Straight bonds

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1. Prospectus

Prospectus’ table of contents

Risk relating to the issuer

- Operational risks
    - Pricing pressure given high competition
    - Consolidation among critical suppliers
    - Diversification in risky new businesses
    - Damages to technical infrastructures (accidental, intentional, natural disasters)
- Legal risks
    - Changes in regulation
    - Litigations
- Financial risks
    - Liquidity
    - Asset impairment, particularly of goodwill
    - Credit risk rating
- Non financial risks
    - Cyberattacks
    - Human health and safety
    - Corruption
    - Skills retention

Risk relating to the notes

- Noteholders as creditors of the issuer
  - French insolvency law
    - Automatic grouping of all debt security holders into an Assembly
    - Possible decisions taken by a 2/3 majority, with no quorum
      - Reschedule of due payments
      - Debt write off
      - Unequal treatment between holders
      - Conversion into securities that (may) give rights to capital shares
  - Modification of the terms and conditions of the notes
- Trading market for the notes
  - No secondary / trading market for the notes
  - Market value of the notes
  - Exchange rate and currency risk
- Early redemption
  - Option held by the issuer for a given period
  - Triggering events: withholding tax event, change in rating methodologies, change in IFRS accounting classification such as note as an equity instrument
  - No substantial rise of note’s market value, during this period, beyond the redemption price
  - Expected early redemption when the cost of borrowing is lower then the interest rate on notes and implied reinvestment risk for holders
- No required redemption in the case of withholding tax event
  - Amount received by the holder lower than expected
  - Negative impact on the trading price
- Interest rate risk
- Reform and regulation of benchmark rates
  - Increased costs and risks of administering benchmarks and complying with regulations
  - Disappearance of some benchmarks triggered by markets participants’ discouragement from continuing to administer certain benchmarks
  - Appointment of an independent adviser, at the issuer’s cost, to determine a successor rate and make possible changes to the definition of business day and to the interest determination date: binding decision without required consent of note holders

Specific risks relating to the deeply sub notes

- Structure of the notes
  - Unsecured and deeply subordinated
  - No negative pledge
  - No limitation on issuing or guaranteeing debt ranking senior to, or pari passu with the notes
  - Undated securities and therefore no holder’s right to require redemption including, in the case of liquidation following a merger whereby the surviving entity assumes all obligations of the issuer
- Deferral of interest payments
  - No obligation of the issuer to make interest payments on time, implying arrears of interests
  - Higher volatility of the bond’s following adverse changes in the issuer’s financial conditions
- No events of default or cross default
  - No right for investors to accelerate the redemption of principal if an obligation is failed by the issuer, including the payment of interests
  - Proceedings to be looked upon as the sole remedy to enforce payment
  - Possible loss of holders’ investment and therefore negative impact on the market value on the secondary market

Example of use of proceeds

USE OF PROCEEDS

The Issuer intends to use the net proceeds from the issue of the Notes for general corporate purposes including the refinancing of all or part of the following Parity Securities:

- €1,000,000,000 Undated 7 Year Non-Call Deeply Subordinated Fixed to Reset Rate Notes with first call date on 1 October 2021 (ISIN XS1115490523) (of which €118,374,000 is currently outstanding);

- £650,000,000 Undated 8 Year Non-Call Deeply Subordinated Fixed to Reset Rate Notes with first call date on 7 February 2022 (ISIN XS1028597315) (of which £427,102,000 is currently outstanding); and

- £600,000,000 Undated 8.5 Year Non-Call Deeply Subordinated Fixed to Reset Rate Notes with first call date on 1 April 2023 (ISIN XS1115502988) (of which £560,878,000 is currently outstanding).

Example of subscription and sale

SUBSCRIPTION AND SALE

The Joint Bookrunners have, pursuant to a Subscription Agreement dated 7 May 2021 (the **Subscription Agreement**) supplementing the provisions of the amended and restated dealer agreement (the **Dealer Agreement**) dated 30 June 2020, jointly and severally agreed with the Issuer, subject to the satisfaction of certain conditions, to subscribe or procure subscribers for the Notes at the issue price of 99.437 per cent. of the principal amount of the Notes.

For the selling restrictions, see the section entitled "*Subscription and Sale*" set out on pages 77-80 of the Base Prospectus which is incorporated herein by reference as set out in the section "*Documents Incorporated by Reference*" provided that:

(a) references in the section "*Subscription and Sale*" of the Base Prospectus to the "*relevant Final Terms*" and the "*Dealers*" shall, for the purposes of the issue of the Notes, be deemed to refer to the Terms and Conditions of the Notes and to the Joint Bookrunners respectively; and

(b) paragraph entitled "Prohibition of Sales to EEA and UK Retail Investors" on page 77 of the Base Prospectus is deleted and replaced by the following selling restrictions:

Prohibition of Sales to European Economic Area Retail Investors

Each Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, **MiFID II**); or

(ii) a customer within the meaning of (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and

(b) the expression an **offer** includes 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.

Prohibition of Sales to UK Retail Investors

Each Joint Bookrunners has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the UK. For the purposes of this provision:

(a) the expression **retail investor** means a person who is one (or more) of the following:

(i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article

2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA; and

(b) the expression an **offer** includes 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.

General information (1/2)

- Authorisation: resolution of the Board of Directors
- Legal entity identifier
- Admission to trading of notes on Euronext
  - Prospectus' approval number from AMF
  - Validity of the prospectus until the date of admission of the notes to trading on Euronext
  - Application date
  - Cost
- MAC, if any, in the prospects of the issuer since last closing date and in its financial performance and position
- Litigations
- Documents available
- Websites
- Clearing systems and central depositary
  - Clearing house (eg: Clearstream, Euroclear)
  - ISIN (International Securities Identification Number) of the notes
- Yield
- Net proceed
- Statutory auditors
- Interest material to the issue, save for any fee payable to Joint Bookrunners

General information (2/2)

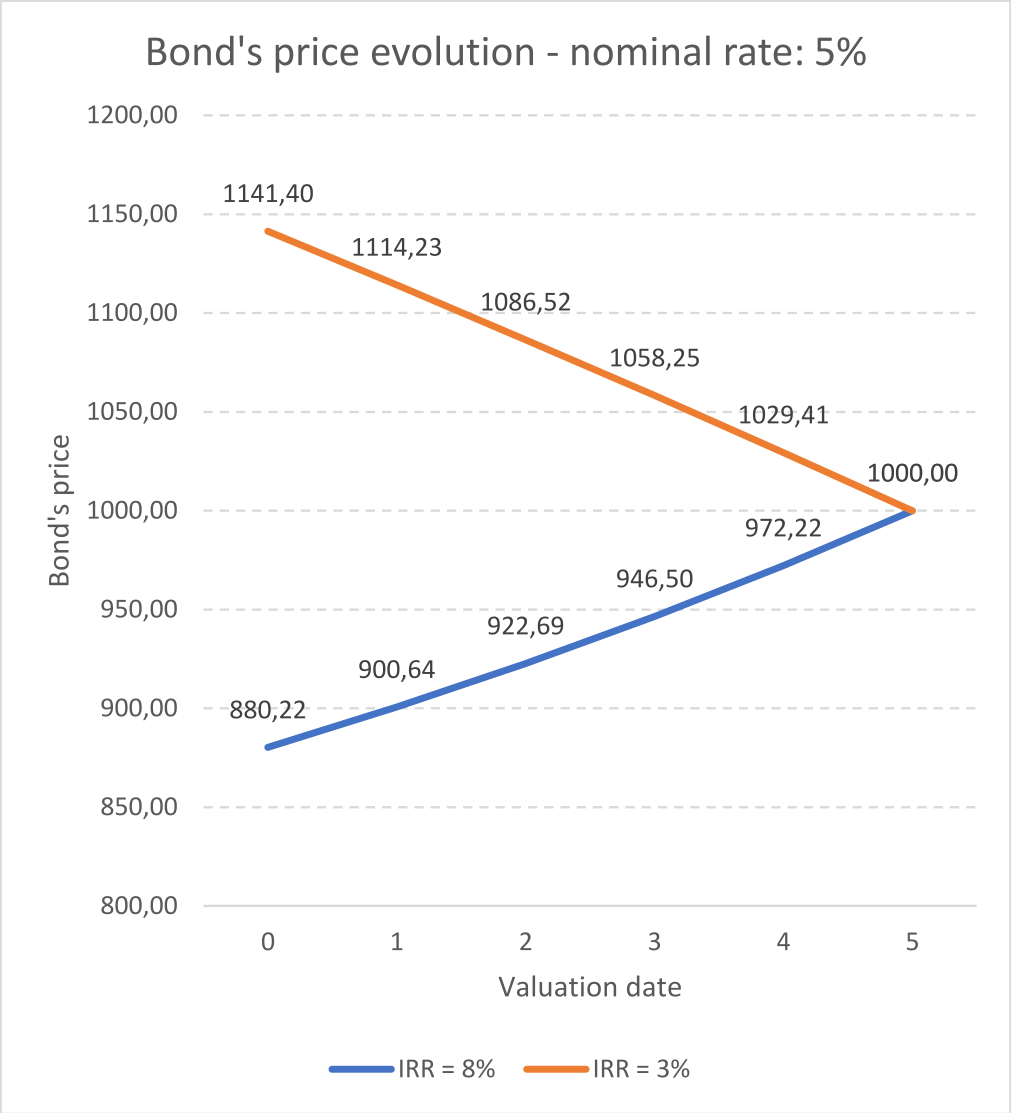
- Potential conflicts of interest for Joint Bookrunners
  - IB, trading, hedging, brokerage, derivative transactions
  - Underwriting
  - Advisory
  - Proceeds of the notes issue used to repay loans
  - Investment recommendations
  - Hedging with CDS
- Ratings
- Stabilisation
  - Stabilisation manager
  - Transactions to support the market price
- Benchmark regulation

2. Pricing

Evolution of the bond's price over time

Par value	1000						
Nominal rate	5%						
Ref rate	8%						
Life (years)	5						
Year		*PV of CF_t*					
t	*CF_t*	*0*	*1*	*2*	*3*	*4*	*5*
1	50	46,30					
2	50	42,87	46,30				
3	50	39,69	42,87	46,30			
4	50	36,75	39,69	42,87	46,30		
5	1050	714,61	771,78	833,52	900,21	972,22	
Total		880,22	900,64	922,69	946,50	972,22	1000,00

Par value	1000						
Nominal rate	5%						
Ref rate	2%						
Life	5						
Year		*PV of CF*					
t	*CF_t*	*0*	*1*	*2*	*3*	*4*	*5*
1	50	49,02					
2	50	48,06	49,02				
3	50	47,12	48,06	49,02			
4	50	46,19	47,12	48,06	49,02		
5	1050	951,02	970,04	989,44	1009,23	1029,41	
Total		1141,40	1114,23	1086,52	1058,25	1029,41	1000,00



- Increasing value with time when the required rate is higher than the nominal rate
- Decreasing value with time when the required rate is higher than the nominal rate
- Convergence towards nominal value to be repaid on maturity date

Duration (D) and sensitivity (S) of the bond's price (P) to a change in the reference rate (i)

$$P = \sum_{t=1}^{n} \frac{tCF_t}{(1+i)^t}$$

$$D = \frac{1}{P} \cdot \sum_{t=1}^{n} \frac{tCF_t}{(1+i)^t}$$

$$S = \frac{dP/P}{di} = -\frac{D}{1+i}$$

Par value	1000					
Nominal rate	5%					
Life (years)	5					
Year		*PV of CF $_t$*	*PV of CF $_t$*	*d*		*PV of CF $_t$*
t	*CF $_t$*	*5,0%*	*5,1%*	*0,1%*		*5,0%*
1	50	47,62	47,57			47,62
2	50	45,35	45,27			90,70
3	50	43,19	43,07			129,58
4	50	41,14	40,98			164,54
5	1050	822,70	818,80			4 113,51
Total		1 000,00	995,68	-4,32		4 545,95
Check Excel function			*995,68*		Duration (D)	4,55
	dP/P		-0,43%		Sensitivity (S)	-4,33
					di	0,1%
					S.di	-0,43%

3. Placement

Placement of Investment Grade bonds

- Competitive bidding
  - Used by public sector firms
  - RFP sent to banks the selection of which is based on their pricing
  - Risk to mandate a bank which proposes a too aggressive pricing : yield to maturity that is too low which boils down to a price decrease on the secondary market
- Book building
  - No risk of a price decrease as the price / spread is not initially specified
  - Price range proposed to investors who are sounded on the price they expect to buy the bonds
  - Organisation of roadshows, one on one meetings, webcasts to enable the management to disclose its strategy
  - Grey market: period from the beginning of book building till price fixing during which bonds are already traded, whereas they do not technically exist
  - Possible short period ie a few hours for book building when the firm is a regular issuer, targeting its local market
  - Longer time table if international investors are targeted
    - Week 1: preparation of marketing program and documentation
    - Week 2: roadshows, one on one meetings, disclosure of the draft prospectus, book building itself
    - Week 4 or 5: settlement of securities
- DCM advisory role on communication, structuring, rating, possible spread, placement
- In the case of several possible bonds issues, disclosure a framework prospectus for Euro Medium Term Notes (€ EMTN), that enables to access rapidly the market
- Language: English if retail clients are not targeted

Other placements

- High yield market
  - More risky bonds and therefore required more intensive marketing
  - Week 1 to week 7
    - Due diligence
    - Preparation of the presentation to rating agencies; presentation during week 5
    - Drafting of the prospectus and presentation of the preliminary prospectus during week 7
  - Week 4 to week 7: preparation of roadshows
  - Week 6 to week 7: pre-marketing
  - Week 7: beginning of the offer
  - Week 8:
    - Book building
    - Presentation of the final prospectus
    - Price fixing
  - Week 9: closing
- Private placement
  - Upstream contacts with investors that accept a low liquidity ie insurance companies and pension funds
  - Required prospectus