the "**2019 EMTN Conditions**"),

[https://www.palatine.fr/fileadmin/user\\_upload/Banque-Palatine-Update-2019-Base-Prospectus-\\_v.finale\\_avec\\_visas\\_.pdf](https://www.palatine.fr/fileadmin/user_upload/Banque-Palatine-Update-2019-Base-Prospectus-_v.finale_avec_visas_.pdf)

- (ii) the base prospectus dated 4 July 2018 (pages 86 to 114) (the "**2018 EMTN Conditions**"),

[https://www.palatine.fr/fileadmin/user\\_upload/pdf/infos-financieres/Banque-Palatine\\_Update-2018\\_Base-Prospectus.pdf](https://www.palatine.fr/fileadmin/user_upload/pdf/infos-financieres/Banque-Palatine_Update-2018_Base-Prospectus.pdf)

- (iii) the base prospectus dated 4 July 2016 (pages 78 to 106) (the "**2016 EMTN Conditions**"), and

[https://www.palatine.fr/fileadmin/user\\_upload/pdf/infos-financieres/Banque-Palatine-EMTN-Base-Prospectus-2016.pdf](https://www.palatine.fr/fileadmin/user_upload/pdf/infos-financieres/Banque-Palatine-EMTN-Base-Prospectus-2016.pdf)

- (iv) the base prospectus dated 22 August 2014 (pages 49 to 73) (the "2014 EMTN Conditions" and, together with the 2019 EMTN Conditions, 2018 EMTN Conditions, 2016 EMTN Conditions, the "**EMTN Previous Conditions**") and

[https://www.palatine.fr/fileadmin/user\\_upload/pdf/infos-financieres/Banque\\_Palatine\\_Prospectus\\_de\\_Base\\_final\\_avec\\_visas.PDF](https://www.palatine.fr/fileadmin/user_upload/pdf/infos-financieres/Banque_Palatine_Prospectus_de_Base_final_avec_visas.PDF)

- (d) the press release "Résultats 2019 : une activité commerciale soutenue, dans un contexte d'investissements informatiques majeurs" in French language, published on 9 March 2020, which includes unaudited condensed financial statements for the fiscal year ended 31 December 2019 (the "**2019 Annual Results Press Release**").

[https://www.palatine.fr/fileadmin/user\\_upload/CP\\_Palatine\\_Resultats2019\\_090320.pdf](https://www.palatine.fr/fileadmin/user_upload/CP_Palatine_Resultats2019_090320.pdf)

- (e) the press release "Résultats du premier semestre 2020 ; Une solide performance commerciale ; Un coût du risque en forte progression" in French language, published on 4 August 2020, which includes non-audited condensed financial statements as of 30 June 2020; (the "**2020 Semi Annual Results Press Release**").

[https://www.palatine.fr/fileadmin/user\\_upload/2020052617\\_BP\\_CA\\_VF\\_040820.pdf](https://www.palatine.fr/fileadmin/user_upload/2020052617_BP_CA_VF_040820.pdf)

- (f) the interim financial report as of June 2020 (the « **Rapport Financier Semestriel 30 Juin 2020** ») of the issuer in French language, which includes non-audited condensed financial statements, notes to the financial statements as well as auditor's limited review report;

[https://www.palatine.fr/fileadmin/user\\_upload/RFS\\_Palatine\\_S1\\_2020.pdf](https://www.palatine.fr/fileadmin/user_upload/RFS_Palatine_S1_2020.pdf)

- (g) the press release "Résultats 2020 : Des résultats marqués par le changement de système informatique et la crise sanitaire" in French language, published on 5 March 2021, which includes unaudited condensed financial statements for the fiscal year ended 31 December 2020 (the "**2020 Annual Results Press Release**").

[https://www.palatine.fr/fileadmin/user\\_upload/pdf/communiques-presse/CP\\_PALATINE\\_2020\\_VF\\_050321\\_diffusion.pdf](https://www.palatine.fr/fileadmin/user_upload/pdf/communiques-presse/CP_PALATINE_2020_VF_050321_diffusion.pdf)

For the sake of clarity, sections not identified in the table below shall not form part of this Base Prospectus and are either not relevant for the investors or covered elsewhere in this Base Prospectus. Any statement contained in the documents incorporated by reference shall be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus. Any websites included in this Base Prospectus are for information purposes only and do not form part of the Base Prospectus.

Other than in relation to the documents which are deemed to be incorporated by reference, the information on the websites to which this Base Prospectus (including, for the avoidance of doubt, any information on the websites which appear in the documents incorporated by reference) refers does not form part of this Base Prospectus and has not been scrutinised or approved by the AMF.

For as long as any Notes are outstanding, all documents incorporated by reference into this Base Prospectus may be obtained, free of charge at the registered office of the Issuer during normal business hours, and will be available on the website of the Issuer (<https://www.palatine.fr/>) and on the following website : <https://www.info-financiere.fr/pages/home/>.

**Cross Reference Table - Annex VI of Commission Delegated Regulation (EU) 2019/980 supplementing the Prospectus Regulation**

	<b>2020 Annual Results Press Release</b>	<b>Rapport Financier Semestriel 30 Juin 2020</b>	<b>2020 Semi Annual Results Press Release</b>	<b>2019 Annual Results Press Release</b>	<b>2019 Financial Report</b>	<b>2018 Financial Report</b>
<b>4. INFORMATION ABOUT THE ISSUER</b>						
<b>4.1.5 Details of any recent events particular to the Issuer and which are to a material extent relevant to an evaluation of the Issuer's solvency</b>	Not Applicable	Pages 4 to 5	Pages 1 and 2	Not Applicable	Pages 5 to 14	Not Applicable
<b>7. TREND INFORMATION</b>						
<b>7.2 Information of any known trends</b>	Not Applicable	Pages 7 to 13	Pages 1 and 2	Not Applicable	Pages 14 and 64	Not Applicable
<b>11. FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES</b>						
<b>11.1 Historical Financial Information</b>						
<b>11.1.1 Audited historical financial information</b>	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Pages 58 to 166	Pages 56 to 159

<b>11.1.6 Consolidated financial statements</b>	Page 1 to 4	Not Applicable	Not Applicable	Page 3	Pages 58 to 166	Pages 56 to 159
<b>11.2 Interim and other financial information</b>	Page 1 to 4	Pages 20 to 72	Pages 2 and 3	Page 3	Not Applicable	Not Applicable
<b>11.3 Auditing of historical annual financial information</b>	Not Applicable	Pages 16 to 18	Not Applicable	Not Applicable	Pages 167 to 178	Pages 160 to 170
<b>11.4 Legal and arbitration proceedings</b>	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Pages 204 to 205	Not Applicable

The EMTN Previous Conditions are incorporated by reference into the Base Prospectus for the purpose only of further issues of Notes to be assimilated (assimilées) and form a single Series with Notes already issued under the relevant EMTN Previous Conditions.

<b><i>EMTN Previous Conditions</i></b>	
2019 EMTN Conditions	Pages 89 to 119
2018 EMTN Conditions	Pages 86 to 114
2016 EMTN Conditions	Pages 78 to 106
2014 EMTN Conditions	Pages 49 to 72

## MODIFICATION OF THE BASE PROSPECTUS-DESCRIPTION OF THE ISSUER

On page 301, the paragraph "Description of known trends affecting the Issuer and the markets in which it operates" of the section headed "DESCRIPTION OF THE ISSUER" of the Base Prospectus is deleted in its entirety and replaced with the following:

### **1\*) Commercial banking**

Average outstanding loans granted to customers – 11.3 billion euros at the end of 2020 - increased by 16.1% thanks to the distribution of 3 billion euros in new loans, of which almost half - 1.4 billion euros - corresponds to loans guaranteed by the State - PGE.

The year was also marked by an increase of 3.8% in balance sheet savings - 12 billion in average outstandings at the end of 2020, driven by private banking clients (+ 11%) and demand deposits (+ 15% ).

#### Corporate Market

In the context of the health crisis, the commercial results for corporate customers are both good and contrasting:

- the objectives of conquering new target customers (companies with a turnover of over € 15M) have been achieved with more than 256 new contacts.
- the production of medium and long-term loans (except PGE) reached 1.4 billion euros against 2.1 billion euros in 2019 (-34%) due to the decline in investments and distribution of PGEs. In total, with PGEs, the production of loans to businesses amounted to 2.8 billion euros, up 29%.

Commercial animation focused on capturing flows with a double stake:

- rebalance the flow and loan shares with certain customers, which resulted in an additional volume of € 800 million;
- Develop additional commissions to increase these rates to € 1.6 million for a full year.

Banque Palatine is one of the reference banks for property managers (rental management and condominium manager) with a penetration rate of around 25%. It has seen more than 60 new contacts in this market and commissions for this activity have increased by 8%.

Thanks to proactive customer presence actions throughout this complicated past year, the overall satisfaction of business customers has increased by 4 points and the recommendation rate has reached a record rate of + 29% in 2020.

#### Private banking market

The objectives were achieved:

- The number of target customers increased by 3.7% and new contacts were at the expected level.
- The production of loans financing housing and heritage projects amounted to 454 million euros, up 2.5%.
- The collection achievements for management under mandate and in financial savings have reached forecasts.
- Only the collection of life insurance was disappointing, like what has happened in this market on a national level.

#### Asset management - Palatine Asset Management

Palatine Asset Management recorded net income of € 5.7 million in 2020, an increase of € 300,000. Its assets under management rose sharply (19%) and stood at 4.8 billion euros.

#### Activities and results of other subsidiaries and consolidated holdings

Ariès Assurances' net profit amounted to € 49,300 in 2020, down € 187,300. An action plan is being defined to give a new commercial trajectory to this broker.

### **2\*) Financial activities**

Financial year 2019 was again marked by an unfavourable interest rate context.

In this environment, Banque Palatine invested €373 million over the year, mainly in Eurozone sovereign bonds during the first half. At the end of 2019, the value of the portfolio stood at €1,630 million. This portfolio's objective is to constitute the liquidity reserve of the Liquidity Coverage Ratio ("LCR"). As this portfolio is eligible to be posted as collateral against central bank financing, these securities represent a secure source of funding for Banque Palatine.

Banque Palatine's financial strategy is in line with the regulatory ratios set by the Group. The LCR remained above 100% throughout 2019.

Banque Palatine's financing is assured by customer deposits thanks to a complete range of investment products. The ratio of loans to customer deposits was close to 100% at the end of the year. Banque Palatine therefore has a substantial customer



deposit base giving it significant scope for commercial development. Indeed, although loans outstanding are continuing to increase, the capital adequacy ratio has been maintained at a high level all year.

In 2019, Banque Palatine maintained its targets for balance sheet management, limiting its liquidity and rate risks:

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

## **MODIFICATION OF THE BASE PROSPECTUS-GENERAL INFORMATION**

On page 316 of the Base Prospectus, the paragraphs 2 and 3 are deleted in their entirety and replaced as follows:

2. To the extent that Notes issued by the Issuer under the Programme may constitute obligations under French law, the issue of such Notes has been authorised by a resolution of the Issuer's Conseil d'Administration (Board of Directors) dated 4 March 2021 which has delegated to Christine Jacglin, Chief Executive Officer (Directeur Général), Patrick Ibry, Deputy Chief Executive Officer (Directeur Général Délégué), Sylvie Ferrier, Chief Financial Officer (Directrice des Finances), Tarek Akrouf, Customer Desk Director (Directeur Desk Clientèle), Fawzi Terranti, Securities and Derivatives Trader (Opérateur Titres et Produits Dérivés) and Julien Martin, Securities and Derivatives Trader (Opérateur Titres et Produits Dérivés), acting jointly or separately, the power to decide issues of obligations and assimilated securities for a maximum aggregate nominal amount of EUR 300,000,000 within a period of one year ending 4 March 2022.
3. Save as disclosed in this Base Prospectus, including with respect to the future economic impacts linked to the current situation with Covid-19, there has been no significant change in the financial performance or financial position of the Group since 31 December 2020.

**PERSON RESPONSIBLE FOR THE INFORMATION GIVEN IN THE PROSPECTUS  
SUPPLEMENT NO. 2**

**Sylvie Ferrier**, *Directrice Finances Clients*

**Declaration by the person responsible for the Prospectus Supplement no. 2**

I hereby certify that, to the best of my knowledge, the information contained in this Prospectus Supplement no. 2 (when read together with the Base Prospectus) is in accordance with the facts and contains no omission likely to affect its import.

Paris, 11 March 2021

**Banque Palatine**  
42, rue d'Anjou  
75008 Paris  
France

duly represented by **Sylvie Ferrier**, *Directrice Finances Clients*