ANNUAL FINANCIAL REPORT 2023

GROUPE BPCE

BANQUE PALATINE

L'Art d'être Banquier

CONTENTS

STATEMENT FROM THE PERSON RESPONSIBLE 2

1 BOARD OF DIRECTORS' MANAGEMENT REPORT 3

1 Board of directors' management report 4

2 Board of directors' corporate governance report 22

2 2023 FINANCIAL STATEMENTS 71

1 Individual annual financial statements at 31 December 2023 72

2 Notes to the annual separate financial statements 75

3 IFRS consolidated financial statements of the Palatine group at 31 December 2023 114

3 STATUTORY AUDITORS' REPORTS 209

1 Statutory auditors' report on the annual financial statements 210

2 Statutory auditors' special report on regulated agreements 214

3 Statutory auditors' report on the consolidated financial statements 217

4 2023 RISK MANAGEMENT 221

Key figures at 31 December 2023 222

1 Risk factors for Groupe BPCE including Banque Palatine 223

2 Governance and risk management system 235

3 Capital management and capital adequacy 241

4 Credit and counterparty risks 247

5 Market risks 261

6 Structural balance sheet risk 264

7 Operational risk mapping 267

8 Legal risks 269

9 Non-compliance risks 271

10 Business continuity 275

11 Information systems security 277

12 Climate risks 279

13 Emerging risks 282

5 NOTES TO THE MANAGEMENT REPORT 283

A Statement on non-financial performance 285

B Table of results for the last five financial years 364

C Information on supplier and customer payment periods 365

D Allocation of net income for the 2023 financial year 365

E Information on inactive accounts 366

F List of branches 367

6 DRAFT RESOLUTIONS SUBMITTED TO THE ORDINARY GENERAL MEETING OF 30 MAY 2024 369

* PAGES 66 TO 69 IN THE SECTION TITLED "AGGREGATE QUANTITATIVE INFORMATION ON THE REMUNERATION OF THE REGULATED POPULATION", INCLUDED IN APPENDIX 1 TO THE BOARD OF DIRECTORS' CORPORATE GOVERNANCE REPORT, WERE AMENDED ON 30 APRIL 2024.

ANNUAL FINANCIAL Report 2023

JÉRÔME TERPEREAU DIDIER MOATÉ

For more than 240 years, Banque Palatine has cultivated the dual ambition of excellence by providing sustained support for the development of medium-sized companies and by offering the expert services of a demanding private bank to serve each of its customers. Its human scale - less than 1,100 employees - and its national distribution network - 26 branches "Enterprises and Private Bank" and 4 remote branches "Banque Palatine Premium" - make it a medium-sized bank, which quickly understands and constantly adapts to all the needs of its customers. It offers value-added expertise dedicated to accelerating the growth and performance of its customers: wealth, legal and tax engineering, investment advisory, global approach of wealth management services intended for business owners, corporate finance, specialised approach to real estate, trade finance, trading room, etc.

Committed to a CSR approach, Banque Palatine supports its customers in their energy and ecological transition. It is also implementing an approach to reduce its environmental footprint and deploying an ambitious human resources policy.

As gender equality is a key component of its CSR policy, Banque Palatine is fully committed to gender equality in companies and in sport through its support for the Alice Milliat foundation and the Palatine Women Project, a mentoring scheme intended to support female athletes with an entrepreneurial project. This commitment is intended to leave a tangible legacy after the Paris 2024 Olympic and Paralympic Games of which the Bank is a Premium Partner.

Its slogan "The art of being a banker" illustrates Banque Palatine's desire to develop a local relational model based on excellent support for its 13,000 corporate customers and its 50,000 private customers. Wholly owned by Groupe BPCE, the bank benefits from the strength and financial guarantees of France's second largest banking group.

www.Palatine.fr

STATEMENT FROM THE PERSON RESPONSIBLE

Mr Didier Moaté, chief executive officer of Banque Palatine S.A.

Having taken every reasonable measure for this purpose, I declare that to the best of my knowledge, the information contained in this annual financial report is accurate and does not omit any material fact.

I declare that to the best of my knowledge, the financial statements were prepared in accordance with the applicable accounting standards and that they provide a faithful presentation of the assets, financial position and income of the company and all the companies included in the consolidation, and that the management report appearing on page 4 presents an accurate picture of the business, income and financial position of the company and all the companies included in the consolidation, as well as a description of the main risks and uncertainties to which they are exposed

Done in Paris on 23 April 2024

Chief executive officer

BOARD OF DIRECTORS' MANAGEMENT REPORT

1

1	Board of directors' management report	4
2	Board of directors' corporate governance report	22

1 Board of directors' management report

2023 Financial Year

Economic environment

In 2023, the global economy had to contend with a still turbulent general context: persistent conflict in Ukraine, rising geopolitical tensions in the Middle East, pressure on Chinese growth, continuation of restrictive monetary policies. Nevertheless, in this context, global growth proved more resilient than initially expected: this is the observation made by the International Monetary Fund (IMF) in its October 2023 economic outlook update. The institution forecasts global growth in 2023 at 3% compared to a forecast of 2.7% for the same period a year earlier.

This improved resilience of the global economy nevertheless conceals significant disparities between the different economies.

While a recession was expected in the United States in 2023, this was not the case. The us economy held up well and positively surprised economists, starting with those of the us federal reserve.

As stated by the institution’s chairman, Jerome Powell, during his speech at the December monetary policy meeting, the fed expects growth of around 2.6% for 2023, compared with the forecast of 0.5% in December 2022.

The publication of the latest estimate of us Gross Domestic Product (GDP) for the third quarter attests to this good performance of the us economy. GDP was +4.9% year-on-year.

The slowdown in activity is felt at the end of the year and a “technical” recession remains likely in 2024. The projections of the FED members show growth that is expected to decline next year to 1.4%.

One of the factors that favoured us growth was the good performance of the job market, which remains tense for the moment with the unemployment rate at low levels, at 3.7% for the month of December. Although the pace of job creation slowed at the end of the year, this situation on the labour market is favourable for consumer spending.

Post-pandemic inflation has not yet been fully overcome, but significant progress on this front can be seen.

In the United States, although headline inflation for December was slightly higher than the previous month at 3.4%, it is down sharply from the peak of 9.1% in June 2022. Among the components of headline inflation, it is the services component that represents the most inflationary item at present, particularly housing and transport. Prices of energy products continue to be in a deflationary phase, which is why inflation adjusted for the most volatile elements (food and energy products) stands at 3.9%.

For the Eurozone, the picture on the inflation front is similar. At 2.9% year-on-year, the preliminary estimate for December published by Eurostat shows a sharp decline from the levels seen in 2022. As a reminder, headline inflation in the Eurozone stood at 9.2% in December 2022.

Core inflation is also expected to be down for the year as a whole, at 3.4%.

In contrast to the situation in the United States, economic activity in the Eurozone is sluggish.

Indeed, the European economic area narrowly escaped recession in the third quarter of 2023. Indeed, after a 0.1% decline in the economy in the second quarter, the Eurostat estimate again points to quarterly growth of only +0.1% in the third quarter.

The Eurozone’s main growth driver, the German economy seized up and thus entered into a recession in 2023. According to the first estimate by the national statistics institute, destatis, German GDP is expected to contract by 0.3% in 2023. The German economy is suffering from the crisis in its industrial sector, penalised by energy costs and weak international trade.

Activity indicators show this sluggishness, particularly in the second half of the year. Indeed, the PMI index for global activity was in contraction territory from June and has not yet emerged. It stood at 47.6 points in December. The services sector, which had been growing since the beginning of the year, turned downwards in August. It thus fell to 48.8 points in December. The manufacturing sector, for its part, has never established itself in a zone of expansion this year. It ended 2023 at 44.4 points.

In another sign of depressed economic activity, the European Commission’s economic sentiment index reached its lowest level in three years in September.

Against this backdrop, the French economy is expected to outperform its German counterpart, even though third-quarter GDP contracted by 0.1%. In its December economic report, the Banque de France expects French growth of +0.8% for 2023.

Despite sluggish activity in the Eurozone, the unemployment rate continued to decline. At 6.4% in November, it was even the lowest level since the early 2000s.

Sluggish growth in the Eurozone, combined with a sluggish Chinese economy, should be the markers of weaker global growth. China is indeed facing significant external and internal obstacles: crisis in its real estate sector, sluggish investor and household confidence, which is penalising consumption, falling foreign trade and trade tensions with the United States and the European union.

According to the January 2024 update of the World Bank’s economic outlook, global growth is expected to decline to 2.6% in 2023, from 3% in 2022. The decline is expected to continue in 2024 before a recovery in 2025.

Despite these growth prospects, and after a complicated 2022 on the equity markets with the conflict in Ukraine and the increase in key rates - 2023 was a better vintage. Indeed, the performances of the main stock market indices have been significantly positive this year.

The Paris index, the CAC 40, reached an all-time high on 14 December at 7,653.99 points before ending the year at 7,543 points, representing a performance of +16.5% over the year. Its German counterpart gained just over 20% to 16,752 points on December 31.

The Eurostoxx 50 failed to beat its record of 2,000 but nevertheless returned to its pre-crisis subprime levels, gaining 19.2% to 4,521 points.

In the United States, the performances of the main stock indices were also double-digit, with the S&P 500 gaining 24.2% over the year to 4,770 points. The Nasdaq Composite index, which had suffered particularly badly in 2022 from the rise in rates, recovered with a gain of 43.4%.

On the commodities market, the dust has settled for European gas. The exceptional rise in the prices of the “Dutch TTF Natural Gas” reference contract recorded in 2022 did not occur again this year. Conversely, the contract fell just under 60% at €32/MWh, far from the peak at over €300/MWh of August 2022.

On oil, although the strategy of reducing production volumes by OPEC+ members has been pursued this year, the price of a barrel of brent or its us counterpart WTI has generally fluctuated within a corridor of $70-$90/barrel. They both lost just over 10% for the year to $77 and $72 per barrel, respectively.

Interest rate trends

As inflation levels are still mostly too far from the targets of the main central banks, they had to continue the monetary tightening policies initiated last year in 2023.

After starting the rate hike movement in March 2022, the US Central Bank - Federal Reserve (FED) continued to hike rates in 2023 with an additional 100 basis points for the year as a whole. Thus, the key *fed funds* rates are now in the [5.25%; 5.50%] range, a level not reached since 2007.

At the December monetary policy meeting, FED chairman Jerome Powell noted that the us economy was more resilient than expected a year earlier, despite the tightening of financial conditions. The recession has not occurred and the unemployment rate remains at low levels. Moreover, the FED members believe that inflation is on track to reach the 2% target within a reasonable time horizon. Therefore, in the current context, it is no longer necessary to tighten financial conditions even further. The tipping point therefore seems to have been reached.

Initiated in June 2022, *Quantitative Tightening* continued throughout the year. The FED’s balance sheet thus shrank by nearly $830 billion over the year to $7,681 billion. As a reminder, the massive injection of liquidity in response to the Covid-19 crisis had pushed it to nearly $9,000 billion. The rate of reduction is currently $95 billion per month.

At the beginning of the year, the institution also faced significant turbulence in the us financial system with the bankruptcy of several medium-sized banks. These institutions suffered a massive liquidity flight from their depositors, which they were unable to cope with by selling their assets, which were significantly devalued as a result of the rise in interest rates. In order to avoid a contagion effect, the Federal Reserve quickly implemented measures to help the financial system to resolve the crisis fairly quickly.

As a result, the us regulator wanted to learn from these events and called for stricter prudential rules, particularly on this type of institution, and in particular for stricter application of the Basel III rules. US financial regulation was relaxed during the Trump presidency.

Financial conditions were also tightened in the Eurozone with the European Central Bank (ECB) raising its key rates by 200 basis points. Thus, the deposit rate is currently set at 4%, for a refinancing rate for main operations at 4.75% and a marginal lending rate at 4.50%.

At the July meeting, the members of the governing council decided to increase the remuneration on the minimum reserves to 0% (from a remuneration at the deposit rate until then). The aim here is to preserve the effectiveness of monetary policy but also to reduce the cost to the central bank of paying interest to commercial banks.

The continued rise in key rates continued to have an impact on the fixed-income market, mainly on short-term rates.

The benchmark rate for overnight transactions, the €ster, rose by 199 basis points to 3.88% at the end of the year compared with 1.89% a year earlier. As for the 3-month Euribor, after briefly rising above 4% three times between October and November, it finally ended the year at 3.91%, an increase of 178 basis points over the year.

Long-term euro rates generally continued to rise until the third quarter before returning strongly at the end of the year. After factoring in that central bankers have reached their pivot point, investors now expect significant rate cuts for 2024.

Over the year, the two-year swap rate dropped 63 basis points to 2.71% at 31 December. The 10-year *swap* rate followed the same trend. It rose to slightly above 3.50% in early October before losing nearly 100 basis points at the end of the year. Finally, it ended the year at 2.46% compared to 3.19% a year earlier.

In terms of sovereign bond yields, the last quarter of the year was a pivotal one. Indeed, the highs of the year were reached at the beginning of the quarter and the lows at the end of the quarter. Finally, yields were down over the year, with the exception of the us 10-year, which ended 2023 perfectly stable at 3.88% after having nevertheless risen to 5% during October.

In the eurozone, the French 10-year OAT fell by 55 basis points to 2.56%. After briefly falling below 2%, the German rate ended the year at 2.02%. Spanish debt stood at 2.98% and Italian debt was down 101 basis points over the year to 3.69%.

Key figures of Banque Palatine (in consolidated figures)

Ratings at 31 December 2023

	Moody's	Fitch ratings
Short-term rating	P-1	F1
Long-term rating	A1	A
Outlook	Stable	Stable

Financial condition

in millions of euros	31/12/2023	31/12/2022
Equity attributable to equity holders of the parent	1,157.8	1,043.0
Equity *Tier 1*	1,314.9	1,011.7

Prudential ratios

	31/12/2023	31/12/2022
Core Tier 1 ratio	9.12%	9.03%
Tier 1 ratio	10.05%	10.02%
Total capital adequacy ratio	12.27%	11.64%

Consolidated income statement

in millions of euros	31/12/2023	31/12/2022
Net banking income	384.2	346.6
Gross operating income	160.7	129.8
Net income	100.7	57.9
Cost/income ratio	58.18%	62.56%

Activities

in millions of euros	31/12/2023	31/12/2022
Total assets	18,766.4	17,964.8
Customer loans	11,797.3	11,097.1

Cost of risk

in millions of euros	31/12/2023	31/12/2022
Cost of risk	33.1	56.2

Significant events

Groupe BPCE highlights

In order to support Groupe BPCE's growth and performance goals for 2030, improve collective efficiency and simplify operating methods, the former divisions and divisions of the BPCE Community and the global Business lines of Global Financial Services were merged into BPCE in November 2023. In other words, this new BPCE collective brings together the central institution with its departments, the business lines serving retail and with an international reach, and the groups of resources. BPCE now represents a collective of more than 33,000 employees in France and abroad, i.e. one-third of Groupe BPCE's workforce. The NET banking income generated by BPCE represents approximately 50% of the NET banking income generated by the group.

Within the retail banking and insurance activities, the supervisory Board of Groupe BPCE approved the appointment of Hélène Madar on 1 April as chief executive officer retail banking & insurance, member of the management board of Groupe BPCE. She succeeded Jérôme Terpereau, who was appointed chief executive officer in charge of finance and a member of the BPCE management board. In December, Corinne Cipière was appointed chief executive officer of BPCE assurances, in charge of personal insurance and non-life insurance activities, and a member of the BPCE senior management committee, effective 1 February 2024. She succeeded François Codet, who was appointed chairman of the management board of Caisse Rhône Alpes. Philippe Setbon has been appointed chief executive officer of Natixis Investment Managers, in charge of asset and wealth management, a member of the senior management committee of the group's global business lines and a member of the Executive committee of BPCE. Lastly, Valérie Combes-Santonja was appointed head of impact, in charge of overseeing the group's environmental and societal impact, and a member of the BPCE Executive committee as of 1 January 2024. She succeeded Valérie Derambure, appointed head of group governance.

The activity of the Banque Populaire and Caisse d'Epargne networks was buoyant with the acquisition of 925,000 new customers.

In order to meet the needs and concerns of their customers, the two networks have launched new innovative offers:

Banque Populaire and Caisse d'Epargne have taken action to restore real estate purchasing power to people under 35 and enable them to complete their home ownership plans. The first launched the "PTZ +X" loan in addition to the PTZ loan and Casden Banque Populaire's Starden Immobilier Loan for young people in the public sector. The second created two dedicated schemes: the "Flexible home ownership loan" and the "Prêt Primo Jeunes 0%".

Once again this year, Groupe BPCE innovated in the field of payments thanks to Tap to Pay on iPhone, which allows contactless payment without additional equipment. *This solution is offered by the Banque Populaire Banks and the Caisses d'Epargne to their corporate, retail and professional customers.*

The Banque Populaire banks and the Caisses d'Epargne have signed a partnership with Papernest, a start-up specialising in simplifying administrative procedures related to household contracts and subscriptions. In a context of rising inflation and rising energy costs, they are helping their individual customers improve their purchasing power by offering them full and free support to optimise their gas, electricity, internet and mobile subscriptions.

As Premium Partners of the Paris 2024 Olympic and Paralympic Games and fully committed to the sporting world, the Banque Populaire Banks and the Caisses d'Epargne exclusively offer all their customers "Elan Avril 2024", a new savings product indexed to a "health and well-being" index.

In addition, Groupe BPCE successfully completed the first social bond issue in France dedicated exclusively to "sport and health" themes. The placement of this *social bond,* carried out by Natixis CIB teams, raised €500 million to refinance sport and health assets on behalf of the Banque Populaire banks and the Caisses d'Epargne. With the launch of this issue, Groupe BPCE is part of the 2030 agenda aimed at meeting the united nations sustainable development goal no. 3 "health and well-being".

The Banque Populaire banks and the Caisses d'Epargne, Official Sponsors of the Paris 2024 Torch relay and Premium Partners of the Paris 2024 Olympic and Paralympic Games, launched their recruitment campaign to select 900 future Olympic Flame bearers from among their customers, members, employees and the general public. More than 55,000 people volunteered.

Concerning the activity of the Banque Populaire banks:

In 2023, Banque Populaire confirmed its historical position as a corporate bank by becoming, for the fourteenth consecutive year, the leading corporate bank in France (source: KANTAR 2023 study), with an increasing penetration rate and the confidence of more than 4,000 new SME customers. At the same time, customer satisfaction increased with a Net Promoter Score of +21, i.e. 4 points more than last year.

As a result of the rise in interest rates and inflation, 2023 was marked by a sharp slowdown in the real estate market, with two main impacts for the Banque Populaire banks: an annual drop of 47.3% in new home loans in 2023 and a 13.5% drop in the number of new customers on the individual customer market.

The number of main banking customers continued to grow. At the end of September, nearly 1.5 million customers were equipped with the Cristal convention, a bundle of products or services for the day-to-day management of the current account launched in 2019.

2023 was also marked by the launch of innovative solutions for professional clients:

- the tourism pack to enable customers to collect foreign cards and thus increase their turnover;
- medical civil liability and a management solution for managing third-party payment and Health advances *via* Santé pro;
- Rythméo Start, a comprehensive digital offering dedicated to individual entrepreneurs with complementary solutions: civil liability, collection, pre-accounting and invoicing for all entrepreneurs *via* the partnership with Ipaidthat.

In terms of financing, equipment loans to professionals fell by 23.7% in volume terms. However, the Banque Populaire banks' commitment to supporting self-employed professionals in their projects was confirmed by a sharp increase in volume (up 12%) and in value for equipment leasing at €659 million. To secure the loans, a new budget of one billion euros was negotiated with the European investment fund (EIF) for the benefit of Socama, which guarantees business loans from the Banque Populaire banks.

Banque Populaire, the Fédération Nationale des Socama and the European investment fund (EIF) have signed a new loan counter-guarantee agreement for up to one billion euros under the investEU "Competitiveness of SMES" programme.

Lastly, Banque Populaire strengthened its presence with innovative healthcare players by signing a partnership with France BioTech, which brings together entrepreneurs in healthcare innovation and their expert partners. In particular, this collaboration makes it possible to provide new solutions to customers in the fields of e-health, medTech and bioTech.

Concerning the Caisses d'Epargne's activity:

In 2023, the fifteen Caisses d'Epargne launched their Utility Contracts in order to strengthen their commitment to the regions, for the benefit of those living there. It includes sixteen commitments broken down into concrete actions to be:

- 100% useful for economic development: as banks serving all their customers and their territory but also as local companies and major employers in the regions;
- 100% useful for the environmental transition: by building solutions to enable everyone to become involved in this transition and by financing projects that will help accelerate it in the regions;
- 100% useful for social progress: as cooperative banks that have always participated in the implementation of the principles of solidarity and the fight against exclusion.

In 2023, more than 1 million new package subscriptions were recorded. The Caisses d'Epargne remained buoyant with more than 428,756 new individual customers. A trend also seen in terms of banking services with regulated bank transfers, the balance of which stands at more than 45,000, up 42%.

Service quality remained a priority for all Caisses d'Epargne and customer satisfaction increased with a net promoter score of 16.

Given the very sharp slowdown in activity in the residential real estate market, new mortgage loans were down 37%.

Wine-growers benefited from the national launch of Caisse d'Epargne VitiBanque, a comprehensive, tailor-made scheme dedicated to the sector, which includes banking and insurance products and services, as well as the presence of around fifty experts and the creation of branches and business centres in each Caisse d'Epargne with wine-growing potential.

Future healthcare professionals are now supported when they set up for the first time by a comprehensive and loyalty-building system. All healthcare professionals also benefit from a new digital affinity space allowing them to consult their bank's offers and to access useful tools and advice whilst establishing contact with their advisors.

With nearly 37,000 VSE, SME and ISE customers, the Caisses d'Epargne continued to support business development in 2023, against a backdrop of monetary tightening in response to persistent inflation and near-stagnation in Eurozone GDP.

They remain the leading private banks of local authorities with €26.5 billion in outstandings and nearly €4 billion in new financing loans. They are also the leading private bankers in social housing with Habitat en Région, and in the mixed economy with more than €2 billion in new MLT loans and €10.5 billion in outstanding MLT loans. For the public sector, investment financing activity reached €3.9 billion, up 3.5% compared to 2022.

In 2023, three EIB loans focused on energy renovation were marketed in the Caisses d'Epargne: water and Sanitation III, energy efficiency and sustainable mobility, and renovation or extension of existing sports infrastructure. This latter budget contributes to Caisse d'Epargne positioning as a sports bank, in line with its partnership with the national Association of elected representatives of sport and with the promotion of L'observatoire de l'économie du Sport.

BPCE Assurances saw strong activity in 2023:

In life and health insurance, BPCE Vie confirmed its momentum in savings and retirement, with gross inflows of 16% at €12.95 billion. Net inflows were positive at €5.5 billion, up 17.7% compared to the same period in 2022. The year was marked by the opening of a new regional site dedicated to the personal insurance business in the Rennes metropolitan area (Saint-Grégoire, Ille-et-Vilaine) bringing together all of the company's activities, with the exception of the customer relations centres, which remain located in Lille, Reims and Paris. This site will create 150 jobs in the region over the next five years.

The fire, accident and sundry risk insurance (IARD) business was strong in 2023 with more than 7.23 million policies in the portfolio, up nearly 3%. The quality of service remained high and continued to improve with an annual NPS PARC (Customer Reception and Relationship Platform) of 68 and 41 for the compensation activity. In an environment marked by a significant decline in new home loans, BPCE assurances non-life managed to increase its gross sales by 3%, driven by the auto business, and in particular maintained the marketing of home insurance policies.

In non-life and personal risk insurance, the penetration rate of the Banque Populaire and Caisse d'Epargne networks reached 34.1% at end-December 2023, up 0.9 pp since end-December 2022.

BPCE assurances IARD worked with its customers affected, whether during the urban violence in June or the multiple high-intensity storms in November, causing numerous and significant damage.

2023 was marked by numerous innovations in the various areas of expertise of the *Digital & Payments* division.

The success of digital banking was confirmed in 2023, with more than 11 million active digital customers (web & mobile) and the reaching of the threshold of 10 million customers using Secur'Pass (enhanced authentication). Ratings for the group's mobile apps remain among the best on the market, with 4.7/5 on the App Store, for example. 2023 also saw an acceleration in the adoption of alerts by customers. Offering a wide range of alerts in real time is highly appreciated, and today more than 8 million customers already have at least one alert activated.

In the field of *data* and artificial intelligence, work to improve sales performance has generated 2.9 million sales opportunities. Initiatives to improve operational efficiency continue: *data* enabled more than 5.8 million documents to be automatically collected and checked over the year (+30% *versus* 2022). In the field of generative ai, the first work on business applications has been launched.

In payments, the group continued to expand its range of payment services, notably with the launch of Tap to Pay on iPhone in November 2023. The division, and in particular its fintech Payplug, was also selected by COJOP to manage payments for the single ticket office for the 2024 Paris games.

This global sales platform, a first in the history of the Olympic and Paralympic Games, will eventually sell more than 13 million tickets. At the end of 2023, more than 800,000 transactions were managed by Payplug. In addition, work continued on the launch of the EPI solution, whose trade name will be wero, and Groupe BPCE successfully participated in a real-life test between customers of the Sparkasse Elbe-Elster bank in Germany and customers of the Banque Populaire Banks and the Caisses d'Epargne.

Buoyed by solid fundamentals, the financial solutions & expertise (SEF) division continued to show strong momentum in its activities in 2023 despite a less buoyant environment.

BPCE Financement recorded a sustained level of activity, totalling €35.3 billion in outstandings. It confirmed its position as the leading consumer credit player in France.

BPCE Lease saw its new loan production reach a record level, at more than €6.6 billion, up 18% compared with 2022. This dynamic was accompanied by an increase in customer satisfaction, with a net promoter score of +66 for equipment leasing and +51 for long-term leasing.

The year was marked by the acquisition of Eurolocatique and its subsidiary Medidan. BPCE Lease participated in the financing of several emblematic projects, such as the Léonard de Vinci university centre in Nanterre (92), the logistics centre in Lidl aux Arcs sur Argens (83) and the offshore wind farms in the iles d'Yeu - Noirmoutier and Dieppe le Tréport.

EuroTitres assisted in the preparation and processing of three new BPCE loans marketed in 2023, representing total inflows of nearly €1 billion since the resumption of issues.

Concerning the group's global business lines (global financial services division):

At **Natixis Investment Managers** (IM), the quality of funds is increasingly recognised: 77% of funds rated at a five-year horizon are in the first and second quartiles at end-December 2023 compared to 70% a year earlier (source: Morningstar).

The asset manager actively managed its holdings and continued to streamline its organisation: it sold Alpha Simplex, integrated its real asset private debt expertise into AEW and strengthened Ostrum AM with the integration of Seeyond's quant expertise. It also expanded its offering by acquiring a stake in Ecofi, a subsidiary of Crédit Coopératif, a French expert in solidarity and sustainable investment. Natixis IM also launched initiatives aimed at revitalising financial savings within the Groupe BPCE networks and serving them better. Lastly, it continued to expand internationally, particularly in priority markets in Asia-Pacific, with significant commercial successes in Japan thanks to the consolidation of its partnership with Asahi, and the strengthening of its organisation in Australia, following the merger of its local teams and those of IML.

Natixis wealth management continued its transformation programme (repositioning in Luxembourg, new brand identity and upscaling of its IT infrastructure). The bank also strengthened the proximity of its teams with the Banque Populaire and Caisse d'Epargne networks and the global business lines of the *Global Financial Services division.* It was the winner in the private banking category at the occur 2023 meeting. It also won the gold trophy in the "Best affiliated private bank" category (Heritage and Performance Summit 2023) and Décideurs magazine awarded it "Excellent" in the same category. Its subsidiary Vega investment Managers was recognised as the third most committed asset management company to the ecological transition (source: Epsor, may 2023). It was also rewarded by the magazine Mieux Vivre Votre Argent (second Corbeille d'Or by Asset Management Companies and Certificate of Best SRI Management over one year).

Natixis Interépargne continued its strong sales momentum in all its customer segments. It continued to expand its customer base in the large *corporate* customer segment as well as in the distribution networks segment. In this segment, more than 28,000 new contracts were signed in 2023 (+12%), with a 15% increase for partner distributors (AG2R La Mondiale, Abeille assurances, Swiss Life). Natixis Interépargne was once again recognized by Mieux Vivre Votre Argent, winning second place in the employee savings baskets category and the certificate for the best range of diversified funds over five years.

Natixis Corporate and Investment Banking showed strong sales momentum in 2023 and continued to develop its various activities in a market that is less volatile than in 2022 but still marked by a higher interest rate environment. The bank continued its international diversification strategy with the opening of a representative office in Toronto and the launch of a branch in South Korea.

All business lines contributed to the revenue growth, despite contrasting trends.

The Global Markets activities pursued the strategy of developing flow products and winning new customers, with in particular a very strong performance of the *Equity* franchise, in particular for the Groupe BPCE networks, and good resilience of the *fixed income* activities in a context of lower volatility.

The market environment was very mixed for the *Investment Banking* business lines, with high bond volumes in the institutional segment (banks and insurance) but a decline in the other segments. The bank's activity was resilient in this context: it stood out in the rankings and awards for its expertise and its ability to support its customers: *Best Investment Bank in France* (Global Finance Magazine), no. 1 on share buybacks in France (Bloomberg), no. 1 on issues in euros for financial institutions (*Bond Radar*).

Natixis CIB continued to play a major role in real asset financing in 2023. Many deals have been recognised as deals of the year. In terms of infrastructure financing, activity remained very strong, particularly in Europe and America, driven by the digital and energy transitions. Natixis CIB received the ESG infrastructure bank of the year award at the *IJGlobal ESG Awards 2023.* Aeronautical financing activity was also strong, with Natixis CIB benefiting from the significant recovery in the sector. The bank has also maintained its leading position in the real estate market in France and in Europe, against a backdrop of a sharp slowdown in the investment market.

The *Global Trade* activities had an exceptional year, driven by customer demand in terms of deposits and working capital solutions in a context of high interest rates, by the resilience of the commodity trading franchise in a more sluggish market, and the development of export financing activities, including with customers of the group's networks. The year was also marked by interesting developments in the areas of digital and *green*.

In a still difficult market, the M&A business continued to outperform, particularly with strong activity from the Fenchurch, Azure Capital and Natixis Partners France stores.

Lastly, Groupe BPCE remained committed to making the environmental transition a priority for all its business lines and companies.

In 2023, the **Banque Populaire banks** remained very active in supporting their customers' environmental transition. In bank savings, Codevair's outstandings now stand at more than €2.1 billion, down 12% since January. In financial savings, more than €746 million was collected in the form of green bonds at the end of September 2023. Finally, more than €240 million in projects were financed through the energy renovation loan and the clean vehicle loan. The Banque Populaire banks continued to strengthen their support for their corporate customers in their environmental transition. The "bp impact" loan has been rolled out throughout the country to encourage customers' CSR behaviours and commitments.

The **Caisses d'Epargne** stepped up support for their corporate customers in their efforts to reduce carbon emissions through a variety of actions: deploying ESG strategic dialogue, accelerating the production of *green* financing and stepping up the marketing of the impact loan dedicated to SMES, mid-caps and players in the social economy.

To support their individual customers' environmental transition, Banque Populaire and Caisse d'Epargne have provided them with access to the "Sustainable Advice and Solutions" platform. This new space allows customers to calculate their carbon footprint using an ADEME simulator. It also allows them to view their spending on energy and transport while discovering the eco-friendly actions to follow to reduce them, to find out about available financial assistance and to access banking and non-banking solutions dedicated to energy renovation, clean mobility and responsible savings offered by their bank.

Groupe BPCE participated in the financing of two offshore wind farms. The first is located off the islands of Yeu and Noirmoutier. Its construction will last two and a half years and will generate 1,600 direct jobs. Its 62 wind turbines will supply nearly 800,000 people with renewable energy from 2025. More than 17 international banks are involved in the total financing of €2.5 billion, including Groupe BPCE with Caisse d'Epargne Bretagne Pays de Loire, BPCE Energeco, Natixis IM, Natixis CIB and the Caisse d'Epargne fund dedicated to financing energy transition projects. The second Dieppe Le Tréport park is located on the territory of Caisse d'Epargne Normandie and involves the same international partners. Its 62 wind turbines will supply nearly 850,000 people with sustainable electricity from 2026, i.e. nearly two-thirds of the current population of seine-maritime.

BPCE Assurances also confirmed its status as a pioneer in terms of climate commitment. Each year, at least 10% of its investments are devoted to green assets with the aim of these representing 10% of its outstandings by 2030 at the latest. In 2023, 51.8% of its investments included a green criterion, exceeding the target. The share of its green outstandings increased to 12.6%, i.e. an increase of 5.1 points in one year. Lastly, the proportion of SRI-certified funds offered to BPCE vie customers now stands at 61%, with the target set at 60% by 2024. Acting as a responsible insurer, BPCE assurances IARD increased the rate of use of used parts in car repairs by 2 points to 14.2%.

In asset and wealth management, **Natixis Investment Managers** and its affiliates continued their efforts to develop responsible and impact investing. ESG assets represent a growing share of total assets under management: 41% at end-2023, 4 points more than in 2022. In 2023, Natixis IM and its affiliates continued to make their voices heard through actions, individual and collective engagement, active voting policies, and through their participation in key marketplace initiatives to foster responsible investment.

Natixis Wealth Management unveiled its CSR commitments focused on sustainable development goals 4 and 5 in favour of education and gender equality.

Natixis CIB, a leading partner for customers in their environmental and social transition, continued to establish itself through the structuring of landmark transactions both in France and internationally, with, for example, the issuance of the BPCE Sport *social bond*, which promotes health and social inclusion through sports activities, the green loan dedicated to financing the NEOM green hydrogen project, led by ACWA Power, Air Products and NEOM, which is the largest hydrogen plant in the world to produce green ammonia on a large scale in 2026, and the capital increase of Carbios, a company specialising in the design and development of enzymatic products to break down plastics.

Natixis CIB's *Green & Sustainable Hub* (GSH) is a major player committed to co-building market standards for sustainable financing and is heavily involved in the work of ICMA and LMA/APLMA/LSTA. It also initiated the launch of a taskforce on *green enabling activities* in 2023.

Natixis CIB's expertise and capacity for innovation in these areas were once again recognised by clients and the market this year, as demonstrated by the awards received: *investment bank of the year for sustainability-linked loans (the banker investment banking award 2023)*; *Natixis CIB - ESG Infrastructure & Energy Bank Award IJ Global* (*ESG awards 2023*); *Fund of the year - Private Equity, Fund of the year - Listed Equity and Personality of the year (Environmental Finance Impact Awards)*; *ESG Insight & Commodity Derivatives House of the year (2023 IFR Awards).*

Highlights of the year for Banque Palatine

Governance

On 30 August 2023, the Board of directors:

- acknowledged the appointment of Marjorie Cozas, to replace Stéphanie Clavié, as permanent representative of BPCE, director;
- co-opted Sabine Calba, as a director, to replace Hélène Madar, who resigned.

As a result of these movements, the composition of the Board of directors and its committees was as follows at 31 December 2023:

Board of directors	
Jérôme Terpereau	Chairman
Lionel Baud	Director
Sabine Calba	Director
Frédéric Destailleur	Director
Bruno Goré	Director
Nadia Mauzelaf	Employee-elected director
Guillemette Valantin	Employee-elected director
BPCE	Director, represented by Marjorie Cozas

Audit committee	
BPCE	Chairperson, represented by Marjorie Cozas
Lionel Baud	Member
Guillemette Valantin	Member
Jérôme Terpereau	Guest

Risk committee	
Bruno Goré	Chairman
Sabine Calba	Member
Frédéric Destailleur	Member
Nadia Mauzelaf	Employee-elected director
Jérôme Terpereau	Guest

Appointments committee	
Jérôme Terpereau	Chairman
Bruno Goré	Member
BPCE	Member, represented by Marjorie Cozas

Remuneration committee	
Jérôme Terpereau	Chairman
Lionel Baud	Member
Sabine Calba	Member
Frédéric Destailleur	Member

At 31 December 2023, the percentage of female board members reached 50%, excluding female board members representing employees. The composition of the Board of directors respects the Copé Zimmermann law.

Change of administrative seat

Banque Palatine signed the lease for its new administrative headquarters in Val-de-Fontenay with a view to moving in 2024.

Activity in 2023

Average monthly outstandings (in millions of euros)	At 31 December 2022	At 31/12/2023	Change (in %)
Total uses of funds	**17,407**	**18,197**	**4.5**
Customer Uses	11,521	11,828	2.7
Excluding SGLS (1)	10,510	11,103	5.6
SGLS (1)	1,011	725	(28.3)
Financial Uses	5,886	6,370	8.2
Total resources	**17,407**	**18,197**	**4.5**
Customer Resources	11,896	11,927	0.3
Financial Resources	5,511	6,270	13.8

(1) State-guaranteed loan

Credit production (in millions of euros)	Total as of 31/12/2022	Total as of 31/12/2023	Change (in %)
Medium-/long-term loans	**2,297**	**2,362**	**2.8**
• Corporate Customers	1,818	1,691	(7.0)
• Private Customers	479	671	39.9
Finance Lease	90	126	39.8
Total credit production	**2,387**	**2,488**	**4.2**
SGLS	**84**	**40**	**(52.6)**

Commercial banking

Corporate market

In an economic climate disrupted by interest rates, inflation and international crises, business results for corporate customers were particularly buoyant:

- the conquest of new target customers (companies with revenue of more than €15 million) led to 328 new active relationships (compared to 284 in 2022). The company sales force also enabled the opening of 376 new private customers;
- lower average and long-term corporate loan production, but which masks favourable and dynamic loan production.

The strength of the commercial business was also reflected in:

- the continuation of the *originate to distribute* model, allowing us to carry out large-scale transactions for our customers while managing the size of our outstanding loans as closely as possible;
- the ability to offer the arrangement of value-added financing transactions facilitating an increased production of structured loans;
- strengthening synergies with Groupe BPCE through the sharing of transactions or the use of specialised financial solutions such as employee savings and leasing.

Private banking market

After a 2022 marked by the reorganisation of the distribution network, the private customer market regained commercial momentum in 2023.

2023 was a record year in terms of new customer acquisition, enabling the number of private banking customers to grow by 2.5%.

The financial and balance sheet resources decreased slightly by -1.9% to €5,560 million. The decline in sight balances did not fully benefit other types of resources. Term deposit outstandings and securities custody increased favourably, but life insurance outstandings were down -4%.

Home loan outstandings increased significantly to €2,948 million at end-2023, driven by record new loans of nearly €620 million over the year.

Furthermore, the offering in this market continued to grow:

- an offering that continues to be digitised: the dematerialisation of customer and advisor processes has continued with the use of electronic signatures being extended (SOFICA and EMTN in particular);
- expertise, made up of wealth engineers, investment advisory managers and wealth management directors who contribute their skills to the network;

- An extensive range of savings, investment and loan products, supported by the skills and know-how of:
  - Banque Palatine (discretionary management), Palatine asset management UCI offering, EMTN issues, (including dedicated EMTNS), SOFICAS, financing (real estate loans, personal loans, asset advances, Lombard loans, Manco financing
  - Groupe BPCE (UCI offer from NIM, SCPI and real estate offer with tax relief from BPCE solutions Immobilières, Natixis payment services, new offers): ADAXTRA and INGEPAR in 2023),
  - external partners (life insurance, asset management companies (*private equity*, OPC), Girardin offer, real estate partners).

Financial activities of the bank

The interest rate environment was favourable for the bank during 2023.

Banque Palatine invested just over €35 million in securities eligible for the liquidity reserve, mainly in supranational issuers and regional governments. At the end of 2023, the bank's total bond portfolio amounted to €887 million.

This portfolio's objective is to constitute the liquidity reserve of the *Liquidity Coverage Ratio* (LCR). As they can be mobilised with the central bank, these securities also constitute a security for the bank's refinancing.

This financial strategy of the bank is in line with the regulatory ratios set by the group. The *Liquidity Coverage Ratio* (LCR) remained above 106% throughout 2023.

The bank's financing is assured by customer deposits thanks to a complete range of investment products. The ratio of loans to customer deposits (CERC) was close to 110% at the end of the year. The bank therefore has a substantial customer deposit base giving it significant scope for commercial development.

In 2023, the Bank 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 the Bank 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, the Bank is well-prepared for any future changes in interest rates. The residual gap measuring global interest-rate risk is now negative, which means the Bank's balance sheet is favourably exposed to any rise in rates.

Business activity of principal subsidiaries

Asset management - Palatine Asset Management

The management company offers a comprehensive range of products in France, Europe and the United States, broadly meeting the expectations of both retail and institutional clients in equity funds (*large*, *mid* and *small caps* in Europe and the United States), money market funds, bond funds and absolute return funds on the fixed income side. Expertise in asset allocation, fund selection and portfolio construction complements the system for building diversified discretionary portfolio management portfolios for Banque Palatine’s wealth management clients and offering a list of external funds recommended as part of Banque Palatine’s advisory management for its private clients.

Palatine asset management is a signatory to the United Nations Principles for Responsible Investment (PRI), and has just obtained a very encouraging score of at least four out of five stars out of the six modules assessed under their new annual *reporting* formula.

This assessment confirms the robustness of the ESG investment processes in almost all the Portfolios managed by PAM.

A large proportion of the funds managed are now compliant with article 8 of the European SFDR regulation and 2023 was marked by the awarding of the SRI label for the two money market funds (Palatine Monétaire CT and Palatine Monétaire Standard) as well as the renewal of the SRI label for French and European open-ended equity funds.

2023 was also marked by the consolidation of PAM's differentiating expertise in the "social" dimension of ESG through a European investment strategy on sustainable employment with the SRI label, article 9 proposing the maximum ESG intensity provided for by the regulations.

This offering is now referenced at the level of all Groupe BPCE entities and thus integrated into the offering in the same way as those proposed by the main affiliates of the Natixis IM group and benefits from the support of all the teams of the *Business Unit* in charge of promoting and coordinating the offering with all BPCE entities.

To enable its clients to benefit from rising interest rates and an inversion of the curve, PAM has launched two article 8 funds with maturities of 30 months and 36 months respectively.

With regard to interest rate management in a context of strong growth in its assets, in particular money market assets due to excellent performances and in a context marked by high inflation, a tense geopolitical context, with an increase in the risks of recession and their possible consequences in terms of the risk of increased issuer default, PAM wanted to secure its management.

PAM has decided to delegate the management of its interest rate assets to Ostrum, one of the French and European leaders in fixed income management with large teams of credit analysts and a system that meets the highest standards of risk control.

Under this delegation, PAM remains the lead management company, responsible in this respect vis-à-vis the regulator and its clients.

PAM has thus “secured” the management of this asset class in the best interests of its clients.

Its offering is therefore organised to enable its clients to find investment solutions that are as broad and professional as possible to meet their risk-adjusted performance objectives and sustainability preferences.

2023, marked throughout the year by a continued slight deterioration in the global macroeconomic environment and geopolitical tensions and by restrictive central bank monetary policies, was an excellent year for the financial markets, excluding oil and Chinese equities.

The resilience of US economic growth thanks to the support of us consumption was a surprise throughout the year. On the other hand, the European economy suffered, among other things, from its dependence on the Chinese economy, which disappointed in 2023, engulfed in a real estate crisis and domestic consumption that is struggling to pick up the pace.

The fall in inflation and a more accommodative tone from the fed enabled investors in the last quarter to anticipate faster monetary easing over the coming year, driving long-term rates down. It is against this backdrop that the financial markets were able to post very solid performances over the last quarter.

In 2023, the CAC 40 ended the year up 16.5%, underperforming the Eurostoxx 50 at +19.2% and the us market at +24.2% for the S&P 500 and 53.8% for the Nasdaq 100.

Overall, Palatine Asset Management funds proved resilient relative to their peer groups, and money market and bond funds performed particularly well relative to their competitors.

The assets under management and intermediated amounted to €5.2 billion at the end of the year, a very slight increase.

This year, money market UCIS recorded positive inflows of €742 million (excluding Egamo funds). This inflow, combined with the performance of money market funds, offset the loss of the Egamo fund (-€600 million) following its takeover by OFI. Money market outstandings reached €3.5 billion, up 7%.

Bond outstandings were stable in 2023 (€569 million) thanks to good *Buy and hold* inflows of €100 million, offsetting arbitrages between traditional bond funds and money market funds.

Equity outstandings (€725 million) decreased by €185 million (-20%) mainly due to the loss of an institutional mandate.

GSM and mixed assets rose by 11% to €379 million.

For the second consecutive year, Palatine asset management received the Quantalys/Harvest award for best local bond management company.

Activities of the other subsidiaries

The Ariès Assurances subsidiary continued to develop its activity in the field of collective social protection as well as in the development of tailor-made pension coverage for the evaluation and management of End-of-career benefits (ECB) and in the implementation of civil liability insurance for executives and corporate officers.

In addition to these activities, Ariès Assurances supports Banque Palatine's customer service managers in setting up tailor-made contracts for borrowers and key personnel, and in researching a cyber insurance programmes and proposing cybersecurity offers for medium-sized companies.

As at 31 December 2023, fees and commissions amount to €0.77 million, an increase of 28.2% compared to 2022.

Changes in business scope

There were no material changes in Banque Palatine's scope of business in 2023.

Consolidated and individual balance sheet

Consolidated balance sheet

The consolidated balance sheet reached €18 billion at 31 December 2023, up by €0.8 billion compared to the previous year.

On the asset side, customers' loans and receivables amounted to €11.8billion, an increase of €0.7 billion, due to dynamic commercial activity throughout the year. Credit institutions' loans and receivables increased by €0.5 billion, to reach a total of €5.3 billion, mainly recording the reinvestment with BPCE SA of the surplus cash collected, particularly from corporate and financial customers. At €0.4 billion, financial assets at fair value through profit or loss decreased by €0.2 billion following the maturities of securities eligible for the liquidity reserve.

On the liabilities side, amounts due to customers stabilised at €11.4 billion under the effect of the number of corporate customer demand accounts as well as household savings. Amounts owed to credit institutions increased by €0.4 billion to €2.6 billion as a result of refinancing transactions with BPCE, liquidity obtained under the European central bank's refinancing programmes (TLTRO) as well as from margin calls on over-the-counter interbank transactions. Debt securities amounted toy €2.5 billion, up €0.2 billion, in line with the bank's certificate of deposit issuance programmes.

Shareholders' equity amounted to €1.2 billion, including the net profit for the current year of €100.7 million.

Individual balance sheet (French GAAP)

At 31 December 2023, the individual balance sheet totalled €18 billion, an increase of €0.4 billion compared to the previous year.

On the assets side, receivables from customers amounted to €11.9 billion, an increase of €0.7 billion. Loans and advances to credit institutions remained at €4.7 billion.

The intangible assets and property, plant and equipment, amounted to €114.2 million, down by €0.7 million compared to the previous year. Intangible assets amounted to €95 million, reflecting the goodwill of the banking service businesses contributed by Crédit Foncier de France in 2008.

On the liabilities side, amounts due to customers decreased by €0.5 billion to €10.9 billion. Amounts due to credit institutions increased by €0.6 billion to €2.3 billion, while debt securities increased by €0.2 billion to €2.6 billion.

Subordinated debt amounted to €440 million, up by €112 million following the setting up during the year of a new repayable subordinated loan from BPCE.

Consolidated and parent-company earnings

Consolidated earnings

Net banking income amounted to €384.2 million, up by €37.6 million (10.9%) compared to 31 December 2022.

The net interest margin was €279.2 million, up by €57.9 million, driven by an upwards interest rate environment and the Bank’s ability to contain the increase in the cost of its customer and financial resources.

Net fee and commission income was resilient at €100.9 million, with a decrease of €3 million, due to a more constrained structured finance advisory activity given a much less buoyant market environment than in 2022. Customer service fees increased by 3.4% in line with the growth in the bank's customer base and efforts to strengthen customer relations.

Net gains and losses on financial instruments at fair value through profit or loss fell by €13 million, due to lower interest rate and currency hedging activity with customers than in 2022 following the shock caused by the crisis in Ukraine. The adjustment to the provisioning for the counterparty risk inherent in these transactions also had a negative impact on this sub-fund of the Bank's net banking income.

Total operating expenses amounted to €223.6 million, up by €6.7 million (31%). This change is mainly due to the impact on the payroll of the bank's financial and commercial performance, as well as to the unfavourable inflationary environment for the Bank's main expenditure items.

As of 31 December 2023, gross operating income amounted to €160.7 million, up sharply by €30.9 million, i.e. an increase of 23.8%, and the consolidated cost/income ratio improved significantly to reach 58.2%, compared to a level of 62.6% in 2022.

The 2023 annual cost of risk amounted to €33.1 million, down by €23.2 million compared to 2022, due to a base effect in the non-proven cost of risk on the performing loans segment. The cost of risk allocated to non-performing loans decreased by €4.3 million.

The share in the net income of equity-consolidated companies came to €0.3 million, generated entirely by Conservateur Finance.

The net gains or losses on other assets item includes 7.2 million of capital gains on the disposal of branches planned as part of the reorganisation of the commercial network.

The IFRS consolidated net income at 31 December 2023 represented a profit of €100.7 million compared to €57.9 million in 2022.

Individual corporate income (French standards)

The net banking income in 2023 reached €405.8 million, down by 62.5% compared to 31 December 2022.

The net interest margin reached €300 million, up 39%, in a context of interest rate rises during the year that was generally favourable to the Bank.

The income from variable income securities was down by €1.7 million, in line with the increase in dividends received during the year.

Net fee and commission income fell by €5.4 million or 6.2% to €81.7 million, reflecting in particular the decline in structured financing income.

Net gains or losses on investment and similar portfolio transactions record the provisioning of interest rate risk related to the liquidity reserve securities portfolio.

Total operating expenses amounted to €213 million, up €4.5 million compared to 2022.

The cost of risk decreased sharply by €19 million to €26.2 million at the end of 2023.

At 31 December 2023, the net income was €124.2million, compared with a loss of €2.7 million in 2022.

Results of the subsidiaries

Palatine Asset Management posted net income of €5.1 million in 2023, up €0.3 million compared with the previous financial year.

The net income of Ariès Assurances amounted to €255 thousand in 2023, up by €80 thousand compared to 2022.

Main characteristics of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information

The information relating to the main characteristics of the internal control and risk management procedures relating to the preparation and processing of accounting and financial information is described in the chapter entitled “Risk management”.

Main characteristics of the internal control and risk management procedures for the consolidated entities.

Information on the main characteristics of the internal control and risk management procedures for all of the entities included in the consolidation are outlined in the “Risk management” chapter.

Main risks and uncertainties

This information is presented in the "Risk management" chapter satisfying the obligations of the ministerial order of 20 February 2007 concerning the capital requirements applicable to credit institutions and investment firms. Some of this information is mandatory under IFRS 7 and is thus covered by the opinion of the statutory auditors on the consolidated financial statements.

Statement on non-financial performance

Given the statement made by BPCE, the parent company, Banque Palatine is under no regulatory requirement to file a statement on non-financial performance.

However, as a socially responsible company, Banque Palatine wishes to integrate the social, environmental and economic concerns of its activities and their interaction with its stakeholders. As a result, the Bank draws up a voluntary statement on non-financial performance.

Five-year financial summary

A table showing the five-year financial highlights is presented in the appendix to the management report.

Events after the reporting period

No material event liable to have an impact on the parent-company or consolidated financial statements occurred between the reporting date and the preparation date of this report.

Significant investments

No significant investments were made in 2023.

Information on payment periods

Information concerning payment periods is contained in the appendix to the management report.

List of branches

A list of all agencies is provided in the appendix to the management report.

Employee participation in the share capital at 31 December 2023

At 31 December 2023, the employees did not hold any interest in Banque Palatine's share capital.

Ownership structure

BPCE holds 99.9% of the share capital.

Non-tax deductible expenses

In accordance with the provisions of article 223 quater of the French general tax code, the financial statements for the year ended 31 December 2023 include €64,143.50 in non-tax-deductible expenses.

These non-tax-deductible expenses derived from the portion of rental costs on Banque Palatine's company vehicles not deductible for tax purposes.

Authorisation to effect capital increases

The Board of directors has not received any delegation for capital increases.

Research and development activities

Banque Palatine did not conduct any research and development activities during the period.

Resolutions

The Board of directors presented to the general meeting of shareholders the management report, the corporate governance report, the annual separate financial statements and the consolidated financial statements for 2023 as well as the appropriation of net income, which appear in the appendix to this report.

Pursuant to article 243 bis of the French general tax code, the amounts distributed for the last three financial years are recalled:

Year	Number of shares	Total dividend payment	Net dividend per share
2020	34,440,134	-	-
2021	34,440,134	-	-
2022	34,440,134	-	-

Shareholders are consulted about the overall package of remuneration of any kind paid to the individuals covered by article L. 511-71 of the French monetary and financial code.

The meeting will appoint an independent third-party body to prepare the sustainability report.

Lastly, the general meeting will have to decide on the total budget relating to the remuneration of the directors.

Outlook

In 2024, the group will continue to implement its BPCE 2024 strategic plan, with three priorities:

- conquest, in particular in two areas with societal challenges, the environmental transition and health, as well as in non-life insurance and protection, consumer credit and medium-sized corporate customers, while pursuing the international development of the global asset management and global customer bank businesses; the development of the specialised financing businesses in Europe should also continue depending on opportunities;
- customer satisfaction in retail banking, based on its relational model, omnichannel pathways, personalised solutions and useful data;
- the climate, by aligning financing portfolios on a “net zero” trajectory, by supporting customers in their environmental transition, by pursuing its sustainable refinancing strategy, and by reducing its environmental footprint.

By building on three key areas: the simplification of its organisation and information systems, innovation and its financial and technological solidity.

The group will remain on course to achieve its objectives by 2024, by developing its universal cooperative banking model, its expertise, its local presence and proximity to its customers, its strong and recognised brands and its integrated digital strategy in the business lines.

The environment remains uncertain, in particular from an economic, geopolitical and health perspective and some of the group’s objectives, particularly in terms of additional revenue, remain subject to uncertainties. After 2022 and 2023 marked by the war in Ukraine, an energy crisis, a return of inflation to levels not seen in several decades and a succession of increases in key rates by central banks, the outlook for 2024 points to lower inflation and moderate economic growth in France, driven by a recovery in consumption, with uncertainties in the real estate market, both in terms of volume and price.

The pressure on retail banking revenues could ease in 2024 thanks to the production of loans at higher rates and the stabilisation of refinancing costs, with a still high savings rate.

Against this backdrop, the group remains confident in the continued implementation of its BPCE 2024 strategic plan, particularly for the development of its businesses and the transformation of its business lines, with cost of risk under control.

Banque Palatine’s strategy and outlook

Banque Palatine is completing the implementation of its UP2024 strategic plan.

2023 was resolutely focused on commercial development by capitalising on the new system and by intensifying the synergies between the various markets and business line expertise. The reinforcement of commercial management methods and tools as well as the adaptation of the offer to new market conditions supported this development, which aimed to accelerate the conquest of customers in both markets and accelerate inflows on the private banking customers market and consolidate the bank’s presence in the medium-sized companies market.

“Operational excellence”, remained a priority throughout 2023, with the strengthening of the customer listening system and numerous projects of excellence, focusing on both tools and processes, in order to significantly increase the NPS “Net Promoter Score” in each of the customer segments.

2024 will focus on the development of its new strategic plan and work on drafting a raison d’être for Banque Palatine.

Notes to the management report:

- statement on non-financial performance
- table of results for the last five financial years
- information on payment periods
- appropriation of earnings
- list of branches
- information on inactive accounts.

2 Board of directors’ corporate governance report

2023 Financial Year

To the shareholders,

In addition to the Board of directors’ management report and pursuant to the provisions of articles L. 225-37 and L. 225-37-4 of the French commercial code, the Board of directors reports on the following:

- the composition of the board, the conditions for the preparation and organisation of the work of the Board of directors, the rules and principles governing the determination of remuneration and benefits of any kind granted to corporate officers;
- draft resolutions regarding remuneration which will be submitted to you at the time of the general meeting called to approve the financial statements for the year ended 31 December 2023.

The items of the report required under article 266 of the decision of 3 November 2014, and the list of the terms of office held by the corporate officers during the 2023 financial year, are appended.

It was the subject of prior presentations at the Appointments committee and Remuneration committee meeting of 03 April 2024, before being approved by the Board of directors on 4 April 2024.

In their report prepared pursuant to article L. 22-10-71 of the French commercial code, the statutory auditors attest the other information required by article L. 225-37 of the French commercial code (presented in the report on corporate governance), and if applicable, present their observations.

Board of directors

1 Corporate governance

The AFEP-MEDEF corporate governance code for listed companies, updated in January 2020 and incorporating the recommendations on executive remuneration, is the code used by Banque Palatine for preparing this report. An analysis is underway concerning the reference to the new update of December 2022 of the said code.

Some provisions are not relevant to the context of Banque Palatine, since its share capital is held in its entirety by BPCE. Consequently, the following provisions have not been taken into account to date:

- the proportion of independent members of the Board of directors and its committees created by the Board of directors:

Banque Palatine is a wholly owned subsidiary of BPCE. In this context and in view of Banque Palatine's position within Groupe BPCE, a direct shareholder representation (the chairman and a representative) as well as of Groupe BPCE *via* the senior executives of the Banque Populaire and Caisse d'Epargne banks was favoured in order to maintain a balance of powers and a balanced representation of the Banque Populaire and Caisse d'Epargne networks.

This diversity of profiles on the Board of directors promotes the quality of work and discussions within the board, an objective pursued by the recommendation of the AFEP-MEDEF code;

- Ownership of a significant number of Banque Palatine shares by the directors.

The principle of a gender balance on the Board of directors and committees has been upheld. At 31 December 2023, the percentage of female board members on the Board of directors was 50%. The composition of the Board of directors respects the Copé Zimmermann law.

Two directors were elected by employees - one representing managerial-level employees and the other representing technical and supervisory-grade staff.

Lastly, pursuant to article 11 of the articles of association, the directors are not obliged to be company shareholders.

Table summarising compliance with AFEP-MEDEF code recommendations

Missions of the Board of directors	Recommendations implemented
Board of directors: collegiate body	Recommendations implemented
Diversity of methods of organisation of governance: separation of the duties of the chairman and the chief executive officer	Recommendations implemented
Board of directors and communication with the market	Recommendations implemented
Board of directors and general meeting of shareholders	Recommendations implemented
Composition of the Board of directors: guidelines	Recommendations implemented
Gender diversity policy within the governing bodies	Recommendations implemented
Employee representation	Recommendation implemented
Independent directors	Recommendation not implemented due to the necessary balanced representation of Groupe BPCE institutions and the Bank's status as a wholly-owned subsidiary
Board appraisal	Recommendations implemented
Board and committee meetings	Recommendations implemented
Access to director information	Recommendations implemented
Director training	Recommendations implemented
Directors' terms in office	Recommendations implemented
Board committees: general principles	Recommendations implemented
Audit committee	Recommendations partially implemented (not followed for the proportion of independent directors due to the necessary balanced representation of Groupe BPCE institutions and the Bank's status as a wholly-owned subsidiary)
Committee responsible for appointments	Recommendations partially implemented (not followed for the proportion of independent directors due to the necessary balanced representation of Groupe BPCE institutions and the Bank's status as a wholly-owned subsidiary)

Missions of the Board of directors	Recommendations implemented
Committee responsible for remuneration	Recommendations partially implemented (not followed for the proportion of independent directors due to the necessary balanced representation of Groupe BPCE institutions and the Bank's status as a wholly-owned subsidiary)
Number of terms for executive directors and directors	Recommendations implemented
Directors' ethics	Recommendations implemented
Remuneration of directors	Recommendations implemented
Termination of employment contract for corporate office	Recommendations implemented
Remuneration of corporate officers	Recommendations implemented
Transparency regarding executive director remuneration	Recommendations implemented
Implementation of recommendations	Recommendations implemented

2 Board of directors

2.1 Composition and appointment method

The board's composition is governed by article 10 of the articles of association, which stipulates that it shall be composed of directors elected at the general meeting of shareholders and employee-elected directors.

Directors elected by the general meeting of shareholders

There are least six and no more than 18 of these directors. They are appointed, reappointed and dismissed in line with the provisions of law and the regulations in force.

They are appointed for a term of four years.

It should be recalled that the direct majority shareholder of Banque Palatine, BPCE (the central body of Groupe BPCE) has chosen to include on its Board of directors group executives from the two networks which are themselves its own shareholders.

Each director has a wealth of experience in leadership and strategy development. Their diversity in terms of skills, experience, geographical representation and gender is an essential asset for the board.

Employee-elected board members

There are two: one is elected by the managerial staff, the other by the employees.

They are elected in line with the provisions of law and the regulations in force. Any seat vacated through death, resignation, dismissal or termination of an employment agreement is filled in line with the provisions of law and the regulations in force.

They are appointed for a term of four years. However, in the event of death, resignation, dismissal or termination of employment contract, the term in office of an employee-elected director comes to an end when the normal term in office of the other employee-elected directors ends.

In any event, the period for which a director is appointed may not exceed the remaining term in office through to the date on which his or her employment agreement ends as a result of retirement or for any other reason.

Provisions common to both categories of director

Directors may be reappointed unless they have reached the age limit of 70 years.

A director's duties end at the close of the ordinary general meeting of shareholders convened to consider the financial statements for the previous financial year that is held during the year in which such director's term expires, unless he or she resigns, is dismissed or dies.

2.2 Directors

At 31 December 2023, the Board of directors comprised:

- six board members appointed by the shareholders, whose terms of office will expire at the general meetings held to approve the financial statements for the years ending on 31 December 2023 and 31 December 2025;
- two directors elected by the employees whose term of office began on 2 December 2020 and will end when the Board of directors takes note of the results of the employee elections to be held in 2024, all of whom are French nationals.

Attendance rate in %

	Directors	Age at 31 December 2023	Date of appointment /renewal	Seniority	Expiry date of mandate	Board of directors	Risk committee	Audit committee	Appointments committee	Remuneration committee
	**Jérôme Terpereau,** chairman of the Board of directors, member of the BPCE management board, in charge of Finance	55 years	17 may 2022 effective from 1 June. 2022	1 year	At the AGM called to approve the financial statements for the year ending 31 December 2025	100%	50% (guest)	100% (guest)	100%	100%
	**Lionel Baud,** chairman of the Board of directors of Banque Populaire Auvergne Rhône Alpes	56 years	17 may 2022	2 years	At the AGM called to approve the financial statements for the year ending 31 December 2025	57.14%	-	100%	-	50%
	**Sabine Calba,** chief executive officer of Banque Populaire Mediterranean	53 years	Since 30 August 2023		At the AGM called to approve the financial statements for the year ending 31 December 2025	0% (*pro rata temporis*)	100% (*pro rata temporis*)	-	-	Nc (*prorata temporis*)
	**BPCE** Represented by Stéphanie Clavié, deputy chief executive officer and chief financial officer of Oney	53 years	26 may 2020 and until 30 August 2023	7 years	At the AGM called to approve the financial statements for the year ending 31 December 2023	80% (*pro rata temporis*)	-	100% (*pro rata temporis*)	100% (*pro rata temporis*)	-
	**BPCE** Represented by Marjorie Cozas, head of performance management at Groupe BPCE	38 years	Since 30 August 2023		At the AGM called to approve the financial statements for the year ending 31 December 2023	100% (*pro rata temporis*)	-	100% (*pro rata temporis*)	0% (*pro rata temporis*)	-
	**Frédérique Destailleur,** chairwoman of the management board of Caisse d'Epargne Aquitaine Poitou Charentes	56 years	3 August 2022	1 year	At the AGM called to approve the financial statements for the year ending 31 December 2023	57.14%	100%	-	-	100%
	**Bruno Goré,** chairman of the management board of Caisse d'Epargne et de Prévoyance de Normandie	62 years	17 may 2022	5 years	At the AGM called to approve the financial statements for the year ending 31 December 2025	100%	100%	-	100%	-
	**Hélène Madar,** member of the BPCE management board in charge of retail banking and insurance	54 years	17 may 2022 until 30 August 2023		At the AGM called to approve the financial statements for the year ending 31 December 2025	20% (*pro rata temporis*)	50% (*pro rata temporis*)	-	-	100% (*pro rata temporis*)

Directors	Age at 31 December 2023	Date of appointment/ renewal	Seniority	Expiry date of appointment	Board of directors	Risk committee	Audit committee	Appointments committee	Remuneration committee
 **Nadia Mauzelaf, elected by employees (technical staff)**	46 years	2 December No. 2020	3 years	When the Board of directors approves the results of the employee elections to be held in 2024	85.71%	100%	-	-	-
 **Guillemette Valantin** elected by the employees (team of managers)	57 years	02/12/2020	6 years	When the Board of directors approves the results of the employee elections to be held in 2024	100%	-	100%	-	-

Changes to the board during the 2023 financial year

On 30 August 2023, the Board of directors:

- acknowledged the appointment of Marjorie Cozas, to replace Stéphanie Clavié, as permanent representative of BPCE, director;
- co-opted Sabine Calba, as a director, to replace Hélène Madar, who resigned.

Terms in office

The list of all the offices held by the board members during 2023 appears in appendix 2 to this report.

Governance framework

The governance framework is based on the adoption of a set of documents by the Board of directors on 26 may 2020:

- a corporate governance framework: an umbrella document that formalises the organisation, operating methods and responsibilities of the management bodies by reference to the various policies and texts applicable in the establishment;
- the Board of directors' framework rules of procedure which specify the rules relating to the composition, operation and duties of the Board of directors and its committees;
- an appointment and succession policy for effective managers and board members incorporating applicable diversity principles;
- a policy for assessing the suitability of effective managers and directors;
- a policy for the prevention and management of conflicts of interest of effective managers and directors;
- a charter for the prevention and management of conflicts of interest for effective managers;
- a director's code of ethics.

Directors’ obligations

The actions of the directors must be based solely on the interests of Banque Palatine.

Board members must not expose themselves to conflicts of interest in relation to their business relations with the company.

They must be mindful of their contribution to the exercise of their powers by the Board of directors.

The directors ensure compliance with the legal rules relating to the holding of several corporate offices and incompatibilities, as well as those applicable to credit institutions.

The directors, including the directors representing the employees, and all persons present, are bound by an obligation of confidentiality with regard to the proceedings of the board and the specialised committees, without prejudice to the professional secrecy to which they are subject, under criminal law, in relation to certain information pertaining to this secrecy.

The chairman of the meeting may declare the proceedings of a meeting to be confidential whenever regulations or Banque Palatine's interests so require. He or she may require all individuals taking part in a meeting to sign a confidentiality undertaking. He or she does the same within the board's specialised committees. This statement is placed on record in the minutes of the meeting.

If a director fails to comply with one of his or her obligations, in particular the obligation to keep matters confidential, the chairman of the Board of directors refers the matter to the board with a view to issuing a formal warning to said member, independently of any measures taken under the applicable provisions of the law, regulations or articles of association.

The Board of directors may, if so proposed by its chairman, request the dismissal of the director by the relevant body or authority. In the case of a committee member, the Board of directors may, on the proposal of its chairman, terminate his or her duties as a member of the committee.

The member concerned will be informed in advance of the proposed penalties and will be given the opportunity to present observations.

All directors are required to inform the board of any conflict of interest, even potential, and must refrain from voting on the corresponding deliberation.

A conflict-of-interest situation is defined as a situation in which a member of the Board of directors has a personal interest that diverges, or is likely to diverge, from the interests of all the bank's shareholders.

Unless authorised by BPCE, taken in agreement with the Chairman of the board, the office of director of the bank is incompatible with a position of chief executive officer, member of the management board, director or member of the board within another credit institution or another investment services company that is not part of Groupe BPCE.

Directors are expected to participate regularly in the meetings of the Board of directors and its committees and to attend general meetings.

Those who are unable to comply with this attendance rule undertake, in accordance with the responsibilities attached to the position of director, to hand over their office to the board at the request of the chairman.

More generally, a director who considers him- or herself unable to perform his or her duties on the board, or on the committees of which he or she is a member, must resign.

All newly appointed directors undertake to participate in at least one training session that is offered to them within one year of their appointment.

Insider trading

Regulation no. 596/2014 of the parliament and council of the European union (the “MAR regulation”) and its delegated regulations (the “MAR regulations”), as well as directive no. 2014/57/EU (“MAD”), define, at European union level, a common regulatory framework on insider trading, unlawful disclosure of inside information and market manipulation (“market abuse”) as well as the related sanctions.

The MAR regulation covers three types of infringement:

- insider trading (misuse of inside information);
- unlawful disclosure of inside information; and
- market manipulation (false or misleading indications, actions distorting the price-setting mechanism or calculation of a benchmark).

Insider trading occurs in four situations:

- when a person holds inside information and uses it by acquiring or selling, on its own behalf or on behalf of a third party, directly or indirectly, the financial instruments to which this information relates;
- when inside information is used to cancel or modify an order concerning a financial instrument to which this information relates, when the order was placed before the person concerned had the inside information;
- for auctions of emission allowances or other products auctioned based on them, where the use of inside information also includes the submission, modification or withdrawal of a bid by a person for his own account or on behalf of a third party;
- also applies to any person who possesses and uses inside information when that person knows or should know that it is inside information.

Inside information is:

- specific information that has not been made public;
- information which concerns, directly or indirectly, one or more issuers, or one or more financial instruments; and
- information which, if made public, would be likely to significantly influence the price of the financial instruments concerned or the price of derivative financial instruments related to them.

The qualification of insider trading is presumed in particular for any person who possesses inside information due to the fact that this person:

- is a member of the administrative, management or supervisory bodies of the issuer or of the emission allowance market participant;
- holds a stake in the capital of the issuer or the emission allowance market participant;
- has access to information by virtue of the performance of duties resulting from a job, profession or duties; or
- participates in criminal activities.

The violation of the prohibitions of insider trading, unlawful disclosure of inside information or market manipulation is punishable by a maximum penalty of five years’ imprisonment and a fine of up to €100 million.

Prevention of insider trading

Inside information on any company issuing securities on a listed regulated market, whether or not it is a client of the bank, may be discussed during board meetings.

2.3 Non-voting members

Pursuant to article 19 of the articles of association, the ordinary general meeting may appoint up to six non-voting directors.

At the preparation date of this report, no non-voting directors had been appointed to the Board of directors.

2.4 Role

Duties and powers

The Board of directors determines the company's business strategies and ensures their implementation, taking into consideration social and environmental issues.

The Board of directors must ensure that:

- its composition and functioning enable it to act in the best interests of Banque Palatine while taking into consideration the social and environmental challenges of its business;
- appointments or renewals of directors:
  - operate with the aim of seeking a harmonious distribution of knowledge, skills and experience,
  - ensure a balanced representation of women and men on the board, in accordance with current legislation.

Except for the powers expressly reserved for the general meeting of shareholders and within the restrictions set by the corporate objects, the Board of directors handles any issue concerning the smooth running of the company and settles any matters arising.

The chairman and/or the chief executive officer are required to provide each director with all the documents or information they require to fulfil their duties.

Pursuant to the provisions of law and the regulations in force, the Board of directors may entrust one or more directors with any special responsibilities or decide to set up board committees. The board determines the composition and powers of committees, which operate under its authority.

At any time of the year, it conducts any checks and controls it deems appropriate and may request any documents it regards as expedient in fulfilling its duties.

Its main duties are to:

- define Banque Palatine's strategic guidelines, in line with Groupe BPCE's strategy, on the recommendation of the chairman and chief executive officer;
- oversee the implementation of the strategy;
- control the management of the company;
- control the risk management policy;
- ensure the accuracy of its financial statements;
- review the financial position on a quarterly basis;
- approve the accounts;
- ensure the quality of the financial information provided to shareholders and third parties;
- appoint the effective managers;
- set the rules for the remuneration of the effective managers and all corporate officers;
- control the remuneration of risk takers.

Since the option for the form of a société anonyme (French limited liability corporation with a Board of directors), the Board of directors on 14 February 2014 opted for the separation of duties of the president and chief executive officer in accordance with article L. 225-51-1 of the French commercial code. This option was systematically renewed.

The Board of directors appoints the chief executive officer and, in consultation with the latter, may appoint deputy CEOs. In addition, it sets the method and amount of the remuneration paid to each senior executive.

It adopts the framework rules of procedure of the Board of directors which include the rules of composition and functioning as well as the missions of the board committees.

It convenes the general shareholders' meeting based on an agenda that it has approved and which may include, in particular: the appointment or ratification of board members, the appointment of the statutory auditors, the renewal of directorships or auditors mandates, the consultation of shareholders on the individual remuneration of corporate officers and on the overall package paid to the members of the regulated population.

2.5 Framework rules of procedure of the Board of directors

As indicated in the "Governance framework" section, the framework rules of procedure specify the rules relating to the composition, operation and duties of the Board of directors and the Board committees.

2.6 Activity

The Board of directors meets as often as the company's interests, laws and regulations require and at least once every quarter to review the quarterly parent company and consolidated financial statements. Board meetings are convened by its chairman or by half of its members, and take place at the registered office or at any other location stated in the notice of meeting.

In accordance with article L. 823-17 of the French commercial code, the statutory auditors are invited to the meetings of the Board of directors dedicated to the approval of the annual and half-yearly financial statements as well as to those examining the interim financial statements.

The social and economic committee is represented at board meetings by two representatives appointed as provided for by the legislation in force.

With regard to communication and access to information, the directors benefit from a secure electronic transmission system enabling them to quickly access the information they need to fulfil their responsibilities.

Banque Palatine's Board of directors met seven times in 2023 and the average attendance rate was 75%.

The main topics covered at the meetings were:

- commercial activity;
- review of the separate and consolidated quarterly financial statements;
- review of turnover and approval of the budget;
- approval of the annual and interim financial statements; the statutory auditors' reports;
- review of the reports of the specialised committees;
- adoption of the reports of the Board of directors;
- adoption of the statement on non-financial performance;
- press releases;
- convening and adoption of the draft resolutions of the general meeting;
- authorisation to issue EMTNS and delegation of the Board of directors, the update on the use of the authorisation and delegation of the Board of directors;
- strategic plan, its roadmap and its progress;
- proposed adjustment of the strategic plan indicators;
- approval of the risk policy;
- solvency trajectory;
- approval of the multi-year audit plan;
- approval of the mapping of non-financial risks;
- approval of the internal control report;
- approval of the RACI LAB;
- the VaR limit;
- resignation and co-option of directors;
- change of permanent representative;
- appointment of members to the specialised committees;
- review of the risk cost;
- review of the annual remuneration of the deputy chief executive officer;
- review of the annual remuneration of the chief executive officer;
- annual assessment of the Board of directors;
- composition of the regulated population
- unblocking of deferred variables;
- breakdown of directors' fees;
- regulated agreements
- update on the structure of PAM funds;
- conclusions of the IGG mission.

2.7 Board appraisal

The Board of directors conducts a self-evaluation every year.

The responses of the board members to the Board of directors' assessment questionnaire in respect of the 2023 financial year showed overall satisfaction with the standard of the Board of directors as well as its committees, both in terms of their organisation (composition, information shared with board members, access to information) and their operations (how well meetings and discussions are organised, relationship with executive management and the chairman of the board).

The board members are able to perform their duties satisfactorily. The board members' expectations regarding the priority monitoring of the following issues were stressed. CSR, development strategy based on the unique characteristics of Banque Palatine, solvency, global strategy and climate and environmental risks.

In addition, in order to better understand the economic and banking environment, both in France and abroad, as well as the group's overall strategy and policies, additional information is requested in order to better understand changes in these areas.

2.8 Training of the Board of directors

In accordance with article L. 511-53 of the French monetary and financial code, Banque Palatine endeavours to train directors.

The Board of directors of Banque Palatine is composed of senior executives or employees of BPCE and of executive and non-executive officers of the Caisse d'Epargne and Banque Populaire networks.

In this respect, the directors benefit from the training programme offered to the members of the BPCE supervisory board and the OCBF training programme.

During the 2023 financial year, the board members were offered training on the following topics:

- financial information;
- changes in the banking relationship model;
- major trends in the private Equity market;
- overview of the strategies of European banks;
- internal models;
- MRT 2023 training;
- Risk Pursuit - Operational Risks;
- new means of payment (Cryptocurrency and Digital Euro) - use of metaverse;
- Combating money Laundering and the Financing of Terrorism;
- European banking landscape (main players and strategy);
- climate risks and energy transition challenges;
- cybersecurity as part of the BPCE Supervisory Board;
- what is it performance;
- sustainable Finance news;
- Cybersecurity news;
- digital, responsible purchasing and real estate, How technology and operations contribute to improving the group's own footprint? ;
- market activities and equity Derivatives (additional training);
- European banking landscape (main players and strategy);
- basics of cybersecurity.

3 Functioning of the committees set up by the Board of directors

The Board of directors has set up four specialised committees, responsible for preparing its decisions and making recommendations, whose duties, resources and composition are specified in the framework rules of procedure of the Board of directors.

The committee members are selected by the Board of directors from among its members based on a proposal made by the chairman of the board. The term in office of committee members coincides with their term in office as board members.

The Board of directors adopted its own framework rules of procedure on 26 may 2020 which include, in addition to the rules of operation and composition, the missions of each committee.

Each committee has at least three members with voting rights selected from among the directors on proposal of the board's chairman.

The members of these committees shall have the appropriate knowledge and skills to carry out the duties of the committees on which they serve. Specifically, each member of the Audit committee and of the Risk committee has the necessary skills to carry out their duties. Accordingly, each member of the Audit committee and the Risk committee undertakes to stay informed of changes in regulations relevant to the work of the Audit committee and the Risk committee. More generally, members of the Audit committee and the Risk committee have the Knowledge, skills and expertise to understand and monitor the strategy and risk appetite of Banque Palatine, and at least one member of the Audit committee has specialised financial or accounting skills.

The heads of risk and compliance and internal audit in charge of periodic control are invited to attend meetings of the Audit committee and the Risk committee without voting rights.

The chairman of the Board of directors is invited to the Audit committee and the Risk committee and chairs the Appointments committee and the Remuneration committee.

The chairman of the Audit committee cannot be chairman of the Risk committee and vice versa.

The members of the committees are neither corporate officers nor bound to Banque Palatine by an employment contract (other than the directors representing employees) or any other relationship of subordination. They have no business relationship with Banque Palatine other than current transactions.

The chairman designated by the Board of directors for each committee is responsible for organising its work.

Wherever possible, each committee meets several days ahead of a meeting of the Board of directors to review, in advance of the board meeting, the points falling within their remit such that the chairman of each committee can give an exhaustive oral presentation of the committee's positions and any recommendations it may have to the board.

3.1 for the Audit committee:

Composition

At 31 December 2023, Banque Palatine's Audit committee had the following members:

- Marjorie COZAS, representing BPCE - member of the committee, chairwoman;
- Lionel BAUD, member of the committee;
- Guillemette VALANTIN, member of the committee;
- Jérôme TERPEREAU, guest.

Role

The Audit committee exercises the responsibilities provided for by the laws and regulations of the European union.

The Audit committee is responsible for issuing opinions to the Board of directors on the clarity of the information provided and the relevance of the accounting methods adopted for the preparation of the individual and, where applicable, consolidated financial statements.

Banque Palatine's executive management is responsible for the preparation, presentation and integrity of Banque Palatine's financial statements, for compliance with the appropriate accounting and financial reporting standards and conventions, and for the internal controls and procedures ensuring compliance with the accounting standards, applicable laws and regulations.

The statutory auditors are responsible for planning and executing, in accordance with professional standards, the audit of Banque Palatine's annual financial statements and, where applicable, the revision of the interim financial information.

With regard to the process of preparing financial information, the Audit committee is tasked with:

- Monitoring the implementation of accounting policies by Banque Palatine;
- Monitoring the process of preparing financial information and communicating recommendations to ensure its integrity.

With regard to the statutory audit of the financial statements, the Audit committee is in particular tasked with:

- Monitoring the implementation of the internal audit plan, in conjunction with the Risk committee;
- Reviewing the scope of the audit and the frequency of the statutory audit of the annual or consolidated financial statements;
- Communicating to the Board of directors information on the results of the statutory audit of the financial statements and explanations on how the statutory audit has contributed to the integrity of the financial information and on the role played by the Audit committee in this process;
- verifying the statutory audit of the annual and consolidated financial statements, in particular its performance, taking into account any findings and conclusions of the French prudential and resolution supervisory authority (Autorité de Contrôle Prudentiel et de Résolution - ACPR) and the European central bank. For this purpose, it examines the inspection reports of BPCE as well as those of the ACPR and the ECB for the part having a direct impact on Banque Palatine's financial statements.

Specifically, its regular areas of concern are as follows:

Budget process

The Audit committee reviews the draft budget prepared by executive management as well as multi-year projections. After review, it issues a detailed opinion to the Board of directors.

Reporting dates

The Audit committee examines, in a timely manner, before it is presented to the Board of directors or approved by the general meeting, Banque Palatine's annual report, including the annual parent-company financial statements (and, where applicable, the consolidated statements) and the management report.

The Audit committee also reviews the half-year report, which includes the half-year consolidated financial statements of Banque Palatine for the Board of directors.

Finally, the Audit committee also reviews the IFRS financial statements (annual, interim and quarterly) which are sent to BPCE at the appropriate times.

Statutory auditors

The Audit committee, at the time of renewal or selection of the statutory auditors, conducts a call for tenders and issues an opinion on the choice or renewal of Banque Palatine's statutory auditors, in accordance with BPCE's instructions.

The Audit committee reviews the statutory auditors' work programme, the results of their verifications and their recommendations, as well as the follow-up given to them.

It guarantees the independence of the statutory auditors, notably by reviewing audit fees paid and by monitoring the provision of services not related to the legal audit.

It also reviews proposals for consultancy projects to be carried out by the statutory auditors that exceed one-third of the annual fees paid to the statutory auditors.

The Audit committee can require information from the statutory auditors on any issue relating to their duties.

Activities

The Audit committee met five times in 2023 with an average attendance rate of 100%.

The main topics covered at the meetings were:

- review of the quarterly financial statements and the Bank's financial position;
- approval of the half-yearly and annual financial statements;
- review of the draft half-year report;
- review of the draft annual report;
- review of the draft Board of directors' management report on the annual financial statements;
- review of the management control notes on the Bank's results;
- setting and review of the budget, the updated budget and the multi-year plan;
- CVA/DVA;
- financial review;
- new financial information (ESEF);
- IGG update on the recommendations of the finance department;
- update on the various financial risks (interest rate and liquidity);
- additional report of the statutory auditors on the annual financial statements;
- statutory auditors' fees;
- presentation of the statutory auditors' annual audit plan;
- presentation of the conclusions of the statutory auditors regarding the annual and interim financial statements;
- update on the risk cost;
- financial control;
- an update on the Bank's solvency and solvency path;
- review of the findings by the Audit committee of Banque Palatine's fully controlled subsidiary Palatine asset management, as regards the accounting-related matters.

3.2 The Risk committee:

Composition

At 31 December 2023, Banque Palatine's Risk committee had the following members:

- Bruno GORÉ, chairman;
- Frédéric DESTAILLEUR, member of the committee;
- Sabine CALBA, member of the committee.
- Nadia MAUZELAF, member of the committee;
- Jérôme TERPEREAU, guest.

The committee reports regularly to the Board of directors on the progress of its work and reports any difficulties promptly.

Role

The Risk committee issues opinions to the Board of directors on the quality of the internal control and in particular the consistency of the risk measurement, monitoring and control systems, and proposes additional measures, where required.

Pursuant to articles L. 511--92 et seq. of the French monetary and financial code and the order of 3 November 2014 on internal control of banking firms (the Order), the Risk committee is also responsible for assessing the effectiveness of the internal control systems.

Its main duties are as follows:

Permanent controls:

- regularly review, and at least twice annually, the strategies, policies, procedures, systems, tools and limits mentioned in article 148 of the order and the underlying assumptions and report its conclusions to the Board of directors;
- review the global risk exposures of Banque Palatine based on the relevant *reporting* statements;
- review the bank's compliance with the regulations of the French law on separation and regulation of banking activities and the *Volcker Rule*;
- examine various possible scenarios, including stress scenarios, in order to assess how the institution's risk profile would react to external and internal events;
- advise the Board of directors on Banque Palatine's overall strategy and risk appetite, both current and future, and to assist the board when it monitors the implementation of this strategy by the chief executive officer and the deputy chief executive officer and by the head of the risk management function;
- assist the Board of directors when it monitors the implementation of the institution's capital and liquidity management strategies as well as other relevant risks, such as market risk, credit risk and operational risk (including legal and it risks) and reputational risk, in order to assess their adequacy against the risk appetite and risk strategy that have been approved;

- Support the Board of directors in its regular review of the policies enacted to comply with the Order, and assess the effectiveness of measures and procedures put in place for the same end and of the corrective measures implemented in response to shortcomings;
- review the annual reports on risk measurement and monitoring and on the internal control system;
- propose to the board the criteria and thresholds described in article 98 of the Order for identifying incidents that must be reported to the board;
- oversee the follow-up to the conclusions of inspections by the ACPR and/or the ECB and of internal audits, a summary of which will be sent to it;
- review the follow-up letters sent by the ACPR and/or ECB and issue an opinion on the projects initiated in response to such letters;
- review, as part of its mission, whether the price of its products and services (mentioned in books ii and iii of the French monetary and financial code: financial instruments, savings products, banking transactions, investment services, etc.) Offered to customers are compatible with Banque Palatine's risk strategy and, if not, to present to the Board of directors a remediation action plan;
- review whether the incentives envisaged by Banque Palatine's remuneration policy and practice are compatible with the risk position to which Banque Palatine is exposed, with its capital, with its liquidity and with the probability and timing of expected benefits.

Periodic controls:

- oversee the independence of internal audits, being authorised to demand or access all documents, systems and other information necessary for the proper conduct of its work;
- review the multi-year internal audit plan and its implementation.

In addition, the chief executive officer informs the Risk committee of:

- the appointment of the heads of risk management, compliance and internal audit who report to him or her on the performance of their duties;
- the results of their analyses of the adequacy of the liquidity risk measurement and management procedures, systems, tools and limits with changes in the liquidity situation;
- the essential elements and the main lessons that can be drawn from the analysis and monitoring of the risks associated with the business and the results to which Banque Palatine and, where applicable, the group are exposed;
- the measures taken to ensure business continuity and the assessment of the effectiveness of the systems in place;
- the measures taken to ensure the control of outsourced activities and any resulting risks for Banque Palatine.

More generally, the Risk committee is kept informed by the chief executive officer, the statutory auditors, the managers responsible for permanent risk control and compliance, as well as by the director in charge of periodic control of:

- the results of market risk and overall interest rate risk measurements in order to assess Banque Palatine's risks;
- the measurement of settlement-delivery risk and the decisions taken by the effective managers to hedge liquidity risks;
- the conclusions of the reviews and analyses of the liquidity risk referred to in articles 148 et seq. of the Decision;
- the results of the alternative crisis scenarios conducted pursuant to article 168 of the Decision and the actions taken, where applicable;
- significant incidents with regard to the criteria and thresholds provided for by the risk analysis and measurement systems;
- significant anomalies detected by the anti-money laundering and terrorist financing monitoring and analysis system, as well as the shortcomings of this system.

Activities

The Risk committee met six times in 2023 with an average attendance rate of 91.67%.

The main topics covered at the meetings were:

- revision and proposal of the 2023 RAF;
- presentation of permanent control plans;
- update on PECI controls;
- risk and compliance culture
- article 98;
- climate risk matrix;
- review of real estate outstandings with a view of risk indicators;
- update on LBO - LF limits;
- quarterly report on risk, compliance and internal audit;
- review of the report on risk management;
- cost of risk and review of significant files;
- update on VaR;
- review of the internal control report;
- review of the RACI;
- review of the RACI LAB;
- the review of the audit department's audit plan and annual budget;
- update of the risk appetite system, *reporting* and changes in RAF indicators;
- review of the findings relating to the internal control of the Audit committee of Banque Palatine's fully controlled subsidiary Palatine Asset Management;

- Quarterly cost of risk and review of significant files;
- update on the PSR;
- the customer protection questionnaire;
- update on IFRS 9 LGD backtesting;
- presentation of changes in internal risk and Audit committee procedures;
- update on interest rate risk;
- internal audit alert process;
- mapping of non-financial risks in the statement on non-financial performance and the action plan for residual risks;
- statement on non-financial performance
- risk policy;
- review of the 2021 multi-year audit plan for 2024-2028;
- the macro-risk mapping.
- BCBS 239;
- the BPCE IGG report.

3.3 For the Appointments committee:

Composition

The committee has a chairman and two members, all of whom were selected from among the board members. The Appointments committee is chaired by the chairman of the Board of directors.

At 31 December 2023, this committee had the following members:

- Jérôme TERPEREAU, chairman;
- Bruno GORÉ, member of the committee;
- BPCE, represented by Marjorie COZAS, member of the committee.

Role

The Appointments committee formulates proposals and recommendations concerning the candidates for the position of effective manager and the candidates qualified to exercise the functions of director with a view to proposing their candidacy to the general meeting.

This rule does not apply to candidates for the office of director representing employees.

The Appointments committee is also responsible for the ongoing assessment of the individual and collective qualities of the effective managers and members of the Board of directors.

With regard to the appointment and selection mission:

The Appointments committee assists and makes recommendations to the Board of directors for the development of a policy for the assessment of the suitability of directors and effective managers, as well as an appointment and succession policy which it reviews periodically.

The Appointments committee must verify the suitability of the candidates for the position of effective manager and of the candidates for the office of director in accordance with the appointment policy and the suitability policy drawn up by the Board of directors.

To this end, the Appointments committee specifies in particular:

- the duties and qualifications required for the duties of an effective manager and the duties performed on the Board of directors;
- the evaluation of the time to be devoted to these functions;
- the objective to be achieved with regard to the balanced representation of women and men on the Board of directors.

Concerning the assessment mission:

In accordance with the suitability assessment policy developed by the Board of directors, the Appointments committee:

- Assesses the balance and diversity of knowledge, skills and experience held individually and collectively by the candidates for the position of effective manager and candidates for the office of director;

Assesses periodically, and at least once a year:

  - The structure, size, composition and effectiveness of the effective management and the Board of directors with regard to the missions assigned to them and submits to the board all useful recommendations of internal controls and procedures to ensure compliance with accounting standards, applicable laws and regulations,
  - The knowledge, skills and experience of the effective managers and directors, both individually and collectively, and reports to it;

- Recommends, when necessary, training aimed at guaranteeing the individual and collective aptitude of the effective managers and directors.

Lastly, the Appointments committee ensures that the Board of directors is not dominated by one person or a small group of people in conditions that are detrimental to the interests of the bank.

The Appointments committee has the necessary resources to perform its duties and may call on external advisors (article L. 511-101 of the French monetary and financial code).

Activities

The Appointments committee met four times in 2023 with an average attendance rate of 88.9%.

The main topics covered at the meetings were:

- review of the results of the Board of directors' self-assessment;
- individual assessment of board members and mapping of the Board of directors' composition;
- schedule of training for board members in 2023 and monitoring of training in 2022;
- review of the remuneration section of the corporate governance report;
- resignation of a board member, the proposed co-option of a new board member, acknowledgement of a change of permanent representative and the corresponding appointment to the risk and Remuneration committees;
- review of the draft questionnaire for self-assessment by the members of the Board of directors.

3.4 For the Remuneration committee:

Composition

The committee has a chairman and three members, all of whom were selected from among the board members. The Remuneration committee is chaired by the chairman of the Board of directors.

At 31 December 2023, this committee had the following members:

- Jérôme TERPEREAU, chairman;
- Lionel BAUD, member of the committee;
- Sabine CALBA, member of the committee.
- Frédéric DESTAILLEUR, member of the committee;

Role

The Remuneration committee provides guidance for decisions by the Board of directors on remuneration systems.

In this role, it is responsible for putting proposals to the board concerning:

- the level and methods of remuneration of the effective managers of Banque Palatine, namely: the level of the fixed portion; the level of the variable portion; the benefits in kind; as well as all provisions relating to their retirement and welfare plan. Accordingly, the Remuneration committee takes into account the targets for the current year and any potential events affecting risk and risk management within Banque Palatine. The committee also assesses the degree to which targets have been achieved and criteria satisfied for the payment of the variable remuneration and makes proposals accordingly to the Board of directors;
- the committee deliberates without the presence of the effective managers on matters concerning them;
- the systems for allocating directors' fees among the directors and, where applicable, members of the board committees, and the total amount of such remuneration which is put to the vote at the Banque Palatine general meeting of shareholders.

Moreover, the Remuneration committee also:

- carries out an annual review of:
- the principles underlying Banque Palatine's remuneration policy,
- the remuneration, termination benefits and benefits of any kind granted to Banque Palatine's corporate officers,
- the remuneration policy for employees of all categories, including executive management, risk-takers, persons exercising control functions and any employee whose total income puts them in the same class of remuneration and whose professional activities have a significant effect on Banque Palatine's risk profile;
- directly controls the remuneration of the head of risk management as mentioned in article L. 511 -64 of the French monetary and financial code and of the head of compliance;
- regularly reports on its work to the Board of directors;
- issues an opinion on any report dealing with remuneration;
- reviews and issues an opinion on the civil liability insurance policies taken out by Banque Palatine on behalf of its senior executives.

Generally, it reviews any issue put to it by the chairman of the Board of directors relating to any of the matters listed above.

Each year, the committee receives details of the remuneration received by the effective managers, namely: fixed remuneration, variable remuneration, benefits in kind, remuneration received for the offices held.

Activities

The committee met twice in 2023 with an attendance rate of 87.5% to deliberate concerning:

- review of the achievement of the objectives set in 2022 for the variable remuneration of the chief executive officer and the deputy chief executive officer, including for the portion linked to Groupe BPCE's results;
- definition of the criteria calculating the variable remuneration of the chief executive officer and the deputy chief executive officer for 2023;
- composition and fixed and variable remuneration of the regulated population;
- final allocation of deferred portions of variable remuneration;
- review of the remuneration section of the corporate governance report;
- reminder of the fixed and variable remuneration paid in 2022 to the chief executive officer and the deputy chief executive officer;
- information on the article 266 report of the decision of 3 November 2014;
- review of the remuneration of the chief risk and compliance officer and the head of internal audit;
- information on the professional and equal pay policy;
- civil liability insurance policies taken out on behalf of senior executives.

4 Executive management

Since the option for the form of a société anonyme (French limited liability corporation with a Board of directors), the Board of directors on 14 February 2014 opted for the separation of duties of the president and chief executive officer in accordance with article L. 225-51--1 of the French commercial code. This option was renewed upon the appointment of the chief executive officer on 21 October 2019, with effect from 6 November 2019, upon the renewal of the term of office of the chairwoman of the Board of directors on 26 may 2020 as well as at the Board of directors meeting of 10 December 2021, which appointed Didier Moaté as chief executive officer with effect from 1 March 2022.

Pursuant to article L. 512-107 of the French monetary and financial code, the appointment and reappointment of the chief executive officer is subject to the approval of BPCE SA, the central body.

The chief executive officer is not a board member of the company. He or she is appointed for a period of five years. He or she may be removed from office by the Board of directors at any time.

In accordance with article 17 of the articles of association, the chief executive officer holds the broadest powers to act on behalf of the company in all circumstances. He or she exercises this authority within the restrictions set by the corporate objects and subject to the authority expressly granted by law to general meetings of the shareholders and the Board of directors.

He or she represents the bank in relations with third parties. The Board of directors did not set any restrictions on his or her powers in the Board of directors' framework rules of procedure. Even so, any significant transaction departing from the strategy communicated requires the Board of directors' prior approval.

The chief executive officer may partially delegate his or her powers to any proxy, with or without the option of substitution.

Internally, the deputy chief executive officer holds the aforementioned powers to perform the duties with which he or she is entrusted. He or she may subdelegate these powers to third parties, each in their area of expertise and for one or more specific transactions or categories of transactions.

The remuneration of the deputy chief executive officer is set by the Board of directors.

When the chief executive officer reaches the end of his or her term of office or is prevented from performing his or her duties, the deputy CEO, unless the Board of directors decides otherwise, retains his or her duties and responsibilities until a new CEO is appointed.

At 31 December 2023, the executive management was made up of:

Members of executive management	Age	Date of appointment	Expiry date of mandate
Didier MOATÉ Chief executive officer	60 years	10/12/2021 (1)	28/02/2027
Patrick Ibry Deputy chief executive officer	60 years	08/02/2019 (2)	14/02/2024

(1) effective from 1 March 2022.

(2) effective from 14 February 2019.

4.1 Effective managers

At 31 December 2023, Didier Moaté and Patrick Ibry were the effective managers of Banque Palatine.

In this capacity, they safeguard and assume full and complete responsibility for the following activities vis-à-vis the supervisory authorities and the ACPR in particular:

- determining the strategic direction of Banque Palatine;
- accounting and financial information;
- control;
- determining equity.


Didier Moaté and Patrick Ibry

Since 27 March 2024, Nathalie Bulckaert-Grégoire has been deputy chief executive officer and effective director replacing Patrick Ibry.

4.2 Executive committee

At 31 December 2023, the Executive committee (COMEX) was made up of the two effective managers, in addition to the head of resources and work environment and the head of customer excellence. The Executive committee has equal representation.

4.3 Executive management committee

At 31 December 2023, the Executive management committee was composed of the members of the Executive committee, in addition to the head of bank finance, the head of development, the head of risk and compliance, the head of commitments and the head of corporate markets, the head of customer finance room, the head of customer services, the head of communication, the head of organisation and is, the head of corporate life and CSR. As of this date, it includes seven women out of a total of fourteen members, i.e. a proportion of 50%.

5 Agreements

Banque Palatine participates as a member of various economic interest groups of Groupe BPCE, shareholder of the bank.

Regulated agreements

This report must disclose related-party agreements entered into with any of the bank's corporate officers or shareholders holding over 10% of the voting rights and with any business under its control according to the definition under article L. 233-3 of the French commercial code.

The following agreements fall within the aforementioned category:

- Agreements with senior executives

The chief executive officer:

- retirement benefits,
- no employment contract or suspended employment contract - unemployment insurance (no effect),
- arrangements under which remuneration is maintained for 12 months in the event of temporary inability to work
- departure benefit in the event of forced dismissal from the chief executive officer's term of office,
- supplementary pension plans (article 82),
- supplementary pension plan,
- affiliation to supplementary social protection schemes (BPCE Mutuelle, mutual health insurance and AG2R supplementary pension plan)

The deputy chief executive officer:

- retirement benefits,
- no employment contract or suspended employment contract - unemployment insurance,
- arrangements under which remuneration is maintained for 12 months in the event of temporary inability to work
- supplementary pension plan,
- increase in fixed remuneration,
- affiliation to supplementary social protection schemes (BPCE Mutuelle supplementary health insurance and AG2R supplementary personal protection scheme).

The chief executive officer and deputy chief executive officer of Banque Palatine were also eligible, subject to the same conditions as Banque Palatine's employees, for the defined-contribution pension plan applicable to senior executives (Klésia). This scheme, which was modified following the merger of AGIRC and ARRCO on 1 January 2019, is funded by a contribution of:

- tranche a of the remuneration: 10.16% (7.62% payable by Banque Palatine and 2.54% payable by the chief executive officer and the deputy chief executive officer),
- tranche b of the remuneration: 9.45% (7.09% payable by Banque Palatine and 2.36% payable by the chief executive officer and the deputy chief executive officer).

For 2023, the amount of Klésia contributions (employee and employer) paid by Banque Palatine for the benefit of the chief executive officer and the deputy chief executive officer was as follows:

- Didier Moaté: €12,705.36,,
- Patrick Ibry: €12,705.36.

- agreements with shareholders and their subsidiaries
  - the purpose of the invoicing agreement that exists between BPCE SA and Banque Palatine, signed on 5 March 2012, is to set the amount of the fees to be paid for the services provided by BPCE within the context of the affiliation of Banque Palatine with Groupe BPCE. The financial effect of this agreement in 2022 was €2,642,000 excluding tax.

The compensation agreement entered into with Natixis SA, signed 16 February 2016, and its amendment signed 22 February 2017, as part of the transfer of the custodian activity to Natixis Titres and Caceis, has ceased to be effective since 30 June 2022.

6 Structure of share capital and participation of shareholders at general meetings

6.1 Share capital structure

BPCE SA, the central body of the Caisse d'Epargne and Banque Populaire banking Group, holds all the share capital of Banque Palatine. Both networks own an equal share in BPCE, the group's central body.

BPCE implemented consumer loans each having 10 shares of Banque Palatine in favour of four directors.

To the best of the company's knowledge, there are no direct or indirect agreements between the shareholders.

6.2 General meeting

No particular arrangements are applicable to shareholders' participation at general meetings.

A general meeting of shareholders is called and meets in accordance with the regulations in force. It deliberates on issues listed on the agenda as provided for in law.

The general meeting is chaired by the chairman of the Board of directors or, in his or her absence, by a board member specially appointed for this purpose by the Board of directors. Failing that, the meeting elects its own chairman.

Shareholders participating at a general meeting by means of videoconferencing or any other telecommunications-based system permitting their identification in accordance with article L. 225-107 of the French commercial code are deemed present for the purpose of calculating the quorum and majority requirements.

Decisions made at a general meeting are recorded in the minutes kept in a special register.

Decisions made by the general meeting can be evidenced vis-à-vis third parties using copies or excerpts certified as true and accurate copies by the chairman of the Board of directors or any other person referred to in article R. 225-108 of the French commercial code.

Ordinary general meetings are those convened to make any decisions that do not involve amendment of the articles of association.

Extraordinary general meetings are those convened to make decisions or authorise direct or indirect amendments to the articles of association.

There are no provisions in the articles of association restricting the right to vote and the transfer of shares.

There is no valid delegation granted by the general meeting of shareholders in the area of capital increases.

7 Rules and principles governing the calculation of remuneration and benefits

7.1 Remuneration of the board members and committee members

With the exception of the chairmen of the board and of the specialised committees who receive a fixed annual remuneration *pro rata temporis,* the directors receive a sum in remuneration for their activity based on their actual presence. The total amount of this remuneration is voted on by the general meeting and the allocation of this amount is decided upon by the Board of directors based on the recommendations of the Remuneration committee.

The annual remuneration due is paid in December of each year.

The general meeting of 24 may 2023 set the total annual amount for this remuneration at €134,500 for the current financial year. The Board of directors meeting of 08 February 2023 maintained the distribution of this budget, according to the methods listed below, subject to presence conditions:

For the Board of directors:

- chairman of the Board of directors: €31,000 *(pro rata temporis/year);*
- director: €500 per meeting subject to a cap of €2,000 p.a.()

For the Audit committee:

- chairman of the Audit committee: €1,000 p.a.;
- member of the Audit committee: €500 per meeting subject to a cap of €2,000 p.a.[1]

For the Risk committee:

- chairman of the Risk committee: €1,000 p.a.;
- member of the Risk committee: €500 per meeting subject to a cap of €2,000 p.a.[1].

(1) Excluding the Chairman's remuneration.

For the Remuneration committee:

- chairman of the Remuneration committee: €1,000 p.a.;
- member of the Remuneration committee: €500 per meeting subject to a cap of €1,500 p.a.(1)

For the Appointments committee:

- chairman of the Appointments committee: €1,000 p.a.;
- member of the Appointments committee: €500 per meeting subject to a cap of €1,500 p.a.(1)

For the chairman of the Board of directors and the permanent representative of BPCE, the related remuneration is paid in full to BPCE SA, in accordance with Groupe BPCE's guidelines.

For the directors representing the employees, the related remuneration is paid in full to the union to which these directors belong.

There are no agreements concerning indemnity in the event of resignation of a director, even if it occurs due to public offering or share exchange.

Directors' remuneration

The table below shows the remuneration paid by Banque Palatine to the members of the Board of directors in respect of their duties on the Board of directors and its committees in respect of 2023.

Directors	gross in euros
Jérôme Terpereau - *paid to BPCE*	35,500
Lionel Baud	8,500
Frédéric Destailleur	9,000
Bruno Goré	12,000
Hélène Madar *(until 30 August 2023)*	3,500
Sabine Calba *(from 10 August 2023)*	1,000
Nadia Mauzelaf - *paid to the parent union*	9,500
Guillemette Valantin - *paid to the parent union*	9,500
BPCE represented by Stéphanie Clavié *(until August 30, 2023),* then by Marjorie Cozas *(from August 30, 2023)*	11,500
Total	**100,000**

7.2 Remuneration of the members of executive management

The remuneration of the members of executive management is determined by the Board of directors on the recommendation of the Remuneration committee.

Fixed remuneration

The chief executive officer is paid exclusively for his corporate office. He receives a specific supplement under article 82 and a car benefit in kind.

The deputy chief executive officer holds a corporate office and an employment contract. Their remuneration breaks down as 90% under their employment contract, and 10% in respect of the corporate office, car and/or housing benefits.

Arrangements for determining variable remuneration

The criteria and amount of the variable remuneration of the chief executive officer and the deputy chief executive officer are set by the Board of directors on the recommendation of the Remuneration committee.

In 2023, the variable remuneration of the chief executive officer and the deputy chief executive officer was based on:

- on quantitative criteria: cost/income ratio, net income, individual economic NBI/FTE;
- based on criteria specific to Banque Palatine and CSR: *corporate* concentration, share of impact loans including *green* of *corporate* loans produced and/or arranged in 2023 (excluding loans to individuals), NPS indicators for the “corporate” and private banking scopes: +20 for corporate customers (with revenue of more than €15 million), +5 for physical branches and +5 for premium remote branches;
- on managerial criteria: the RAF, the commitment (*via* diapason) and the complete and updated TOP CC;
- the profit or loss of BPCE.

(1) Excluding the Chairman's remuneration.

And are weighted as follows:

		Theoretical maximum
A	**Criteria linked to the results of Groupe BPCE**	**20%**
B	**Criteria related to the bank's results**	**80%**
	B1 quantitative criteria	40%
	Cost/income ratio	15%
	Net income	15%
	Individual economic NBI/FTE	10%
	B2 criteria specific to Banque Palatine and CSR	25%
	Corporate *concentration*	5%
	CSR: share of impact loans (including *green)* in Palatine's production and/or overall arrangement (excluding loans to individuals)	10%
	NPS indicator for company and private management scope:	
	Corporates +20	5%
	Physical branches + 5	3%
	Remote branches +5	2%
	B3 managerial criteria	15%
	Raf	5%
	Commitment vs diapason	5%
	Complete and updated TOP CC	5%
	GRAND TOTAL	**100%**

The rules regulating variable remuneration apply when the amount of the variable remuneration awarded in respect of a financial year is greater than or equal to a threshold set, since 2021, at €50,000 (or if the variable remuneration represents more than one third of the total remuneration).

Where the variable remuneration granted in respect of year 2023 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made in April 2024;
- 10% of the amount vests and is paid the following year after application of the indexation coefficient in April 2025;
- 40% of the amount is deferred and is paid in fifths, no earlier than 1 October of the years 2025 to 2029. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition,

Chief executive officer

The amount of the variable remuneration is equal to 80% of the fixed remuneration (including the specific bonus) when a 100% performance rate is attained. In any event, the Variable portion allocated for the financial year may not exceed 100% of the fixed remuneration (including the specific bonus).

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

Deputy chief executive officer

The amount of the variable remuneration is equal to 50% of the fixed remuneration when a 100% performance rate is attained. In any event, the variable portion allocated for the financial year may not exceed 62.50% of the fixed remuneration.

Where appropriate, this variable remuneration is reduced by the amount of any employee incentive and/or profit-sharing payments received.

Remuneration of the chief executive officer and the deputy chief executive officer

The tables below show the remuneration paid by Banque Palatine and its subsidiary, Palatine asset management, in respect of the offices held on its board and audit and Risk committee.

Amounts paid in 2022: all amounts actually paid and received in 2022 (those due in 2021 and paid in 2022 and those due in 2022 and paid in 2022) in respect of duties performed during the period.

Amounts paid in 2023: all amounts actually paid and received in 2023 (those due in 2022 and paid in 2023 and those due in 2023 and paid in 2023) in respect of duties performed during the period.

NC: not concerned.

Didier Moaté	Amounts paid in respect of the 2023 financial year	Amounts paid in respect of the 2022 financial year
Fixed remuneration	€320,000	€266,667
Specific bonus	€64,000	€53,333
Variable remuneration	€302,684	€286,720
Remuneration of board members	€0	€2,000
Housing allowance	Nc	Nc
Benefits in kind (vehicle)	€4,848	€3,483

Patrick Ibry	Amounts paid in respect of the 2023 financial year	Amounts paid in respect of the 2022 financial year
Fixed remuneration	€225,000	€225,000
Variable remuneration	€61,406	€97,348
Profit-sharing and incentive plans	€49,440	€28,652
Remuneration of board members (gross amount)	€42,950	€30,500
Benefits in kind, of which:	€8,933	€8,734
• Housing	€4,822	€4,623
• Vehicle	€4,111	€4,111

In addition, in 2023, it is specified that:

- Concerning the executive directors:
  - no share subscription or purchase options have been granted (AMF table no. 4),
  - no stock subscription or purchase options were exercised (AMF table no. 5),
  - no performance shares were allocated (AMF table no. 6),
  - no performance shares became available (no allocation of this type of share) (AMF table no. 7),
  - no share subscription options, share purchase options or free shares were granted during the financial year (AMF table no. 8);
- concerning the bank's top ten employees who are not corporate officers:
  - no subscription or purchase options were granted or exercised by the bank's top ten employees (AMF table no. 9).

AMF table no. 11 post-employment benefits awarded to executive directors

Names of executive directors	Start of term in office	End of term in office	Employment contract	Supplementary pension plans	Payments or benefits due or potentially due owing to termination or change in duties	Compensation relating to a non-compete clause
Didier MOATÉ Chief executive officer	01/03/2022	27/02/2027	No	KLESIA: pay-as-you-go system ALLIANZ: defined benefit pension		No
Patrick IBRY Deputy chief executive officer	14/02/2019	14/02/2024	Yes	KLESIA: pay-as-you-go system	No	No

Pursuant to the provisions of the Pacte act the appended table sets out the average remuneration of the chairman of the Board of directors, the chief executive officer and the deputy chief executive officer as a ratio of the mean remuneration of the company's non-executive employees, on a full-time equivalent basis, in at least the five most recent years, presented together for the purposes of comparison.

	2019	2020	2021	2022	2023
Chairman of the Board of directors (CBD)*	0	0	0	0	0
Chief executive officer (CEP)	€295,833	€325,000	€325,000	€320,000	€384,000
Deputy chief executive officer (DCEO)	€205,000	€205,000	€205,000	€225,000	€225,000
Permanent employees: mean salary	€50,146	€50,747	€52,673	€53,527	€55,475
CBD/employee ratio	0	0	0	0	
CEO/employee ratio	5.87	6.44	6.14	5.98	5.77
DCEO/employee ratio	4.07	4.06	3.89	4.20	4.06

** No remuneration in respect of the office: only an allowance in respect of the office paid separately to BPCE.*

The table below sets out the remuneration of the chairman of the Board of directors, the chief executive officer and the deputy chief executive officer as a ratio of the median remuneration of the company's employees, on a full-time equivalent basis, and corporate officers in at least the five most recent years, presented together for the purposes of comparison.

	2019	2020	2021	2022	2023
Chairman of the Board of directors (CBD)	0	0	0	0	0
Chief executive officer (CEO)	€295,833	325 €00	€325,000	€320,000	€384,000
Deputy chief executive officer (DCEO)	€205,000	€205,000	€205,000	€225,000	€225,000
Median salary of employees on permanent contracts	45,561	€46,081	€47,000	€47,720	€50,000
CBD/employee ratio	0	0	0	0	0
CEO/employee ratio	6.49	7.05	6.91	6.71	6.40
DEO/employee ratio	4.50	4.45	4.36	4.71	4.5

Employment contract of the deputy chief executive officer

The deputy chief executive officer, Patrick Ibry, has an employment contract.

The substance of these contracts is reflected particularly in the reporting relationship with respect to the chief executive officer, and furthermore, true technical functions exist that are separate from the corporate office of the deputy chief executive officer and the employment contract of the commercial director.

His duties include, although the list is not exhaustive:

- draw up the bank's commercial policy;
- develop the commercial objectives of the entire network and those of the teams within his scope;
- manage and steer the sales activity;
- support the management of the commercial relationship;
- manage the teams within his scope on a daily basis;
- oversee internal projects to develop the organisation of the areas entrusted to him;
- report on his activities to his chief executive officer and report on the results achieved.

The employment contract provides benefits of: restaurant vouchers, reduced working hours (RTT), unemployment benefit and conventional severance/retirement pay, thirteenth month bonus, payment of days in the time savings account (CET), profit-sharing and variable remuneration.

In the context of the concurrent holding of an employment contract and corporate office, the deputy chief executive officer does not receive restaurant vouchers and days off for working time reduction, and partially receives a working time account (only for the paid leave portion); special treatment of the variable remuneration is also carried out due to a deduction for the deputy CEO's participation in profit-sharing and incentive plans.

Remuneration received in respect of offices held

In accordance with the standards set by Groupe BPCE, remuneration paid in respect of offices held within the group's companies may be paid directly to the members of the boards of directors or supervisory boards of those companies.

Benefits in kind

Company car: amounting to the lesser of 40% of the total annual car rental cost and 12% of the car purchase price.

Housing allowance: flat-rate calculation based on the number of rooms and remuneration.

Chief executive officer

As a corporate officer, the chief executive officer is entitled to the benefits associated with this status, in particular:

- supplementary social security scheme cover (BPCE Mutuelle mutual health insurance, Klésia personal protection and supplementary pension scheme introduced for k and hc employees of Banque Palatine);
- defined-benefit supplementary pension plan for senior executives of Groupe BPCE;
- benefit of the art. 82 supplementary pension plan applicable to Groupe BPCE executives;
- remuneration maintained for 12 months in the event of temporary inability to work;
- benefit paid in the event of enforced departure or retirement based on the provisions applicable to senior executives of Groupe BPCE;
- measures to support mobility.

Benefit in the event of enforced departure

For the chief executive officer: criteria for the payment of enforced departure benefit

The enforced departure benefit is payable to executives and former executives of the Banque Populaire banks and Caisse d’Epargne. Didier Moaté benefits from this benefit because of his professional mobility from within the group.

The enforced departure benefit is only payable to senior executives without an employment contract whether it is “active” or suspended.

The benefit is only payable in the event of enforced departure (dismissal by the governing body or withdrawal of approval by the governing body or enforced resignation or if not reappointed by the governing body) other than for serious misconduct or transfer within Groupe BPCE.

Payment of the enforced departure benefit causes the former director to lose any entitlement to the specific supplementary pension schemes or to the retirement benefit that he or she may otherwise have claimed.

The enforced departure benefit is not payable if the executive leaves the group on their own initiative.

In the event of a transfer within Groupe BPCE under an employment contract, notification of the termination of this employment contract more than 12 months after the enforced departure, carries a right, except in the event of gross or wilful misconduct, to payment of merely the redundancy benefit laid down in the applicable collective agreement. Conversely, should notification that this employment contract has been terminated come less than 12 months after his or her enforced departure, termination gives a right, except in the event of gross negligence or wilful misconduct, to payment of the enforced departure benefit, less any benefit paid in respect of termination of the employment contract.

Amount of enforced departure benefit

In this paragraph, the enforced departure is assumed to take effect in year N.

The enforced departure benefit is payable only if the company generated a positive net income for accounting purposes over the most recent financial year preceding the enforced loss of the relevant corporate office (year N-1).

The reference monthly remuneration used for the calculation is equal to 1/12th of the aggregate fixed remuneration (not including any specific uprating or benefits in kind) paid in respect of the most recent calendar year of service (N-1) and the mean variable remuneration (whether paid immediately or deferred) in respect of the three most recent calendar years of service (N-1, N-2, N-3).

The remuneration used to calculate the reference remuneration consists of the amounts paid in respect of the relevant corporate office within Banque Palatine and any previous office within a Banque Populaire bank or Caisse d’Epargne.

In cases where the mean variable remuneration in respect of the three most recent calendar years of service cannot be calculated, the weighted average is calculated over the reduced period.

In cases where fixed remuneration cannot be calculated for the last calendar year, fixed remuneration is annualised.

In cases where the senior executive took up his or her position at a group entity (Banque Palatine, Banque Populaire or Caisse d'Epargne) in year N, the reference remuneration is set following discussions between the governing body and the central body.

The amount of enforced departure benefit is equal to:

Monthly reference remuneration * (12 months +1 month per year of service within the group).

The length of service within the group is calculated in years and fractions thereof.

The amount of the benefit is capped at 24 times the reference monthly remuneration, which is earned through 12 years of service with the group.

Should at least 50% of the maximum variable remuneration be paid during the three most recent years of the then current term of office (or during the term of service, supplemented by the term of any prior office in the event of reappointment), the benefit will be paid in full.

If the amounts paid do not amount to at least 33.33% of the maximum variable remuneration over the reference period, no benefit will be paid. If the amounts paid range between 33.33% and 50%, the amount of the benefit is calculated on a straight-line basis, at the discretion of the company's governing body.

In cases where the senior executive took up his or her position at the group entity (Banque Palatine, Banque Populaire or Caisse d'Epargne) in year n, the benefit is reduced or paid following discussions by the governing body and the central body.

In any event, this benefit is paid less any benefit payable for termination of an employment contract, where applicable.

Retirement benefit

If so decided by the Board of directors, the chief executive officer may be granted a retirement benefit equal to no less than 6 months' and no more than 12 months' remuneration for 10 years of service.

Criteria for the payment of the retirement benefit

The retirement benefit may be paid only when the Social security pension rights are claimed and provided that the beneficiary is within the relevant scope when the claim is made: chief executive officers of the Banque Populaire banks, chairmen of the management boards of the Caisse d'Epargne banks, chief executive officer of Banque Palatine and members of the management board of BPCE SA.

The payment of the retirement benefit is at the discretion of the governing body of the company to which the senior executive belongs, on the opinion of the Remuneration committee. The payment of the benefit should be subject to conditions linked to the performance of the beneficiary, assessed in relation to the company's performance, in order to comply with the AFEP-MEDEF code, as is the case for the enforced departure benefit.

In the event that the enforced departure benefit is paid, the senior executive not covered by article 82 loses any entitlement to the defined-benefit pension scheme which he or she may have been able to claim and is not entitled to retirement benefit.

Amount of retirement benefit

In this paragraph, the retirement is assumed to take effect in year N.

The reference monthly remuneration used for the calculation is equal to 1/12th of the aggregate fixed remuneration (not including any specific uprating or benefits in kind) paid in respect of the most recent calendar year of service (N-1) and the mean variable remuneration (whether paid immediately or deferred) in respect of the three most recent calendar years of service (N-1, N-2, N-3).

The remuneration used to calculate reference remuneration consists of the amounts paid in respect of the relevant corporate office within Banque Palatine and any previous office within a Banque Populaire bank or Caisse d'Epargne.

In cases where the mean variable remuneration in respect of the three most recent calendar years of service cannot be calculated, the weighted average is calculated over the reduced period.

In cases where fixed remuneration cannot be calculated for the last calendar year, fixed remuneration is annualised.

In cases where the senior executive took up his or her position at a group entity (Banque Palatine, Banque Populaire or Caisse d'Epargne) in year n, the reference remuneration is set following discussions between the governing body and the central body.

The amount of the compensation is equal to:

Monthly reference remuneration * (6 +0.6 A).

Where a represents the number, or fraction of a number, of years in office in the relevant scope (see 7.1). It is capped at 12 times the reference monthly remuneration, which is earned through 10 years of service with the group.

It is excluded from the base used to calculate the annuities due under the defined-benefit pension plans of which the director is a beneficiary.

In any event, this benefit is paid less any termination benefit paid under an employment contract.

Deputy chief executive officer

The deputy chief executive officers holding both an employment contract and a corporate office qualify for a retirement benefit under the same terms and conditions as employees.

Criteria for payment of the benefit

The retirement benefit may be paid only when the social security pension rights are claimed and provided that the beneficiary is a Banque Palatine employee when the claim is made.

Calculation of the benefit

The reference salary used to calculate the benefit is 1/12th of the most recent annual full-time salary, including any 13th month payment.

The amount of the retirement benefit may be up to 8.4 months of the reference salary depending on his or her length of service with the group.

Supplementary pension plans

The chief executive officer and deputy chief executive officer are entitled:

- Under the same terms and conditions as employees, to the defined contribution plan applicable to unranked managers (Klésia). This scheme, which was modified following the merger of AGIRC and ARRCO on 1 January 2019, is funded by a contribution of:
  - tranche a of the remuneration: 10.16% (7.62% payable by Banque Palatine and 2.54% payable by the chief executive officer and the deputy chief executive officer),
  - tranche b of the remuneration: 9.449% (7.0087% payable by Banque Palatine and 2.362% payable by the chief executive officer and the deputy chief executive officer).

The chief executive officer is also entitled to:

- the article 82 supplementary pension plan applicable to Groupe BPCE senior executives.

No employment contract or suspended employment contract - unemployment insurance

Since the deputy CEO holds a corporate office and an employment contract, he or she is covered by Unedic unemployment insurance.

Arrangements under which remuneration is maintained in the event of temporary inability to work

The Board of directors has decided that the chief executive officer and the deputy chief executive officer will benefit from the plan to maintain their remuneration for a period of 12 months in the event of temporary incapacity for work.

Social security protection arrangements applicable to all employees

The chief executive officer and deputy chief executive officer are eligible, subject to the same terms and conditions as Banque Palatine’s employees, for the social security protection put in place for all employees:

- AG2R (tranches a and b) and Quatrem (tranches C and D) complementary personal protection plans, entirely funded by Banque Palatine;
- The BPCE Mutuelle plan reimbursing healthcare costs.

8 Remuneration of the regulated population

An annual review is conducted to determine which employees are classified as belonging to the regulated population of Banque Palatine based on the qualitative and quantitative criteria set out in European commission (EU) delegated regulation no. 604/2014 of 4 March 2014, amended by the decision of 22 December 2020, to which two criteria have been added to include employees covered by the law regarding the separation and regulation of banking activities (SRAB) and the Volcker rule, in accordance with Groupe BPCE standards.

A Banque Palatine employee is deemed to be a regulated person if he/she meets at least one of the criteria.

The identification of regulated persons is subject to approval by the human resources department, supported by the risk management, compliance, permanent controls and financial security departments, during the meeting of the committee identifying material risk takers (MRT) and the associated variable remunerations.

The list of regulated persons is subsequently submitted for information to the Executive management committee.

Then it is reviewed by the Remuneration committee and finally approved by the Board of directors.

9 Draft resolutions relating to remuneration

At the annual general meeting, the total amount of the remuneration of any kind paid in respect of the 2023 financial year to all employees belonging to the regulated population will be submitted to the shareholders for their opinion.

In addition, the general meeting will have to vote on the overall amount of remuneration allocated to the directors.

APPENDIX 1

Company: Banque Palatine

Remuneration policy and practices for the persons defined in article L. 511-71 of the French monetary and financial code

2023 Financial Year

1 Description of the company's remuneration policy

A Remuneration of corporate officers at Banque Palatine

Banque Palatine's corporate officers include the members of the executive body (chief executive officer and deputy chief executive officer) and the governing body (board members).

A.1 Executive body

A.1.1 Chief executive officer

The remuneration of the chief executive officer is determined by the Board of directors on the recommendation of the Remuneration committee. This remuneration is paid exclusively in respect of the corporate office and is composed as follows:

- fixed remuneration (including the specific bonus);
- Variable remuneration;
- a vehicle benefit in kind;
- social protection scheme (health, life insurance, "art. 82" pension).

The criteria and amount of the variable remuneration of the chief executive officer are set by the Board of directors on the recommendation of the Remuneration committee. The variable remuneration is determined based on a combination of attainment of objectives set for Groupe BPCE's and Banque Palatine's earnings and qualitative objectives.

They may be adjusted annually to reflect economic conditions and/or exceptional events occurring during the year.

The amount of the variable remuneration of the chief executive officer is capped at 80% of fixed remuneration (including the specific bonus) when 100% performance is achieved.

In any event, in a situation of outperformance, the variable portion allocated for the financial year to the deputy chief executive officer may not exceed 100% of the fixed remuneration (including the specific bonus).

The rules regulating variable remuneration apply where the amount of the variable remuneration awarded in respect of a financial year is above a threshold, currently greater than or equal to €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

Where variable remuneration granted in respect of year 2023 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made (in April 2024);
- 10% of the amount vests and is paid the following year after application of the indexation coefficient (in April 2025);
- 40% of the amount is deferred and is paid in fifths, no earlier than 1 October of the years 2025 to 2029. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition.

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

A.1.2 Deputy chief executive officer

The remuneration of the deputy chief executive officer is decided by the Board of directors on recommendation from the Remuneration committee and is composed of the following elements:

- a fixed remuneration, 90% of which is paid under the employment contract and 10% in respect of the corporate office;
- the amount of the variable remuneration is equal to 50% of the fixed remuneration when a 100% performance rate is attained. In any event, in a situation of outperformance, the variable portion allocated for the financial year to the deputy chief executive officer may not exceed 62.50% of the fixed remuneration. Where appropriate, this variable remuneration is reduced by the amount of any employee incentive and/or profit-sharing payments received.
- benefits in kind: company car and/or housing.

The rules regulating variable remuneration apply where the amount of the variable remuneration awarded in respect of a financial year is above a threshold, currently greater than or equal to €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

Where variable remuneration granted in respect of year 2023 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made (in April 2024);
- 10% of the amount vests and is paid the following year after application of the indexation coefficient (in April 2025);
- 40% of the amount is deferred and is paid in fifths, no earlier than 1 October of the years 2025 to 2029. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition,

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

A.2 Board of directors

Directors receive remuneration on a *pro rata temporis* basis for attending meetings of the Board of directors, Audit committee, Risk committee, Appointments committee and Remuneration committee.

The overall allocation of this remuneration is submitted to a vote at the annual general meeting of shareholders and the apportionment of this allocation is decided upon by the Board of directors.

In accordance with Groupe BPCE's rules, directors representing BPCE SA or being remunerated by BPCE SA do not receive the remuneration for their office, as it is transferred directly and in full to BPCE SA.

B Remuneration of the regulated population

B.1 Definition of the regulated population

Pursuant to delegated regulation (EU) no. 2021-923 of the commission of 25 March 2021, a member of Banque Palatine's staff is considered to be a member of the regulated population if he or she meets one of the criteria defined by the Groupe BPCE standard approved by the BPCE supervisory board on 08 February 2023. This standard is based on the CRD 5 regulation and includes two additional criteria in order to take into account employees covered by the law on the Separation And Regulation of Banking Activities (SRAB) and the Volcker rule.

Pursuant to the law, the remuneration of regulated persons was set and paid after consultation with the risk management, compliance, and permanent controls departments during the meeting of the committee identifying the material risk takers and the associated variable remuneration.

Based on the principles defined in this way, the executive management of the company sets the rules governing variable remuneration of regulated persons which are submitted to the Remuneration committee for endorsement and to the Board of directors for approval. In no circumstances can these rules be set by people who stand directly or indirectly to benefit from them.

B.2 Remuneration of the members of executive management

Executive remuneration is described in a.1.

B.3 Remuneration of directors

Directors' remuneration is described in a.2.

B.4 Remuneration of the other members of executive management

The remuneration of the head of resources and work environment consists of basic pay plus Variable remuneration based on targets set and evaluated by the management. It is capped at 40% of the gross fixed annual salary.

The remuneration of the head of customer excellence consists of basic pay plus variable remuneration based on targets set and assessed by the management. The variable remuneration is capped at 40% of the gross annual fixed salary.

B.5 Remuneration of control employees

The remuneration of the heads of risk control, compliance and audit is based on targets specific to each role and in no case directly on the performance of the employees or profits from the business whose control they are responsible for. It is set independently of remuneration for the business lines whose operations they check or verify and at a sufficient level to attract qualified and experienced staff. It takes account of the achievement of targets set for the function and must be at an equivalent level - given the qualifications, skills and responsibilities exercised - to the remuneration of the professionals whose activity they control.

Fixed remuneration is linked to the level of skills, responsibilities and expertise and set at a level to attract qualified and experienced persons to oversee the control functions.

Variable remuneration is based on targets specific to each role. The variable remuneration of the heads of risk control, compliance and audit/inspection is set at:

- for the chief risk and compliance officer: 30% gross annual fixed salary;
- for the deputy director of risk and compliance: 21.7% of the gross annual fixed salary if the targets are met and capped at 27.5% in the event (i) that the individual targets are exceeded and (ii) the bank coefficient is factored in;
- for the director of financial and operational risks: 21.7% of the gross annual fixed salary if the targets are met and capped at 27.5% in the event (i) that the individual targets are exceeded and (ii) the bank coefficient is factored in;
- for the director of internal audit: 21.7% of the gross annual fixed salary if the targets are met and capped at 27.5% in the event (i) that the individual targets are exceeded and (ii) the bank coefficient is factored in;

B.6 Remuneration of other persons belonging to the regulated population

A) fixed remuneration

Fixed remuneration is based on the level of qualifications, experience and skills in the professional area concerned.

B) Variable remuneration

Variable remuneration of other regulated persons is based on a framework of variable remuneration for different contribution profiles which are linked to predefined levels of variable remuneration.

Performance is calculated based on targets specific to each contribution profile which are determined in N1 for the N financial year.

The performance of an employee is assessed by their line manager, based on the level of achievement of each target and a performance curve.

This point is explained in detail starting at C.3.

B.7 Proportionality principle and deferred settlement

The rules regulating variable remuneration apply when the amount of the variable remuneration awarded in respect of a financial year is greater than or equal to a threshold set, since 2021, at €50 thousand (or if the variable remuneration represents more than one third of the total remuneration).

For risk takers who are not effective managers (for effective managers, see A.1), if the variable remuneration awarded in respect of the 2023 financial year is greater than or equal to the threshold:

- 50% of the amount vests and is paid as soon as the award is made in March or April 2024;
- 10% of the amount vests and is paid the following year after application of the indexation coefficient in March or April 2025;
- 40% of the amount is deferred and is paid in fourths, no earlier than 1 October of the years 2025 to 2028. Or 10% for each of the five years, after application of the indexation coefficient and the performance condition,

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE. The indicator used is the net income attributable to equity holders of the parent calculated as a rolling average over the last three calendar years preceding the year of allocation of the variable portion and the year of payment of each deferred portion from the variable portion.

C Remuneration of Banque Palatine employees (1)

Banque Palatine offers its employees a global remuneration system that seeks to:

- reward qualifications, professional development and performance;
- recognise the contribution to the company's results.

The Bank's remuneration policy is defined by the Executive management committee on proposal from the head of human resources and services. It is controlled by the Board of directors, after review by the Remuneration committee, which verifies its proper application. It reviews, among other matters, the principles and structures of remuneration at the bank and ensures their implementation.

In all these areas, the Bank is determined to adapt its remuneration policy to ensure:

- the compliance with the legal framework defined by lawmakers and professional bodies;
- the competitiveness of remuneration in light of market practice in each business line;
- the best-possible fit of variable remuneration to targets, in view of the economic environment and the bank's development strategy.

C.1 Budget and procedure

The budgets for the various systems for increases are redefined each year and take account, among other matters, of the Bank's results and economic outlook.

The decision-making process is strictly regulated: proposals for salary changes are first arbitrated by the directors and then approved by the head of resources and services, who informs the Executive management committee of this.

Proposals for salary increases of members of the Executive committee are determined by the Executive management committee.

C.2 Basic salary evolution rules

Each employee's remuneration is reviewed under the annual salary review process.

This annual review process covers all bank employees and determines changes in basic salary, as well as any promotions.

It is designed to reward and recognise:

- greater responsibilities taken on, reflecting significant professional development;
- potential for development, reflected by the achievement of continuous performance.

C.3 Variable remuneration

Banque Palatine adopted the following variable remuneration system in 2015 and updates it annually:

C.3.1 Definition

Performance management is the process by which a company breaks down its key annual strategic targets for the different levels of its organisation, monitors progress and finally assess how far they were achieved. It is the operational and objective basis for variable remuneration.

C.3.2 Population concerned

To be eligible for the management performance and variable remuneration described in Part I of this document, the following conditions must be met:

- be an employee of Banque Palatine under a permanent employment contract or a fixed-term contract under ordinary law for a period of more than six months;
- have completed at least six consecutive months of effective work at Banque Palatine during the year for which the performance is calculated;
- hold a job corresponding to one of the profiles detailed in C.3.7.

Pursuant to the first paragraph, employees under specific contracts (apprenticeship, work-study, professionalisation, etc.), as well as employees on internships or temporary assignments, cannot therefore be eligible for variable remuneration.

Since the integration of the variable portion into the basic pay in 2021, employees of the support functions no longer benefit from the scheme.

C.3.3 Number and nature of the performance targets

The performance targets are limited in number to focus action on the Bank's key issues. Depending on the contribution profiles, their distribution is as follows.

(1) Remuneration (basic salary or variable remuneration) here always means gross remuneration.

Breakdown of targets by profile

Profile	Entity portion			Individual portion			Team portion
Group profiles	1 target, no outperformance						1 target outperformance: 130%
Group profile (branch network)	1 target, outperformance: 140%						1 target outperformance: 130%
Individual profile	1 target, no outperformance			Target 1 outperformance: 140%	Target 2 outperformance: 140%	Target 3 no outperformance	
Individual profile (branch network)	1 target, outperformance: 140%			Target 1 outperformance: 140%	Target 2 outperformance: 140%	Target 3 no outperformance	
Corporate profile (director)	Target 1 outperformance 122%	Target 2 outperformance 122%	Target #3 outperformance 122%	1 target no outperformance			
Corporate profile	Target 1 Outperformance 120%	Target 2 outperformance 120%	Target #3 outperformance 120%	1 target outperformance: 120%			
Profils desk	Target no. 1 No outperformance	Target no. 2 No outperformance	Target no. 3 No outperformance	1 target no outperformance			
Banker profile Advice	1 target no outperformance			Target 1 outperformance: 130%	Target 2 outperformance: 130%	Target 3 outperformance: 130%	

Concept of entity

In the network, the entity is represented by the branch to which the employees are attached, for those whose function is carried out at the level of the region, it is this that constitutes the entity.

In all other aspects, the concept of entity is defined by management. Depending on the challenges and the workforce, it may be the management itself or a department.

For the members of the Circle of managers, this managerial circle may represent the concept of an entity.

Concept of team

The team need not necessarily be representative of an organisational unit (such as a service or other): it is a group of several employees whose combined skills allow them to contribute to the progress of a work process or to a project linked to one of the four principles of the strategic plan.

Team objectives [(1)] are proposed by management.

C.3.4 Weighting of individual performance objectives

Performance is assessed separately at entity, team and individual level.

Each of the individual or multiple entity targets needs to be weighted respectively for the purposes of assessing individual performance.

This weighting, which is identical for all individual contributors, excluding the *Corporate* finance and customer *Desk* functions, is as follows:

- 40% for individual target 1;
- 35% for individual target 2;
- 25% for the qualitative target.

Or 100% of the individual portion.

The weightings for the specialised business lines of *Corporate* finance client desk and financial management are as follows:

Corporate finance professions:

- 30% for individual target 1.
- 30% for individual target 2.
- 10% for individual target 3.

Or 100% of the entity portion.

Trading room customer *Desk* lines:

- 78% for individual target 1.
- 11% for individual target 2.
- 11% for individual target 3.

Or 100% of the entity portion.

C.3.5 assessment of the performance

When each target is set, including the qualitative target, a scale of measurement must be defined to be able to objectively determine how far the original aim has been achieved at the year-end review.

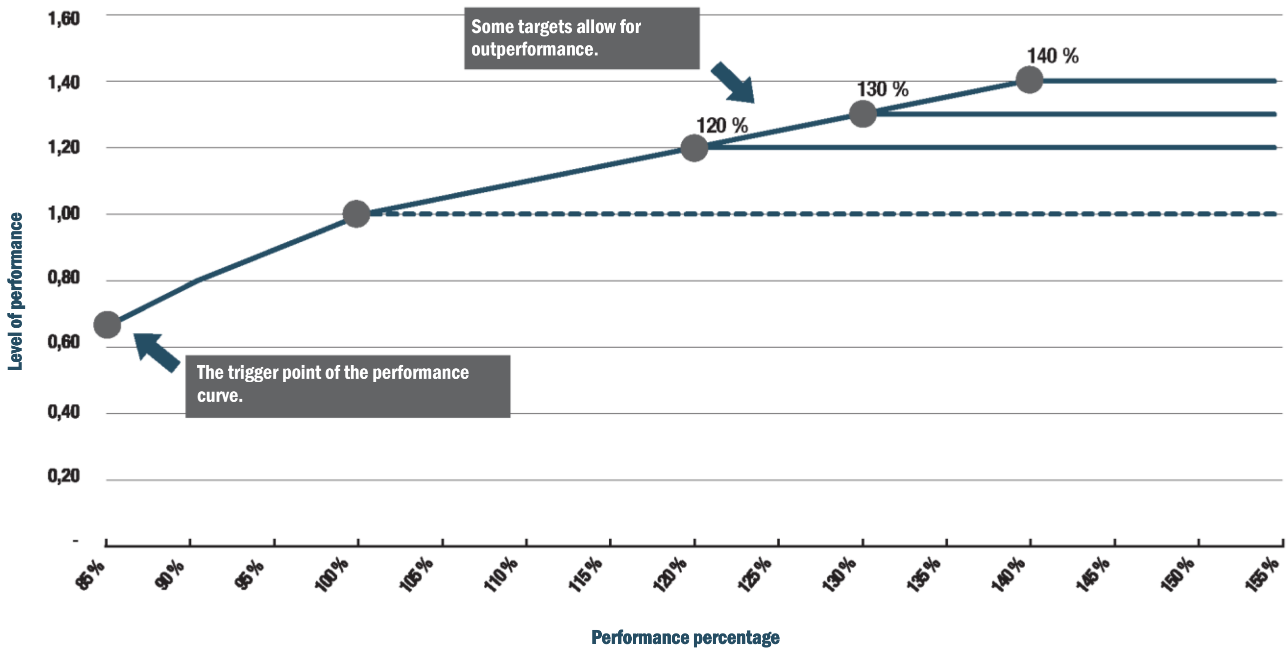
(1) Starting from the setting of 2017 targets, the team target may be individualised if management deems it appropriate and possible.

Recognition of outperformance

As discussed in point C.3.3 (see table), certain targets acknowledge outperformance beyond 100% attainment of the target.

Likewise, short of 100% attainment of the target, there is acknowledgement of partial attainment of the targets.

This partial attainment and outperformance are measured based on a performance curve.



The performance curve is based on the following three segments:

- between 85% and 89.99%: a decrease of 2.5% in the target performance rate (100%) by percentage of failure to hit the 100% attainment;
- between 90% and 99.99%: a decrease of 2% in the target performance rate (100%) by percentage of failure to hit the 100% attainment;
- above 100%: the attainment rate is equal to the rate of attainment of the target and is capped at the various possible rates of outperformance.

C.3.6 Schedule of the performance management

Performance management in a given year N, is understood as starting in December of the previous year (N-1) and ending in April of the subsequent year (N+1) when the associated variable remuneration is paid.

C.3.7 Contribution profiles and amounts involved

In order to satisfy the terms of article L. 511-77 paragraph 1 of the French monetary and financial code, variable remuneration is composed of two parts, an “entity” portion and an “individual or team” portion, and the two parts are adjusted by the level of the bank's performance.

The proportion of the two parts of the bonus may not be the same for all the functions: for the lines focusing on commercial activity, the individual portion is preponderant; for entity heads, the portion linked to the entity's income has greater weight.

Functions were grouped into standardised contribution profiles, making it possible to define the amount and the breakdown of the on-target bonus for each of them (see table below).

			Composition of the bonus			Level of bonus		
Contribution profiles	**Persons concerned**	**Bonus base**	**Individual portion**	**Entity portion**	**Team portion**	**On-target bonus**	**Bonus +**	**Maxi bonus**
Executive officer	Members of the circle of managers in charge of a department	Annual basic salary	50%	50%		21.7%	25.0%	27.5%
Executive network director	Members of the circle of managers in charge of a group of branches	Annual basic salary	50%	50%		21.7%	29.3%	32.2%
Head of support activities	Heads of middle office department	Annual basic salary	67%	33%		10.0%	12.0%	13.2%
Branch manager	Branch managers	Amount	60%	40%		€13,000	€17,420	€19,162
Deputy branch manager	Deputy branch managers	Amount	60%	40%		€10,500	€14,070	€15,477
Remote branch manager	Remote branch managers	Amount	60%	40%		€12,200	€16,348	€17,983
Deputy remote branch manager	Deputy remote branch managers	Amount	60%	40%		€7,000	€9,380	€10,318
Private banking assistant managers	Private banking assistant managers	Amount	60%	40%		€7,000	€9,380	€10,318
Deputy private banking assistant managers	Deputy private banking assistant managers	Amount	60%	40%		€5,800	€7,772	€8,549
PRI (regulated real estate professions) branch manager	Agency directors of the activity of the regulated real estate professions	Amount	50%	50%		€8,700	€10,005	€11,006
Head of business	The private bankers and asset managers, large-corporate customer relationship managers, front office heads or service managers in the market departments, account managers in market departments (except for regulated real estate professions and cash managers), regional real estate managers	Annual basic salary	80%	20%		16.1%	20.0%	22.0%
Advisory bankers	The investment banker department employees of the corporate market department	Annual basic salary	70%	30%		30.0%	36.0%	40.0%
Senior sales representatives	Senior corporate business managers and senior private bankers	Annual basic salary	70%	30%		16.10%	21.41%	23.55%
Sales representatives	Corporate client managers and private bankers	Amount	70%	30%		€7,000	€9,310	€10,241

Contribution profiles	Persons concerned	Bonus base	Composition of the bonus: Individual portion	Entity portion	Team portion	Level of bonus: On-target bonus	Bonus +	Maxi bonus
Customer portfolio manager	Corporate investment advisors, premium wealth management advisors and premium client advisors	Amount	70%	30%		€5,800	€7,714	€8,485
Junior sales representatives	Junior business managers	Amount	70%	30%		€2,500	€3,325	€3,658
Client portfolio manager (non-network)	Account managers for the regulated real estate professions activity, flow account managers	Amount	80%	20%		€5,800	€7,192	€7,911
Head of corporate	The head of the corporate finance department	Annual basic salary	50%	50%		82.0%	91.0%	100.0%
Corporate project manager	The heads of department and project heads in the corporate finance department	Annual basic salary	30%	70%		77.0% ;	91.0%	100.0%
Corporate project manager	The project managers in the corporate finance department	Annual basic salary	30%	70%		55,0 % (2)	65.0%	72.0%
Corporate affairs business managers	The business managers and agents in the corporate finance department	Annual basic salary	30%	70%		40.0%	47.0%	52.0%
Corporate project manager	The project managers in the corporate finance department	Annual basic salary	30%	70%		20.0%	24.0%	26.0%
Head of finance	Head of department	Annual basic salary	50%	50%		55.0%	55.0%	55.0%
Customer services desk	Employees of the customer services desk	Annual basic salary	10%	90%		40.0%	40.0%	40.0%
Junior customer services desk	Junior employees or sales operator of the customer services desk	Annual basic salary	10%	90%		20.0%	20.0%	20.0%
Financial management	Employees of the financial management department	Annual basic salary	25%	75%		20.0%	20.0%	20.0%
Customer assistants	Corporate customer assistants and private customer assistants	Amount		20%	80%	€1,000	€1,320	€1,452
Private banking assistants	Private banking assistants	Amount		20%	80%	€1,500	€1,980	€2,178
Support functions	Customer reception officers, customer service officers, corporate customer managers	Amount		20%	80%	€1,000	€1,320	€1,452

(1) For the DECM department, the target/+/max bonus will be capped at 46%/54%/60% if total department commissions are below €1.5 million.
(2) For the DECM department, the target/+/max bonus will be capped at 46%/54%/60% if total department commissions are below €1.5 million.

As part of the transformation of the branch network in 2022, new profiles have been set up:

Contribution profiles	Persons concerned	Bonus base	Composition of the bonus Indiv. Portion	Entity portion	Team portion	Level of bonus On-target bonus	Bonus +	Maxi bonus
Executive network director	Regional branch network managers and remote branch manager	Annual basic salary	50%	50%		21.70%	29.30%	32.20%
Branch manager	Branch managers	Amount	60%	40%		€13,000	€17,420	€19,162
Deputy branch manager	Deputy branch managers	Amount	60%	40%		€10,500	€14,070	€15,477
Remote branch manager	Remote branch managers	Amount	60%	40%		€12,200	€16,348	€17,983
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Deputy private banking assistant managers	Deputy private banking assistant managers	Amount	60%	40%		€5,800	€7,772	€8,549
Senior sales representatives	Senior corporate business managers and senior private bankers	Annual basic salary	70%	30%		16.10%	21.41%	23.55%
Sales representatives	Corporate client managers and private bankers	Amount	70%	30%		€7,000	€9,310	€10,241
Customer portfolio manager	Corporate account managers, premium wealth management advisors and premium client advisors	Amount	70%	30%		€5,800	€7,714	€8,485
Junior sales representatives	Junior business managers	Amount	70%	30%		€2,500	€3,325	€3,658
Customer assistants	Corporate customer assistants and private customer assistants	Amount		20%	80%	€1,000	€1,320	€1,452
Private banking assistants	Private banking assistants	Amount		20%	80%	€1,500	€1,980	€2,178

C.3.8 Bonus amount per contribution profile

"**On-target bonus**": the "on-target bonus" is paid when all the performance scores (individual/team, entity, bank) are 100% met. The on-target bonus may be exceeded, either by outperformance on certain targets or by outperformance by the bank.

"**Bonus +**": the amount of bonus in the event of maximum outperformance on certain targets and a 100% Bank performance.

"**Maxi bonus**": the amount of bonus in the event of maximum outperformance on certain targets, 100% "entity" performance and outperformance by the Bank.

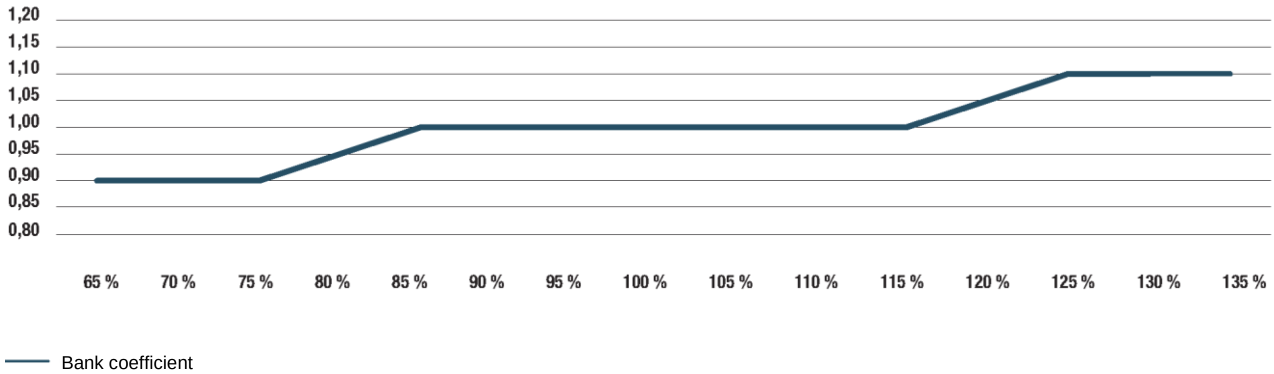
C.3.9 Penalties for the sales teams of the branch network

A penalty system of 10% applies to the individual variable portion (entity and individual portions) of managers and sales representatives of the network. The indicators used to observe this penalty may be reviewed annually as part of the annual target setting process.

C.3.10 Modulating coefficient linked to the bank's performance

As previously noted, for legal compliance reasons, variable remuneration must take account of the "overall results of the Bank".

This is calculated as the net income achieved for the year compared to the net income target included in the budget. This ratio is then associated with a Bank performance rate, according to the following curve:



For income that is between 75.00% and 84.99%, the performance coefficient is reduced by 0.1 point per percentage of the rate missed, but cannot surpass 0.90.

For a result of between 85.00% and 114.99%, the performance co-efficient is neutral.

For a result of between 115.00% and 125.00%, the performance coefficient is increased by 0.1 point per additional percentage, but cannot exceed 1.10.

Specific situation of market activities:

In order to comply with art. 2 of the order of 9 September 2014 implementing the act of 26 July 2013: "the remuneration of persons in charge of these transactions is fixed in a manner consistent with the organisation's rules [...] And does not encourage taking risk without a link to their objectives", the customer services *Desk* and financial management do not fall under the bank co-efficient system, but have a penalty system that operates as follows:

- -5% for e-learning missed (ethics, AML, fraud, Volcker, etc.);
- -10% for failure to comply with compliance rules, notified by mail from the head of compliance (AML, KYC, whistle-blowing, PEIPCI, market relations, conflicts of interest);
- -10% per week of non-technical VaR breaches;
- -10% in the event of non-signature of a road map following a reminder by the head of finance;
- -5% in the event of non-remediation of breach of the market risk limit following request by the head of finance;
- 100% in the event of voluntary, serious, repeated or abnormal breaches of the risk limits detailed in the operator road map.

These penalty percentages are cumulative but limited to 100%, and apply to the individual total of the bonus calculated according to the various rates of performance targets.

C.3.11 Bonus calculations

Bonus = [entity share + individual/team share]

X possible penalty for network managers and sales representatives

X the bank's coefficient of performance

Where the entity portion=

Expected amount for 100% entity performance

X entity performance rate

And individual/team share =

Expected amount for 100% performance

X individual or team performance rate.

C.3.12 Bonus payment

The performance bonus for year n is paid with the payroll for the month of April of year N + 1.

C.4 Corporate prescription premium

The bonus is aimed at business-generating network employees at the *Corporate* department within the differentiating offers department, the businesses and institutions department, the investment banking department and the senior executive financing department.

The amount paid is 1% of net fees, capped at €2,500 per transaction.

C.5 Circle of excellence

The recognition and loyalty bonus is between €500 and €3,000 depending on the type of job and the reference period (four-month or annual). It is intended for employees of the branch network, PRI, DGEI or DMAV.

C.6 Special case

Guaranteed variable remuneration is forbidden.

As an exception to this, variable remuneration may be guaranteed in the case of a new hiring, not including transfers within the group. In this case, the guarantee can only apply to the first year.

D Employee savings

D.1 Participation

The French labour code on employee savings requires that Banque Palatine, having more than 50 employees, must give its employees a share in its profits.

The agreement is based on the Banque Palatine economic and social union and also applies to the majority-owned subsidiary Palatine asset management.

Profit-sharing payments are tied to the firm's results. They are awarded when profits are sufficient to write down a special profit-sharing reserve, which is the amount attributed to all employees who are members of the scheme. There is no employer's contribution from Banque Palatine.

D.2 Profit-sharing

In accordance with book iii of the third section of the French labour code, an incentive agreement was signed on 06 June 2023. The parties agreed to enter into an incentive agreement for a period of one year for the 2023 financial year alone. This choice is in line with the bank's transformation and is also justified by the delay in the presentation of the bank's three-year strategic plan. The year 2024 will therefore see the opening of new negotiations.

The agreement negotiated for the year 2023 is based on four additional envelopes:

- an initial budget based on the criterion most representative of the bank's results and its redistributive capacity: net income. This budget is supplemented by two boosters related to commercial development (net revenue before TAX/FTE and the cost/income ratio);
- a second budget linked to the increase in the share of commissions and other income in the Bank's NBI;
- a third budget based on the regulatory compliance of all Banque Palatine customers and assessed based on the top cc assessment;
- a fourth budget, which combines employees with the bank's strategy in terms of service quality delivered to all our clients and is assessed based on the results of the quarterly surveys: NPS

D.3 Top-ups

On 28 November 2014, a first agreement on an employer contribution was agreed on with all the unions representing employees. The agreement was renegotiated with the three unions on 27 November 2015, 20 December 2016, 15 December 2017 and 21 may 2019. During the negotiations on 31 July 2020, an open-ended agreement was signed, again by the three trade unions. It provides for the possibility, for all employees of the bank benefiting from the incentive scheme, to also benefit from a contribution paid by the bank into the group savings plan (PEG) or employee savings scheme (PERCO).

A first amendment dated 21 February 2022 signed by the 3 trade unions, the provisions of this agreement have been amended changing the amount of the top-up, and a second amendment on 29 November 2022 clarifies the rules governing the beneficiaries of the top-up, in particular former employees of the company, also signed by the 3 trade unions.

As a result, for any investment of the incentive bonus into the group PEG and/or PERCO, the Bank makes an additional contribution of up to €1,000, calculated as follows:

- for the first €333.33 of incentive bonuses invested, the employer contribution is 300%.

This agreement maintains the provision relating to the payment of the matching contribution in the event of voluntary payment into the PEG and/or PERCO.

E Benefits in kind

Benefits in kind (such as company cars or housing) comply with Urssaf regulations in force.

F Principles for reducing/cancelling the variable remuneration of risk takers

F.1 Minimum capital threshold

Pursuant to the last paragraph of article L. 511-77 of the French monetary and financial code, for the allocation of the variable portion to risk takers in the group during a financial year, a minimal level of capital for Groupe BPCE must be respected as of 31 December of the financial year, set at the beginning of the financial year by BPCE's supervisory board, upon the recommendation of the BPCE Remuneration committee.

This threshold is established with reference to the minimal amount required with respect to pillar 2, defined by the control authority for the CET1 ratio.

For the year 2023, this reference corresponds to a CET1 ratio that must be higher than the threshold required by the ECB. This condition being met, the allocation of variable remunerations for the 2023 financial year is therefore possible.

In the event that the minimum threshold is not reached as at 31 December of the financial year, the supervisory board of BPCE is informed of the situation and proposes to the group 1 companies a reduction on the variable portions awarded in respect of the financial year, and deferred fractions of the variable portions not yet due to risk takers by applying a rate which should be at least 50%. The rate of reduction proposed may not reach 100% if its application allows, potentially in combination with other measures, reaching the minimum threshold set at the beginning of the financial year concerned.

The final decision on whether to apply the reduction rate proposed by BPCE's supervisory board is under the responsibility of the management body as part of its duty to supervise each group 1 company, for risk takers within its scope of sub-consolidation. Any deviation from the proposal made by BPCE's supervisory board shall first be approved by the management body as part of its duty to supervise the company and be accompanied by an explanation of the choice made.

F.2 Principle applicable to deferred Variable remuneration

Pursuant to article L. 511-83 of the French monetary and financial code, it was decided by the governing body, on the proposal of the Remuneration committee, that each deferred payment of variable remuneration already awarded should be paid in full only if the net income, IFRS, excluding exceptional items from BPCE SA or excluding exceptional items approved by the Board of directors, calculated as a rolling average over the last three calendar years preceding the year of allocation, is positive.

If this criterion is not met, the deferred variable remuneration will be reduced by 50%. Depending on the value of the average net income indicated above, the Board of directors may decide to adjust the value of the reduction made.

F.3 Principle for cancelling or reducing variable remuneration

The variable remuneration of risk takers may be reduced or cancelled under the following conditions:

- In the event of negative IFRS profit or loss (excluding exceptional elements arising from BPCE SA), the variable remuneration for employees identified as market risk takers may be cancelled;
- In the event of impediment to the proper functioning of the markets and the formation of prices by criminal behaviour (market abuse): insider trading; price manipulation; dissemination of false or misleading information, the variable remuneration of employees identified as risk takers may be cancelled;
- In the event of failure to respect decisions coming from the committee(s) structuring their activity or in the event of an anomaly in the transmission and execution of trades, according to the charters of these committees, the variable remuneration of employees identified as risk takers may be reduced by 50%;
- In terms of risk or compliance: in the event of a significant breach[1] evidenced by a call to order (formal and explicit letter) from a company or group executive in charge of risk or compliance, the variable remuneration (awarded for the period or deferred portions not yet due) of employees identified as risk takers may be subject to a reduction up to and including the cancellation thereof;
- With regard to risk or compliance: in the event of an important infraction[2] documented by a warning (formal and explicit notice by mail or email) by a director of the company in charge of risks or compliance and confirmed by the direct manager, the variable remuneration of employees identified as risk takers may be reduced by up to 10%;
- In the event of non-participation in mandatory regulatory training, and without justification approved by the MRT committee, the variable remuneration of employees identified as risk takers (excluding effective managers) may be reduced by 5% per training not taken.

The review of the situations giving rise to the application of these reduction or cancellation criteria was carried out during the committee meeting identifying risk takers and the associated remunerations held on 26 March 2023. For the 2023 financial year, an offence was identified for mandatory regulatory training not taken. As a result, variable remuneration awarded was reduced by €1,360.

(1) Major infraction: infraction having an impact (even potential) of at least 0.50% of the capital of the institution.
(2) Important infraction: infraction having an impact (even potential) of at least €300,000.

F.4 Principle of gender neutrality and pay equity between women and men

Lastly, Banque Palatine's remuneration policy applies the principle of gender neutrality and equal pay between male and female employees for the same work or work of the same value. Banque Palatine pays particular attention to gender equality, particularly in terms of wage policy and the reduction of inequalities, from the moment employees are hired by allocating an identical level of pay and classification between women and men for the same job, level of responsibility, training and professional experience, and then throughout their career, by ensuring the fairness of the proposals made during the annual remuneration review.

An agreement on professional equality was signed on 16 December 2021 by all representative trade union organisations and an action plan on professional equality was deployed. In particular, it includes a specific budget for reducing wage gaps between men and women.

This commitment is reflected in the calculation of the gender equality index (decree no. 2019-15 of 8 January 2019), for which Banque Palatine obtained 95 points out of a maximum of 100 points for 2023.

2 Decision-making process

At 31 December 2023, the Remuneration committee was composed of four members: the chairman of the Board of directors, as the committee's chairman, and three board members. Remuneration committee members are also members of the governing body but not of the executive body of the company and have no management role within the company.

At 31 December 2023, this committee had the following members:

- Jérôme TERPEREAU – chairman of the committee
- Lionel BAUD, member of the committee;
- Sabine CALBA, member of the committee.
- Frédérique DESTAILLEUR, member of the committee;

The committee met twice during the 2023 year.

The Remuneration committee provides guidance for decisions by the Board of directors on remuneration systems.

In this role, it is responsible for putting proposals to the board concerning:

- the level and methods of remuneration of the effective managers of Banque Palatine, namely: the level of the fixed portion; the level of the variable portion; the benefits in kind; as well as all provisions relating to their retirement and welfare plan. Accordingly, the Remuneration committee takes into account the targets for the current year and any potential events affecting risk and risk management within Banque Palatine. The committee also assesses the degree to which targets have been achieved and criteria satisfied for the payment of the variable remuneration and makes proposals accordingly to the Board of directors;
- the committee deliberates without the presence of the effective managers on matters concerning them;
- the systems for allocating directors' fees among the directors and, where applicable, members of the board committees, and the total amount of such remuneration which is put to the vote at the Banque Palatine general meeting of shareholders.

Moreover, the Remuneration committee also:

- carries out an annual review of:
  - the principles underlying Banque Palatine's remuneration policy,
  - the remuneration, termination benefits and benefits of any kind granted to Banque Palatine's corporate officers,
  - the remuneration policy for employees of all categories, including executive management, risk-takers, persons exercising control functions and any employee whose total income puts them in the same class of remuneration and whose professional activities have a significant effect on Banque Palatine's risk profile;
- directly controls the remuneration of the head of risk management as mentioned in article L. 511 -64 of the French monetary and financial code and of the head of compliance;
- regularly reports on its work to the Board of directors;
- issues an opinion on any report dealing with remuneration;
- reviews and issues an opinion on the civil liability insurance policies taken out by Banque Palatine on behalf of its senior executives.

Generally, it reviews any issue put to it by the chairman of the Board of directors relating to any of the matters listed above.

Each year, the committee receives details of the remuneration received by the effective managers, namely: fixed remuneration, variable remuneration, benefits in kind, directors' fees or indemnities received in respect of terms of office held in connection with their duties as effective managers.

3 Description of the remuneration policy of the regulated population

3.1 Composition of the regulated population and general principles of the remuneration policy

In accordance with CRD 5, the criteria of the group standard, approved by BPCE's supervisory board on 15 June 2021, and reviewed by the supervisory board on 08 February 2023, were applied to all bank employees.

Since 2016, and in compliance with the Groupe BPCE standard, two supplemental criteria have been applied in order to take account of employees subject to the French law on the Separation and Regulation of Banking Activities (SRAB) and the Volcker rule.

A Banque Palatine employee is deemed to be a regulated person if he/she meets at least one of the criteria.

The identification of the regulated population was approved by the human resources, risk management, compliance, permanent controls and financial security departments during the meeting of the committee identifying MRTs and the associated remunerations held on 26 March 2024. In 2023, Banque Palatine had 67 employees considered regulated persons and they had the following positions:

Name	First name	Function
MOATE	DIDIER	Chief executive officer
IBRY	PATRICK	Deputy chief executive officer
FERRER	SYLVIE	Head of customer finance *Desk**
ROSSET	GODRIC	Head of *Corporate* finance
SALICETI	CECILE	Compliance & risks director
LUCAS	EMMANUELLE	Director of customer excellence
ELIAS	LAMIA	Organisation and is director
AKROUT	TAREK	Customer services *Desk*
PETTINI	PHILIPPE	Corporate market director
SOUCHI	KHALED	Head of finance
BERNARDIN	CELINE	Head of legal and litigation
PURCHASE	CHRYSTAL	Head of development
GODEFROST	MATTHIEU	Customer services manager
RISSO	MIREILLE	Director of human resources & working environment
GALLON	HENRY	Head of commitments
GILLET	LAURENT	Head of structure & distribution finance department
TERRANTI	FAWZI	Market operator
BOUKHRES	SIDI MOHAMED	Market operator
MANGO	AURELIE	Head of accounting
GALLI	LUKE	Trading floor trader
POULALION	FABRICE	Trading floor trader
MARTIN	JULIEN	Market operator
PIRARD	ETIENNE	Lmbo department manager
BRESARD LOG	VERONICS	Head of debt & ecm department
BUI	ANH-VU	Head of financial risk department
RINJONNEAU	HERVE	COFI department manager
GAMBILLO	FREE	Change department manager
DECOURING	GUILLAUME	Head of credit risk, finance and operations
PEYRARD	JEAN-CHRISTOPHE	Director of compensation & benefits
BOUALI OULD	MADJID	Control and inspection manager

Name	First name	Function
BERNARD	FRANK	Deputy dead of compliance & risk
GRANITE	THIBAUT	Head of financial management department
RIGA	JEAN PIERRE	Auditor
FISH	ELODIE	Trading floor trader
HUE	AURELIE	Head of compliance & financial security
CAROFF	STEVE	Director of compensation & benefits department
CHASTAGNOL	ALEXANDRA	Trading floor trader
VENDOME	JEAN LUC	Head of euro/currency department
MINGAM	MATHILDE	Head of commitments department
SHORT-TERM	HELENE	Head of compliance and ethics
MENON	OK	Environment and procurement manager
MICHAL	BERENGERE	Head of permanent control and financial steering
UGUAN BOURVA	MARINE	Trading floor trader
VALANTINE	QUOTATION MARK	LMBO mission director
LABIE	TIPHAINE	Auditor
TALHAOUI	FATIMA	ALM manager
NGUYEN	FLORENCE	Auditor
ZANOT	MYLENE	Head of prevention and surveillance department for amicable reco.
NAVARRO	JACK	Auditor
BRIDLE	YANN	Cash manager
NOGUEIRA	ANDRE	Auditor
DAGORN	JEAN-LOUIS	Counterparty risk analyst
COLOMBEL	FLORIAN	ALM manager
HANBALI	FATIMA AZAHRA	Auditor
GANDHIAN	AXEL	Auditor
GUILBAULT	PAUL EMILE	Auditor
MASALA	MICHAEL	Counterparty risk analyst
YAMMAD	ZOUHIR	Counterparty risk analyst
TOMASSI	JENNIFER	Counterparty risk analyst
MAUZELAF	NADIA	Banking services manager

3.2 Policy on the variable remuneration of the regulated population

In accordance with articles l. 511-71 to l. 511--85 of the French monetary and financial code, the policy on payment of variable remuneration (staggering, percentage paid in stock, penalties) is as follows.

Proportionality principle

The rules regulating variable remuneration apply where the amount of the variable remuneration awarded in respect of a financial year is above a threshold, currently greater than or equal to €50,000 (or if the variable remuneration represents more than one third of the total remuneration).

The threshold is measured by adding up all variable remuneration paid during the year for different regulated functions within the group, including those in other companies (for instance in the event of an internal transfer). If the threshold is breached, the following rules apply to each of the portions of variable remuneration, including those below the threshold.

If the amount of variable remuneration awarded in respect of a year is strictly below the threshold, the whole of the variable remuneration is paid as soon as it is granted.

If the amount of Variable remuneration awarded in respect of a year is equal to or higher than the threshold, the rules of variable regulation, set out below, apply to the whole of the variable remuneration.

When an employee changes position, to assess whether the €50 thousand threshold has been breached, all portions of variable remuneration granted in respect of year n for the employee's different regulated functions exercised in year n are added.

Deferred and conditional payment of a portion of variable remuneration

Where variable remuneration granted in respect of year 2023 is greater than or equal to this level:

- 50% of the amount vests and is paid as soon as the award is made in March or April 2024;
- 10% of the amount vests and is paid the following year after application of the indexation coefficient in March or April 2025;
- 40% of the amount is deferred and is paid:
  - by fifths for the effective managers, no earlier than 1 October of the years 2025 to 2029. Or 8% for each of the five years, after application of the indexation coefficient and the performance condition,
  - by fourths for the other risk takers, no earlier than 1 October of the years 2025 to 2028. Or 10% for each of the four years, after application of the indexation coefficient and the performance condition.

For each deferred portion, the definitive vesting is conditional on a performance condition, which if the performance condition is not met, results in a minimum reduction of 50% of the corresponding fraction.

The performance conditions applying to deferred portions of variable remuneration are set, on proposal of the Remuneration committee, by the governing body of the company granting the variable remuneration at the time of its grant.

For each deferred portion of the variable portion awarded in respect of financial years prior to 2023 and maturing in 2024, the supervisory function determines whether or not the applicable performance condition is met:

- if it is not met, the deferred portion is reduced to less than 50%
- if it is met, the deferred portion becomes definitively acquired and is paid no earlier than 1 October 2023.

Payment in shares or equivalent instruments

The deferred portions of the variable remuneration take the form of cash indexed to an indicator representing changes in the value of Groupe BPCE.

The indicator adopted is net income attributable to equity holders of the parent calculated as a rolling average of the last three years preceding the grant year and the payment years.

Any deferred portion of variable remuneration granted in respect of a given year N is revalued in each year M+1, at the publication date of the income attributable to equity holders of the parent for year M, by application of the coefficient:

(RNPG (M) + RNPG (M - 1) + RNPG (M - 2)) / (RNPG (N - 1) + RNPG (N - 2) + RNPG (N - 3))

The ratio is reported each year by BPCE.

Effect of departures and transfers on deferred variable remuneration of employees and corporate officers

In the event of a risk-taker leaving the company (mobility to another company in the group, voluntary departure from the group, forced departure from the group, retirement, death), the variable remuneration for the current financial year, calculated *pro rata temporis,* if it is planned to award one, and the deferred fractions due and not due, will be processed without impact of the departure.

The variable remuneration for the current financial year, if it is planned to grant one, and the deferred portions are therefore systematically kept and paid at the normal dates, according to the conditions (performance, penalty, etc.) And the form provided for initially (cash, securities, equivalent instruments).

These “post-departure” remuneration items also remain subject to the reduction rules introduced by the company under articles L. 511-83, L. 511-84 and L. 511-84-1.

In the event of forced departure due to serious misconduct or gross misconduct, these “post-departure” remuneration elements may be reduced or eliminated, in particular by applying the provisions provided for by the company under articles L. 511-84 and L. 511-84-1.

As an exception, in the event of the death of the risk-taker, the deferred portions are settled immediately.

4 Aggregate quantitative information on the remuneration of the regulated population

Aggregate quantitative information on remuneration, broken down by sector of activity

Awarded in respect of the 2023 financial year - excluding employer contributions (in euros)	**Management body executive**	**Management body - supervisory function**	**Management body as a whole**	**Investment banking**	**Retail banking**	**Asset manage ment**	**Cross-functional functions**	**Independent control function**	**Other**	**Total**
Number of staff members identified										68
Of which members of the management body	*2*	*10*	*12*							
Of which other members of executive management				*0*	*0*	*0*	*2*	*0*	*0*	
Of which other identified staff members				*0*	*0*	*0*	*24*	*15*	*15*	
TOTAL REMUNERATION	**€909,090**	**€81,000**	**€990,090**	**€0**	**€0**	**€0**	**€3,474,235**	**€1,236,572**	**€1,878,281**	
Of which Variable remuneration	*€364,090*	*€0*	*€364,090*	*€0*	*€0*	*€0*	*€929,024*	*€117,335*	*€481,487*	
Of which fixed remuneration	*€545,000*	*€81,000*	*€626,000*	*€0*	*€0*	*€0*	*€2,545,211*	*€1,119,237*	*€1,396,794*	

Aggregate quantitative information on remuneration, broken down by executives and employees whose activities have a significant impact on the institution's risk profile

Awarded in respect of the 2023 financial year - excluding employer contributions (in euros)		**Management body supervisory function**	**Management body management function**	**Other members of executive management**	**Other identified staff members**	**Total**
Fixed remuneration	**Number of staff members identified**	**7**	**2**	**2**	**54**	**65**
	TOTAL FIXED REMUNERATION	**€81,000**	**€545,000**	**€244,750**	**€4,816,491**	**€5,687,241**
	Of which cash	*€81,000*	*€545,000*	*€244,750*	*€4,816,491*	*€5,687,241*
	Of which shares and equivalent ownership rights	*€0*	*€0*	*€0*	*€0*	*€0*
	Of which related instruments	*€0*	*€0*	*€0*	*€0*	*€0*
	Of which other instruments	*€0*	*€0*	*€0*	*€0*	*€0*
	Of which other forms	*€0*	*€0*	*€0*	*€0*	*€0*
Variable remuneration	**Number of staff members identified**	**0**	**2**	**2**	**31**	**35**
	TOTAL VARIABLE REMUNERATION	**€0**	**€364,090**	**€93,415**	**€1,434,432**	**€1,891,936**
	Of which cash	*€0*	*€182,045*	*€62,813*	*€1,095,387*	*€1,340,245*
	Of which deferred	€0	€0	€0	€0	€0
	Of which shares and equivalent ownership rights	*€0*	*€0*	*€0*	*€0*	*€0*
	Of which deferred	€0	€0	€0	€0	€0
	Of which related instruments	*€0*	*€182,045*	*€30,602*	*€339,045*	*€551,691*
	Of which deferred	€0	€145,636	€24,481	€271,236	€441,353
	Of which other instruments	*€0*	*€0*	*€0*	*€0*	*€0*
	Of which deferred	€0	€0	€0	€0	€0
	Of which other forms	*€0*	*€0*	*€0*	*€0*	*€0*
	Of which deferred	€0	€0	€0	€0	€0
TOTAL REMUNERATION		**€81,000**	**€909,090**	**€338,165**	**€6,250,923**	**€7,579,178**

Amounts paid in respect of new hires and terminations during 2023

Amounts (in euros) - excluding employer contributions		Management body supervisory function	Management body management function	Other members of executive management	Other identified staff members	Total
Special payments	**Guaranteed variable remuneration granted in 2023**					
	Number of risk-takers who received guaranteed variable remuneration granted in 2023 upon recruitment	0	0	0	0	**0**
	Amount of guaranteed variable remuneration granted in 2023 on the occasion of the recruitment of a risk taker	€0	€0	€0	€0	**€0**
	Of which guaranteed variable remuneration paid in 2023 and not taken into account in the bonus cap	€0	€0	€0	€0	**€0**
	Severance payments granted in previous years and paid in 2023					
	Number of employees who received termination benefits in 2023 granted in financial years prior to 2023	0	0	0	0	**0**
	Amount of termination benefits granted before 2023 and paid in 2023	€0	€0	€0	€0	**€0**
	Severance benefits awarded in 2023					
	Number of employees having received termination benefits in 2023	0	0	0	0	**0**
	Amount of termination benefits granted in 2023	€0	€0	€0	€0	**€0**
	Of which amount paid in 2023	€0	€0	€0	€0	**€0**
	Of which deferred amount	€0	€0	€0	€0	**€0**
	Of which termination benefits paid in 2023 that are not taken into account in the bonus cap	€0	€0	€0	€0	**€0**
	Of which highest amount granted to a single person	€0	€0	€0	€0	**€0**

Deferred variable compensation and withholdings - table rem3

Amounts (in euros) - excluding employer contributions	Total amount of deferred variable remuneration awarded in respect of financial years prior to 2023 (before any reductions) at grant value	Of which amount acquired in 2023 at grant value	Of which amount not vested in 2023 (becoming vested in subsequent fiscal years) at grant value	Amount of explicit reductions made in 2023 on the deferred variable remuneration that was to vest in 2023	Amount of explicit reductions made in 2023 on the deferred variable remuneration that was to vest in subsequent years	Total amount of implicit ex post adjustments: difference between the payment and award values (after any reduction) of the amounts of deferred variable remuneration granted in respect of financial years prior to 2023 vested and paid in 2023	Amount of deferred variable remuneration awarded in respect of financial years prior to 2023 vested and paid in 2023 (after any reductions) in payment value	Total amount of deferred compensation granted in respect of fiscal years prior to 2023 that are vested but subject to a retention period
Management body monitoring function	**€0**	**€0**	**€0**	**€0**	**€0**	**€0**	**€0**	**€0**
In cash	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Shares or equivalent ownership rights	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Related instruments	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other instruments	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other forms	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Management body Management function	**€388,827**	**€85,416**	**€303,411**	**€0**	**€0**	**€5,296**	**€130,752**	**€38,407**
In cash	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Shares or equivalent ownership rights	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Related instruments	*€388,827*	*€85,416*	*€303,411*	*€0*	*€0*	*€5,296*	*€130,752*	*€38,407*
Other instruments	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other forms	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other members of executive management	**€101,120**	**€12,480**	**€88,640**	**€0**	**€0**	**€1,540**	**€26,500**	**€12,800**
In cash	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Shares or equivalent ownership rights	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Related instruments	*€101,120*	*€12,480*	*€88,640*	*€0*	*€0*	*€1,540*	*€26,500*	*€12,800*
Other instruments	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other forms	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other identified staff members	**€296,616**	**€0**	**€296,616**	**€0**	**€0**	**€0**	**€0**	**€74,154**
In cash	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Shares or equivalent ownership rights	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Related instruments	*€296,616*	*€0*	*€296,616*	*€0*	*€0*	*€0*	*€0*	*€74,154*
Other instruments	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
Other forms	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*	*€0*
TOTAL	**€786,563**	**€97,896**	**€688,667**	**€0**	**€0**	**€6,836**	**€157,252**	**€125,361**

Information on employees identified as risk takers whose variable remuneration is not deferred.

Awarded in respect of the 2023 financial year - excluding employer contributions **(in euros)**	Total
Number of employees identified but not deferred due to the low level of their Variable remuneration	**26**
Total amount of total remuneration (fixed + variable) of identified employees not deferred due to the low level of their Variable remuneration	**€3,359,016**
Total amount of fixed remuneration of identified employees not deferred due to the low level of their Variable remuneration	**€2,570,462**
Total amount of Variable remuneration of identified employees not deferred due to the low level of their Variable remuneration	**€788,554**

Additional information on remuneration, broken down by executives and employees whose activities have a significant impact on the institution's risk profile

Awarded in respect of the 2023 financial year - excluding employer contributions **(in euros)**	Management body supervisory function	Management body management function	Other members of executive management	Other identified staff members	Total
Number of beneficiaries of **contributions to discretionary pension benefits** in 2023	0	0	0	0	**0**
Total amount of contributions to discretionary pension benefits in 2023	€0	€0	€0	€0	**€0**
Total amount of variable remuneration granted for multi-year periods in respect of non-renewable programmes each year	€0	€0	€0	€0	**€0**
Total amount of variable remuneration of identified employees receiving non-deferred Variable pay due to the low level of their variable remuneration	€0	€0	€32,211	€756,342	**€788,554**
Total fixed remuneration of identified employees receiving non-deferred variable remuneration due to the low level Of their Variable remuneration	€0	€0	€84,750	€2,485,712	**€2,570,462**
Total amount of total remuneration (fixed + variable) of identified employees receiving **non-deferred variable remuneration** due to the low level of their variable remuneration	€0	€0	€116,961	€3,242,054	**€3,359,016**
Number of employees identified but not deferred due to the low level of their variable remuneration	0	0	1	25	**26**

No Banque Palatine employee received total remuneration of more than €1 million in respect of 2023.

5 Individual information

Amounts paid in 2023: all sums actually paid and received in 2023 in respect of positions held that year.

Chief executive officer	Amounts in respect of the 2023 financial year
Fixed remuneration	€320,000
Specific bonus	€64,000
Variable remuneration	€302,684
Remuneration of board members	€0
Benefits in kind	€4,848

Deputy chief executive officer	Amounts in respect of the 2023 financial year
Fixed remuneration	€225,000
Variable remuneration	€61,406
Remuneration of board members	€42,950
Profit-sharing and incentive plans	€49,440
Benefits in kind	€8,933
• Housing	€4,822
• Vehicle	€4,111

Appendix 2

Offices and duties exercised by corporate officers as at 31 December 2023

Article L. 225-102-1 paragraph 3 of the French commercial code

Didier MOATÉ

Dob: 17 April 1963

Term of office: 01/03/2022 to 28/02/2027

BANQUE PALATINE: chief executive officer and effective manager
GIE i-BP: permanent representative of Banque Palatine, board member until 01/11/2023
PALATINE ASSET MANAGEMENT: board member, member of the Remuneration committee and the risk and Audit committee

Patrick IBRY

Dob: 11/04/1963

Term of office: 14/02/2019 to 14/02/2024

BANQUE PALATINE: deputy chief executive officer and effective manager
PALATINE ASSET MANAGEMENT: chairman of the Board of directors, member of the compensation committee and the risk and Audit committee
ARIÈS ASSURANCES: chairman of the supervisory committee
CONSERVATEUR FINANCE: representing Banque Palatine, board member and member of the Audit committee
FCPE DE L'UES BANQUE PALATINE: member of the supervisory board
GIE CAISSE D'EPARGNE SYNDICATION RISQUE ET DISTRIBUTION: permanent representative of Banque Palatine, member of supervisory board until 03/02/2023
GPM ASSURANCES: representing Banque Palatine, member of the supervisory board

Jérôme TERPEREAU

Dob: 16 December 1968

Term of office: 01/06/2022 until the general meeting called to approve the financial statements for the year ended 31/12/2025

BANQUE PALATINE: chairman of the Board of directors, chairman of the Appointments committee, chairman of the Remuneration committee, guest of the Audit committee, guest of the Risk committee
BPCE SA: member of the management board in charge of finance
CREDIT FONCIER: chairman of the Board of directors
BPCE SERVICES: chairman of the Board of directors
BPCE ASSURANCES: chairman of the Board of directors
GIE BPCE SERVICES: chairman of the Board of directors
NA: chairman of the Board of directors

Lionel BAUD

Dob: 18 September 1967

01/10/2021 until the general meeting called to approve the financial statements for the year ended 31/12/2025

BANQUE PALATINE: board member, member of the Audit committee and the Remuneration committee
BANQUE POPULAIRE AUVERGNE RHONE ALPES: chairman
FEDERATION NATIONALE DES BANQUES POPULAIRES: vice-chairman

Sabine CALBA (co-optation on 30/08/2023)

Dob: 26/02/1971

From 30/08/2023 until the general meeting called to approve the financial statements for the year ended 31/12/2025

BANQUE PALATINE: director, member of the Risk committee, member of the Remuneration committee
BANQUE POPULAIRE MEDITERRANEE (BPMED): chief executive officer
FEDERATION NATIONALE DES BANQUES POPULAIRES: board member
COMPAGNIE DE FINANCEMENT FONCIER SA: board member, member of the Appointments committee until 03/01/2023
CREDIT FONCIER DE FRANCE SA: board member
ASSOCIATION LES ELLES DE BPCE: chairwoman
BPCE: non-voting member of the supervisory board since 11/08/2023
SOCIETE DE CAPITAL RISQUE PROVENCALE ET CORSE: board member
GIE RISQUES ET DISTRIBUTION: permanent representative of BPMED, member of the GIE and the Supervisory board

Stéphanie CLAVIÉ

Dob: 16/08/1970

BPCE's permanent representative's term of office until 30/08/2023

BANQUE PALATINE: permanent representative of BPCE, board member, chairwoman of the Audit committee and member of the Appointments committee until 30/02/2023
FIDOR BANK AG: board member
ONEY BANK: deputy chief executive officer - second effective manager - and head of legal, finance and purchasing since 01/09/2023

Marjorie COZAS

Dob: 11/07/1985

Permanent representative of BPCE since 30/08/2023 and until the general meeting called to approve the financial statements for the year ending on 31/12/2023

BANQUE PALATINE: permanent representative of BPCE, board member, chairwoman of the Audit committee and member of the Appointments committee since 30/08/2023
BPCE SA: head of performance management of Groupe BPCE
BPCE INTERNATIONAL SA: permanent representative of BPCE, director,
ONEY BANK SA: permanent representative of BPCE, board member

Frédéric DESTAILLEUR

Dob: 20/06/1967

Term of office: 03/08/2022 until the general meeting called to approve the financial statements for the year ending on 31/12/2023

BANQUE PALATINE: board member, member of the Remuneration committee, member of the Risk committee
CAISSE EPARGNE AQUITAINE POITOU CHARENTES (CEAPC): chairman of the management board
PALATINE ASSET MANAGEMENT: director
DOMOFRANCE SA D'HLM BORDEAUX: permanent representative of CEAPC, director and member of the Audit committee
FONDS DE DOTATION DE LA CEAPC CONTRE L'EXCLUSION: permanent representative of CEAPC, chairman of the Board of directors and founding member
BPCE: non-voting member of the supervisory board since 08/11/2023

Bruno GORÉ

Dob: 25 September 1961

Term of office: 26/05/2020 until the general meeting called to approve the financial statements for the year ending on 31/12/2025

CAISSE D'EPARGNE NORMANDIE (CEN): chairman of the management board
BANQUE PALATINE: board member, chairman of the Risk committee, member of the Appointments committee
ASSOCIATION PARCOURS CONFIANCE: chairman of the Board of directors
CAISSE D'EPARGNE CAPITAL: member of the supervisory board
REGIONAL COMMITTEE OF BANQUES DE NORMANDIE: chairman
COZYNERGY: member of the strategic board
FEDERATION NATIONALE DES CAISSES D'EPARGNE: permanent representative of CEN, director and member of the bureau
FONDS CAISSE D'EPARGNE NORMANDIE POUR L'INITIATIVE SOLIDAIRE (FCENIS): permanent representative of the CEN, chairman
SAEML ZENITH DE CAEN: non-voting board member
NAXICAP PARTNERS: member of the supervisory board
CE DEVELOPPEMENT 1: chairman of the supervisory board
CE DEVELOPPEMENT 2: chairman of the supervisory board
SEVENTURE PARTNERS: vice-chairman of the supervisory board
SCI ISNEAUVILLE SUNNY: permanent representative of CEN

Hélène MADAR

Dob: 18/02/1969

Mandate until 30/08/2023

BANQUE PALATINE: director, member of the Risk committee, member of the Remuneration committee
BANQUE POPULAIRE DU NORD: chief executive officer until 31/03/2023
BPCE: member of the management board in charge of retail banking and insurance
BPCE PAYMENTS AND SOLUTIONS: board member
NATIXIS INVESTMENT MANAGERs: permanent representative of BPCE, director since 07/06/2023
SAS GROUPE HABITAT EN REGION: permanent representative of BPCE, director since 22/09/2023
BPCE SOLUTIONS INFORMATIQUES: permanent representative of BPCE, director since 29/06/2023

Nadia MAUZELAF

Dob: 08/07/1977

Term of office: 02/12/2020 to the employee elections in 2024

BANQUE PALATINE: head of banking services and employee representative, council of technicians, member of the Audit committee

Guillemette VALANTIN

Dob: 25/07/1966

Term of office: 02/12/2020 to the employee elections in 2024

BANQUE PALATINE: LMBO project director and director representing employees, committee of executives, member of the Audit committee

2023 FINANCIAL STATEMENTS

2

1	Individual annual financial statements at 31 December 2023	72
2	Notes to the annual individual financial statements	75
3	IFRS Consolidated financial statements of the Palatine Group at 31 December 2023	114

1 Individual annual financial statements at 31 December 2023

1.1 Income statement

in millions of euros	Notes	2023 financial year	2022 financial year
Interest and similar income	3.1	888.8	374.3
Interest and similar expenses	3.1	(588.8)	(158.8)
Income and expenses on finance and operating leases	3.2	0.0	0.0
Expenses on finance and operating leases	3.2	0.0	0.0
Income from variable-income securities	3.3	5.4	7.1
Fee and commission income	3.4	89.2	94.8
Fee and commission expenses	3.4	(7.5)	(7.6)
Net gains or losses on trading book transactions	3.5	0.6	8.9
Net gains or losses on investment securities portfolios and similar items	3.6	21.8	(62.9)
Other banking income	3.7	1.1	0.7
Other banking expenses	3.7	(4.8)	(6.7)
NET BANKING INCOME		**405.8**	**249.8**
General operating expenses	3.8	(208.1)	(204.8)
Depreciation, amortisation and impairment of property, plant & equipment and intangible assets		(4.9)	(3.7)
GROSS OPERATING INCOME		**192.8**	**41.3**
Cost of risk	3.9	(26.2)	(45.3)
OPERATING INCOME		**166.6**	**(4.0)**
Profits and losses on non-current assets	3.10	6.6	4.5
INCOME BEFORE TAX		**173.2**	**0.5**
Non-recurring items	3.11	0.0	0.0
Income tax	3.12	(48.9)	(3.2)
FRBG charges/reversals and regulated provisions		0.0	0.0
NET INCOME		**124.2**	**(2.7)**

1.2 On and off-balance sheet

Assets

in millions of euros	Notes	31/12/2023	31/12/2022
Cash, central banks		5.2	9.4
Treasury bills and similar securities	4.4	864.1	1,011.7
Loans and advances due from credit institutions	4.1	4,696.0	4,259.3
Customer transactions	4.2	11,859.9	11,185.9
Bonds and other fixed-income securities	4.3	161.3	192.8
Equities and other variable-income securities	4.3	3.3	0.0
Investments in subsidiaries and long-term equity investments	4.4	5.2	9.0
Shares in related companies	4.4	11.2	6.8
Finance and operating leases	4.5	0.0	0.0
Intangible assets	4.6	99.4	99.6
Property, plant and equipment	4.6	14.7	15.2
Other assets	4.8	159.9	203.0
Accrual accounts	4.9	162.3	225.5
Total assets		**18,042.5**	**17,218.2**

Off-balance sheet items

in millions of euros	Notes	31/12/2023	31/12/2022
Commitments given			
Financing commitments	5.1	2,296.6	2,089.3
Guarantee commitments	5.1	1,345.7	1,381.3
Commitments on securities		0.0	80.0

Liabilities

in millions of euros	Notes	31/12/2023	31/12/2022
Cash placed with central banks///cash deposits within central banks		0.0	0.0
Amounts due to credit institutions		2,349.7	1,756.0
Customer transactions	4.1	10,850.9	10,856.2
Debt securities	4.5	2,548.3	2,298.2
Other liabilities		385.7	630.8
Accrual accounts		204.1	205.7
Provisions	4.6	122.7	126.6
Subordinated debt	4.7	441.0	328.8
Fund for general banking risks (FGBR)	4.8	1.3	1.3
Total equity (excl. FGBR)		**1,138.7**	**1,014.5**
Issued capital		688.8	688.8
Share premiums		56.7	56.7
Retained earnings		52.8	52.8
Revaluation adjustment		0.0	0.0
Regulated provisions and investment subsidies		0.0	0.0
Carried forward		216.1	218.9
Net income for the year (+/-)		124.2	(2.7)
TOTAL LIABILITIES		**18,042.5**	**17,218.2**

Off-balance sheet items

in millions of euros	Notes	31/12/2023	31/12/2022
Commitments received			
Financing commitments		0.0	304.7
Guarantee commitments		408.0	216.7
Commitments on securities		0.0	0.0

2 Notes to the annual individual financial statements

NOTE 1 General background 76
1.1 The BPCE group 76
1.2 Guarantee mechanism 77
1.3 Significant events 11

NOTE 2 General accounting policies and principles 78
2.1 Assessment and presentation methods of the individual financial statements and reporting date 78
2.2 Changes in accounting policies 78
2.3 General accounting principles 78
2.4 Principles applicable to banking resolution mechanisms 78

NOTE 3 Information on the income statement 79
3.1 Interest, similar income and expenses 79
3.2 Income and expenses on leasing and similar operations 79
3.3 Income from variable-income securities 80
3.4 Commissions 80
3.5 Gains or losses on trading book transactions 81
3.6 Gains or losses on investment securities portfolios and similar items 81
3.7 Other banking income and expenses 82
3.8 Other general operating expenses 82
3.9 Risk cost 83
3.10 Profits and losses on non-current assets 84
3.11 Extraordinary income 84
3.12 Income tax 84

NOTE 4 Information on the balance sheet 86
4.1 Interbank transactions 86
4.2 Customer transactions 88
4.3 Treasury bills, bonds, equities and other fixed- and Variable-income securities 92
4.4 Investments, shares in related companies, other long-term equity investments 95
4.5 Finance leases and operating leases (to be deleted where applicable) 97
4.6 Intangible assets and property, plant and equipment 98
4.7 Debt securities 99
4.8 Other assets and liabilities 100
4.9 Accrual and deferred income accounts 100
4.10 Provisions 100
4.11 Subordinated debt 105
4.12 Fund for general banking risks 106
4.13 Equity 106
4.14 Residual duration of uses and resources 106

NOTE 5 Information on off-balance sheet and similar transactions 107
5.1 Commitments received and given 107
5.2 Transactions on forward financial instruments 108
5.3 Foreign currency transactions (optional) 112
5.4 Breakdown of the balance sheet by currency (optional) 112

NOTE 6 Other information 113
6.1 Consolidation 113
6.2 Remuneration, advances, loans and commitments 113
6.3 Statutory auditors' fees 113
6.4 Operations in non-cooperative countries 113

NOTE 1 General background

1.1 The BPCE group

Group BPCE[1], of which Banque Palatine is a part, includes the Banque Populaire network, the Caisse d'Epargne network, the BPCE central body and its subsidiaries.

Two banking networks - the Banque Populaire banks and the Caisse d'Epargne banks

Groupe BPCE is a cooperative group whose members own two retail banking networks: the 14 Banque Populaire banks and the 15 Caisse d'Epargne banks. Each of the two networks owns an equal share in BPCE, the group's central body.

The Banque Populaire network consists of the Banque Populaire banks and the mutual guarantee companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisse d'Epargne banks and the local savings companies (ISCS).

The Banque Populaire banks are wholly owned by their cooperative members.

The capital of the Caisse d'Epargne banks is wholly owned by the local savings companies. Local savings companies are cooperative entities with open- ended share capital owned by cooperative members. They are tasked with coordinating the cooperative membership, in line with the general objectives set out for the individual Caisse d'Epargne with which they are affiliated, and they cannot perform banking transactions.

BPCE

A central body as defined by the French banking act, and a credit institution licensed to operate as a bank, BPCE was created pursuant to act no. 2009-715 of 18 June 2009. BPCE was incorporated as a French société anonyme with a management board and a supervisory board. Its share capital is owned jointly and equally by the 14 Banque Populaire and 15 Caisse d'Epargne banks.

BPCE must comply with the cooperative principles of the Banque Populaire and Caisse d'Epargne banks at all times.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, takes steps to ensure depositor protection, approves appointments of senior executives and oversees the smooth operation of the group's institutions.

As a holding company, BPCE acts as the ultimate controlling party of the group and holds the joint ventures between the two networks in retail banking and insurance, corporate banking and financial services, and their production units. It also defines the group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries are organised around two main business lines:

- retail banking and insurance, comprising the Banque Populaire network, the Caisse d'Epargne network, the financial solutions & expertise division (including factoring, consumer credit, finance leasing, financial guarantees and the retail securities business), the digital and payments divisions (including the payments subsidiaries contributed in 2022 and the Oney group) and the insurance and other networks divisions;
- global financial services comprising asset and wealth management (Natixis investment managers and Natixis wealth management) and global customers banking (Natixis corporate & investment banking).

In parallel, BPCE is responsible for centralised management of surplus funds, for the execution of any financial transactions required to develop and fund the group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the group as part of its general oversight of financial activities. BPCE also provides banking services to the other group entities.

Banque Palatine

Banque Palatine is a société anonyme (French limited liability corporation) with a Board of directors, wholly owned by the BPCE central body. Its registered office has been located at 86, rue de Courcelles - 75008 Paris (France) since 1 January 2022.

Banque Palatine's main subsidiaries and investments are active in three segments:

- financial services and asset management activities;
- property services (i.e. transactions, sales, development and promotion, consulting & expertise/asset management);
- insurance activities.

(1) Banque Palatine is included in Groupe BPCE's consolidated financial statements, its financial statements are available at the registered office of the BPCE SA central body and on the BPCE corporate website.

1.2 Guarantee mechanism

In accordance with articles L. 511-31, L. 512-107-5 and L. 512-107-6 of the French monetary and financial code, the guarantee and solidarity mechanism aims to safeguard the liquidity and capital adequacy of the group and BPCE's affiliates, and to organise financial support between them.

BPCE is responsible for taking all necessary measures to guarantee the capital adequacy of the group and each of the networks and to organise financial solidarity within the group. This financial solidarity is based on legislative provisions establishing a legal principle of solidarity requiring the central body to restore the liquidity or capital adequacy of affiliates in difficulty and/or all of the group's affiliates. By virtue of the unlimited nature of the principle of solidarity, BPCE is entitled at any time to ask any one, several or all of the affiliates to contribute to the financial efforts that may be necessary to restore the situation, and may, if necessary, mobilise all of the cash and equity capital of the affiliates in the event of difficulty of one or several of them.

Thus, in the event of difficulties, BPCE must do everything necessary to restore the financial position and may, in particular, make unlimited use of the resources of any one, several or all affiliates, or implement the group's internal appropriate solidarity mechanisms and call on the guarantee fund common to the two networks, for which it determines the operating rules, the methods of triggering in addition to the funds of the two networks as well as the contributions of affiliated institutions for its endowment and reconstitution.

BPCE manages the Banque Populaire network fund, the Caisse d'Epargne network fund and the mutual guarantee fund.

The **Banque Populaire network fund** was endowed with a €450 million deposit by the Banque Populaire banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The **Caisse d'Epargne network fund** consists of a €450 million deposit made by the Caisse d'Epargne banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The **Mutual Guarantee Fund** was formed through deposits made by the Banque Populaire and Caisse d'Epargne banks. These deposits were booked by BPCE in the form of ten-year term accounts renewable in perpetuity. The deposits by network amounted to €174 million at 31 December 2023.

The total amount of deposits made with BPCE in the Banque Populaire network fund, the Caisse d'Epargne network fund and the mutual guarantee fund may be no lower than 0.15% and may not exceed 0.3% of the group's total risk-weighted assets.

When deposits are recorded in the institutions' individual accounts under the guarantee and solidarity system, an item of an equivalent amount is recorded under a dedicated capital heading.

Mutual guarantee companies granting statutory exclusivity of their guarantees to a Banque Populaire benefit from the liquidity and solvency guarantee in their capacity as affiliates of the central body.

The liquidity and capital adequacy of the local savings companies are secured at the level of each individual local savings company by the Caisse d'Epargne in which the relevant local savings company is a shareholder.

BPCE's management board holds all the requisite powers to use the financial resources of the various contributors immediately and in the agreed order pursuant to prior authorisations given to BPCE by the contributors.

1.3 Significant events

The bank's net income reached a profit of €124.2 million at 31 December 2023 in a context of very favourable rate hikes.

On 30 August 2023, the Board of directors:

- acknowledged the appointment of Marjorie Cozas, to replace Stéphanie Clavié, as permanent representative of BPCE, director;
- co-opted Sabine Calba, as director, to replace Hélène Madar, who resigned.

At 31 December 2023, the percentage of female board members reached 50%, excluding female board members representing employees. The composition of the Board of directors respects the Copé Zimmermann law.

Banque Palatine signed the lease for its new administrative headquarters in Val-de-Fontenay with a view to moving in 2024.

NOTE 2 General accounting policies and principles

2.1 Measurement and presentation methods of the individual financial statements and reporting date

Banque Palatine's annual separate financial statements are prepared and presented in accordance with the rules laid down by BPCE pursuant to regulation no. 2014-07 of the French accounting standards authority (Autorité des Normes Comptables - ANC).

The annual separate financial statements for the year ended 31 December 2023 were approved by the Board of directors on 6 February 2023. They will be submitted for shareholder approval at the general meeting of 31/05/2024.

Unless stated otherwise, the amounts presented in the financial statements and in the notes to the financial statements are expressed in millions of euros. The impacts of rounding may result in differences between the amounts reported in the financial statements and those disclosed in the notes to the financial statements.

2.2 Changes in accounting methods

No change in accounting policies affected the financial statements for the 2023 financial year.

The other texts adopted by the ANC for which application was mandatory in 2023 did not have any significant impact on the company's individual financial statements.

The institution does not anticipate that the regulations adopted by the ANC will be applied when it is optional, unless otherwise specifically mentioned.

2.3 General accounting principles

The financial statements for the year are presented in an identical format to those for the previous financial year. Generally accepted accounting principles have been applied in accordance with the precautionary principle and the basic assumptions:

- the going concern principle;
- the consistency of accounting methods from one period to the next;
- the independence of the financial years;

And in accordance with the general rules on preparation and presentation of the annual financial statements.

The basic method for valuing accounting entries is the historical cost method, and all balance sheet items are presented, as appropriate, net of depreciation and amortisation, provisions and allowances for impairment.

Specific accounting principles are presented in the various appended notes to which they relate.

2.4 Principles applicable to banking resolution mechanisms

The procedures for setting up the deposit guarantee and resolution fund are governed by the order of 27 October 2015.

Concerning guarantee funds for cash, surety and securities facilities, the cumulative contributions paid by Banque Palatine totalled €16 million. The accumulated premiums (non-repayable contributions in the event of voluntary withdrawal of approval) represent €3.5 million. The contributions paid in the form of associate or association certificates and cash guarantee deposits that are registered on the asset side of the balance sheet total €13.4 million.

The resolution fund was created in 2015 pursuant to EU directive no. 2014/59/EU (*the Bank Recovery and Resolution Directive* - BRRD) establishing a framework for the recovery and resolution of credit institutions and investment firms and EU regulation no. 806/2014 (MRU regulation). In 2016, it became a single resolution fund (SRF) between the member states participating in the single supervisory mechanism (SSM). The SRF is a funding mechanism available to the resolution authority (single resolution board) dedicated to the implementation of resolution procedures.

In compliance with EU delegated regulation no. 2015/63 and implementing regulation no. 2015/81 supplementing the BRRD directive on ex ante contributions to the systems for financing the resolution, the single resolution board determined the contributions to the single resolution fund for 2023. The amount of contributions paid by Banque Palatine for the year amounted to €6.3 million, of which €4.9 million recognized as an expense and €1.4 million in the form of irrevocable payment commitments (epi) guaranteed by cash deposits recorded on the assets side of the balance sheet (the share of epi corresponds to 15% of calls for funds guaranteed by cash deposits until 2022 and 22.5% for the 2023 contribution). These deposits have been remunerated at €ster-20bp since 1 may 2023. The total contributions that are entered in the balance sheet assets amounted to €7.7 million at 31 December 2023. The conditions governing the use of SRF resources, and therefore the use of irrevocable payment commitments, are strictly governed by the regulations. Such resources may only be called upon in the event of an institution's resolution proceedings and after a minimum of 8 % of total liabilities has been applied by shareholders and holders of relevant capital instruments and other eligible liabilities under the bail-in. In addition, the contribution of the SRF must not exceed 5% of the total liabilities of the institution under resolution.

NOTE 3 Information on the income statement

3.1 Interest and similar income and expenses

Accounting principles

Interest and similar commission income are recognised on a *pro rata* basis.

Negative interest is presented as follows:

- A negative interest on an asset is shown as an interest expense in the NBI;
- A negative interest on a liability is shown as interest income in the NBI.

Commissions and fees related to the grant or acquisition of a loan are treated as additional interest accruing over the effective life of the loan on a pro rata basis according to the outstanding amount due.

The portion of income received during the year from bonds or negotiable debt securities is also recognised. The same applies to perpetual deeply over-subordinated notes meeting the definition of a *Tier 1* regulatory capital instrument. The group considers that these revenues are similar in nature to interest.

	2023 financial year			2022 financial year		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Transactions with credit institutions	472.38	(369.15)	103.23	127.44	(108.19)	19.25
Customer transactions	372.82	(123.13)	249.69	200.17	(24.96)	175.21
Bonds and other fixed-income securities	25.09	(87.89)	(62.80)	29.40	(20.06)	9.34
Subordinated debt	0.00	(6.68)	(6.68)	0.00	(4.29)	(4.29)
Other	18.55	(1.97)	16.58	17.31	(1.30)	16.01
TOTAL	**888.84**	**(588.82)**	**300.02**	**374.32**	**(158.79)**	**215.53**

Interest income from transactions with credit institutions includes income from the Livret A, LDD and LEP passbook savings accounts, which are deposited centrally with Caisse des dépôts et consignations.

The provision for the regulated home savings accounts amounted to €2.2 million in respect of the 2023 financial year, compared with €2.6 million in 2022.

3.2 Income and expenses on leasing and similar operations

Accounting principles

Income and expenses from non-current assets presented under “Finance leases and similar transactions” and “Operating leases” on the balance sheet are recognised under this item, in particular:

- rental amounts, and capital gains and losses on disposals of fixed assets held under finance leases, leases with a purchase option or operating leases;
- charges and reversals for impairment, losses on irrecoverable loans and recoveries of bad debts written off relating to the portion of doubtful rents for which impairment is mandatory, as well as those relating to contract termination payments;
- depreciation and amortisation on fixed assets.

Banque Palatine only conducts operating lease transactions as a lessee.

3.3 Income from variable-income securities

Accounting principles

Income from variable-income securities includes dividends and other income from shares and other variable-income securities, equity investments, other long-term securities and shares in subsidiaries and associates.

Dividends are recognised when the right to receive payment has been approved by the relevant body.

in millions of euros	2023 financial year	2022 financial year
Equities and other variable-income securities		
Investments in subsidiaries and long-term equity investments	0.0	0.0
Shares in related companies	5.4	7.1
Total	**5.4**	**7.1**

Including €4.7 million in dividends received from the Palatine asset management subsidiary, compared to €5.7 million in 2022.

3.4 Commissions

Accounting principles

Interest-like commissions are recorded under interest and similar income and expenses (note 3.1).

Other commission income is recognised according to the type of service provided as follows:

- commissions paid for an instantaneous service: recorded on completion of the service;
- commissions received for an ongoing or discontinued service paid for through successive instalments: recorded as the service is performed.

	2023 financial year			2022 financial year		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	1.1	(0.1)	1.0	0.1	(0.1)	0.0
Customer transactions	49.5	0.0	49.5	60.0	(2.1)	58.0
Securities transactions	0.0	(0.0)	(0.0)	5.7	(2.4)	3.3
Payment services	12.5	0.0	12.5	10.8	(2.6)	8.3
Foreign exchange transactions	0.2	0.0	0.2	4.9	(0.2)	4.6
Off-balance sheet commitments	0.0	0.0	0.0	0.0	0.0	0.0
Financial services	3.4	(6.7)	(3.3)	0.9	(0.2)	0.7
Consulting activities	9.6	(0.6)	9.0	0.0	0.0	0.0
Sales of life insurance products	9.9	0.0	9.9	9.7	(0.0)	9.7
Sales of life insurance products	3.0	0.0	3.0	2.6	(0.0)	2.6
TOTAL	**89.2**	**(7.5)**	**81.7**	**94.8**	**(7.6)**	**87.2**

3.5 Net gains or losses on trading book transactions

Accounting principles

Net gains or losses on trading book transactions include:

- gains or losses on balance sheet and off-balance sheet transactions in investment securities;
- gains or losses on forward currency transactions from purchases and sales of foreign currencies, and from the periodic valuation of foreign exchange and precious metals transactions;
- gains or losses on transactions in forward financial instruments, including interest rate, currency and stock market index futures, be they firm or conditional, including when used to hedge trading book transactions.

in millions of euros	2023 financial year	2022 financial year
Investment securities		
Foreign exchange transactions	8.7	5.2
Forwards, futures and options	(8.1)	3.7
Total	**0.6**	**8.9**

3.6 Net gains or losses on investment securities portfolios and similar items

Accounting principles

This item includes gains or losses on investment securities and on equity securities resulting from the difference between provision reversals and gains on disposals, and provisions and losses on disposals.

	2023 financial year			2022 financial year		
in millions of euros	Available-for-sale securities	Investment securities	Total	Available-for-sale securities	Investment securities	Total
Impairment						
Allocations	0.1		0.1	(63.0)		(63.0)
Reversals	27.7		27.7	0.4		0.4
Net gain/(loss) on disposal	**(6.0)**		**(6.0)**	**(0.3)**		**(0.3)**
Other items						
TOTAL	**21.8**	**0.0**	**21.8**	**(62.9)**	**0.0**	**(62.9)**

In 2022, after the ECB raised interest rates, government bonds suffered substantial unrealised capital losses. With the rate cut announced for 2024, the financial markets have already anticipated this cut, which is reflected in a reversal of provisions.

The €6 million capital loss was generated by a sale of Italian and Spanish securities at the end of December.

3.7 Other banking income and expenses

Accounting principles

Other income and expenses from banking operations include the share of joint transactions, rebilling of banking income and expenses, income and expenses from real estate transactions and it services.

This line item also includes expenses and income on finance lease and/or operating lease activities not carried out as a primary activity, and the fixed assets of which are presented under property, plant and equipment.

Such interest income and expenses include:

- rental amounts, and capital gains and losses on disposals of fixed assets held under finance leases, leases with a purchase option or operating leases;
- charges and reversals for impairment, losses on irrecoverable loans and recoveries of bad debts written off relating to the portion of doubtful rents for which impairment is mandatory, as well as those relating to contract termination payments;
- depreciation and amortisation on the fixed assets in question.

	2023 financial year			2022 financial year		
in millions of euros	Income	Expense	Total	Income	Expense	Total
Share of joint operations	0.0	(0.0)	(0.0)	0.0	0.0	0.0
Rebilling of banking income and expense	0.4		0.4	0.2		0.2
Real estate activities	0.0	0.0	0.0	0.0	0.0	0.0
Lt services	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous other activities	0.7	(4.8)	(4.1)	0.5	(6.7)	(6.2)
Other related income and expenses	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**1.1**	**(4.8)**	**(3.7)**	**0.7**	**(6.7)**	**(6.0)**

3.8 Other general operating expenses

Accounting principles

General operating expenses include payroll costs, including wages and salaries, employee profit-sharing and incentive schemes, Social security contributions, taxes and levies on payroll costs. Other administrative expenses are also recorded, including taxes other than on income and fees for external services.

in millions of euros	2023 financial year	2022 financial year
Wages and salaries	(67.7)	(68.6)
Pension costs and similar obligations	(7.7)	(7.7)
Other Social security charges	(28.4)	(27.0)
Employee incentive scheme	(10.2)	(8.1)
Employee profit-sharing scheme	(7.6)	(0.5)
Payroll taxes	(12.6)	(13.2)
TOTAL EMPLOYEE BENEFITS EXPENSE	**(134.2)**	**(125.1)**
Taxes other than on income	(2.8)	(4.0)
Other general operating expenses	(71.5)	(75.8)
Rebilled expenses	0.4	0.0
TOTAL OTHER OPERATING EXPENSES	**(73.9)**	**(79.8)**
TOTAL	**(208.1)**	**(204.8)**

The average headcount during the year, broken down by professional category, was as follows: 822 managers and 276 non-managers, representing a total of 1098 employees.

Since 2020, rebillings of “central body” activities (listed in the French monetary and financial code) paid to BPCE are now presented in net revenue before tax and rebillings of group assignments paid by BPCE are still presented as management fees.

3.9 Risk groups

Accounting principles

The cost of risk line item includes only the cost related to credit risk (or counterparty risk). Credit risk represents a potential loss related to a possible counterparty default on commitments entered into. Counterparty means any legal entity that is the beneficiary of a credit or off-balance sheet commitment, a party to a forward financial instrument or an issuer of a debt security.

The cost of credit risk is assessed when the receivable is considered doubtful, i.e. when the risk is confirmed, as soon as it is likely that the institution will not receive all or part of the amounts due in respect of the commitments entered into by the counterparty, pursuant to the initial contractual provisions, notwithstanding the existence of a guarantee or surety.
Credit risk is also assessed when credit risk is identified on loans that are not impaired but show a significant increase in credit risk since their initial recognition (see notes 4.1 and 4.2.1).

Cost of credit risk therefore comprises all impairment charges and reversals on loans and advances to customers, credit institutions and fixed-income investment securities (in the event of a proven risk of issuer default), provisions for off-balance sheet commitments (excluding off-balance sheet financial instruments), as well as losses on irrecoverable loans and recoveries of bad debts written off.

However, provisions and reversals, losses on irrecoverable loans or recoveries of bad debts written off relating to interest on doubtful loans for which provisioning is mandatory are classified under “interest and similar income” and “other banking income” on the income statement. For investment securities, investment securities and de financial instruments, the cost of counterparty risk is recorded directly under gains and losses on these portfolios, except in the event of a proven risk of counterparty default, where this component may be isolated and changes in provisions for counterparty risk are then recorded under “cost of risk”.

	2023 financial year					2022 financial year				
in millions of euros	**Allocations**	**Reversals and uses of funds**	**Losses**	**Recoveries of bad debts written off**	**Total**	**Allocations**	**Reversals and uses of funds**	**Losses**	**Recoveries of bad debts written off**	**Total**
Impairment of assets										
Interbank	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Customers	(108.4)	132.6	(48.5)	1.6	(22.7)	(66.2)	61.1	(33.0)	0.8	(37.3)
Securities portfolio and other receivables	(6.1)	0.0	0.0	0.0	(6.1)	(5.1)	0.0	0.0	0.0	(5.1)
Provisions						**0.0**				
Off-balance sheet commitments	(30.9)	23.5	0.0	0.0	(7.4)	(17.4)	19.9	0.0	0.0	2.5
Provisions for customer credit risks	(3.6)	13.7	0.0	0.0	10.1	(6.6)	1.3	0.0	0.0	(5.3)
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	**(149.0)**	**169.8**	**(48.5)**	**1.6**	**(26.2)**	**(95.4)**	**82.3**	**(33.0)**	**0.8**	**(45.3)**
Of which:										
• Reversals of obsolete impairment charges	0.0	156.1	0.0	0.0	0.0	0.0	81.0	0.0	0.0	0.0
• Reversals of impairment losses used	0.0	48.5	0.0	0.0	0.0	0.0	33.0	0.0	0.0	0.0
• Reversals of provisions no longer required	0.0	13.7	0.0	0.0	0.0	0.0	1.3	0.0	0.0	0.0
• Reversals of provisions used	0.0	(48.5)	0.0	0.0	0.0	0.0	(33.0)	0.0	0.0	0.0
Total reversals	**0.0**	**169.8**	**0.0**	**0.0**	**0.0**	**0.0**	**82.3**	**0.0**	**0.0**	**0.0**

As part of the restructuring of the financing to Orpéa, the reversal of the provision in the amount of €10.5 million was offset by an impairment in the amount of €11.7 million on the origin of securities received on conversion into Orpéa shares classified as investment securities.

3.10 Profits and losses on non-current assets

Accounting principles

The gains or losses on non-current assets include:

- gains or losses on disposals of property, plant and equipment and intangible assets used as part of operations, resulting from the difference between capital gains and losses on disposals and reversals and charges to provisions;
- gains or losses on shares in related companies, other long-term securities investments, shares in subsidiaries and associates and held-to-maturity securities, resulting from the difference between provision reversals and gains on disposals, and charges to provisions and losses on disposals.

in millions of euros	2023 financial year				2022 financial year			
	Investments in subsidiaries and other long-term equity investments	Investment securities	Property, plant and equipment and intangible assets	Total	Investments in subsidiaries and other long-term equity investments	Investment securities	Property, plant and equipment and intangible assets	Total
Impairment	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Allocations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reversals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net gain/(loss) on disposal	**0.0**		**6.6**	**6.6**	**0.0**		**4.5**	**4.5**
TOTAL	**0.0**	**0.0**	**6.6**	**6.6**	**0.0**	**0.0**	**4.5**	**4.5**

As part of the reorganisation and transformation of the network, the sale of agencies generated an income from disposals of €6.6 million.

3.11 Extraordinary income

Accounting principles

This item exclusively includes income and expenses before tax, which are generated or arise on an exceptional basis and which do not fall within the scope of the institution's ordinary activities.

No non-recurring items were recorded in 2023.

3.12 Income tax

Accounting principles

Since the 2009 financial year, the Caisse d'Epargne and Banque Populaire networks have applied the provisions of article 91 of the amended French finance act for 2008, which extends the tax consolidation regime to the networks of mutual banks. This option is modelled on the tax consolidation for mutual insurers and takes into account consolidation criteria other than ownership interest (the scheme is usually available if at least 95% of the share capital of a subsidiary is owned by a parent-company).

Banque Palatine signed a tax consolidation agreement with its parent company, under which it recognises in its financial statements any tax liabilities that it would have had to pay had it not been part of a mutual tax consolidation group.

The tax charge appearing in the income statement for the period is the corporate income tax due in respect of the period and the provision for the tax liabilities of the EIGS.

3.12.1 Breakdown of income tax on 2023 profits

Banque Palatine is a member of the consolidated tax group set up by BPCE. It also heads the consolidated tax sub-group formed of its subsidiaries Palatine asset management (PAM), Ariès Assurances and Société Immobilière d'Investissement (SII).

Income tax paid to the head company of the group, which can be broken into income before non-recurring items and non-recurring items, can be analysed as follows:

in millions of euros	2023 financial year	2022 financial year
Tax bases at the rate of	**25%**	**25%**
In respect of current income	190.0	17.5
In respect of exceptional income		
Allocation of deficits	0.0	0
Tax bases	**190.0**	**17.5**
Corresponding tax expense	47.5	4.4
3.3% contributions	1.5	0.1
+ Increase of 10.7% (2014 amending finance act)		
- Deductions in respect of tax credits	(0.3)	(0.5)
Tax expense reported	**48.8**	**4.0**
Provisions for return to profits of subsidiaries		
Provisions for taxes		
Other	0.2	(0.8)
TOTAL	**48.9**	**3.2**

3.12.2 Details of taxable income for the 2022 financial year - reconciliation of accounting income to taxable income (optional)

in millions of euros	2023 financial year	2022 financial year
Accounting net income (A)	**124.2**	**(2.7)**
Social tax (B)	**48.9**	**3.2**
Reinstatements (C)	**69.3**	**63.3**
Impairment of long-term investments		
Other impairment losses and provisions	61.2	50.7
Provision for general banking risks (FRBG)		
Mutual funds		
Capital losses on long-term and exempt schemes		
Share of profits of partnerships or economic interest groups		
Other	8.0	12.5
Deductions (D)	**52.5**	**46.2**
Exempt long-term capital gains		
Reversals of impairment losses and provisions	47.4	37.8
Dividend payments	4.8	6.9
Reversal of provision for general banking risks (FRBG)		
Share of losses of partnerships or economic interest groups		
Amortisation of acquisition costs		
Incorporation costs		
Other	0.3	1.5
Tax base at standard rate (A) + (B) + (C) - (D)	**190.0**	**17.5**

NOTE 4 Information on the balance sheet

Unless stated otherwise, explanatory notes for balance sheet items are presented net of depreciation, amortisation, impairment and provisions.

Certain credit risk disclosures required under regulation no. 2014-07 of the French accounting standards authority (*Autorité des Normes Comptables - ANC*) are provided in the risk management report.

4.1 Interbank transactions

Accounting principles

Loans and advances due from credit institutions cover all loans and advances made in connection with banking transactions with the exception of those represented by a security. They also include securities received under repurchase agreements, regardless of the type of underlying, and loans and advances relating to securities repurchase agreements. They are broken down into demand loans and deposits, and term loans and deposits. Loans and advances due from credit institutions are stated on the balance sheet at their nominal value, with the exception of buybacks of customer receivables, which are carried at cost, plus accrued interest not yet due and net of any impairment charges recognised for credit risk.

Amounts due to credit institutions are recorded according to their initial term (demand or fixed-deposit) amounts due to customers are classified according to their type (regulated savings accounts and other customer deposits). Depending on the counterparty involved, these items include securities and other assets sold under repurchase agreements. Accrued interest is recorded under the accrued interest line item.

Guarantees received are recorded as an off-balance sheet item. They are remeasured on a regular basis. The total carrying amount of all collateral received for a single loan may not exceed the outstanding amount of the loan.

Restructured loans

Within the meaning of regulation no. 2014-07 of the French accounting standards authority (*Autorité des Normes Comptables - ANC*), restructured loans are doubtful loans for which the initial characteristics (term, interest rate) have been altered to enable counterparties to repay the amounts due.

At the time of restructuring, the loan is subject to a discount equal to the difference between the discounted value of the initially expected contractual cash flows and the discounted value of the expected future capital and interest flows resulting from the restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate, and the discount rate used for variable-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is recorded under “cost of risk” and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new repayment dates are observed. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

Doubtful loans and advances

Doubtful loans and advances consist of all outstanding amounts (whether or not they are due, guaranteed or otherwise), where at least one commitment made by the debtor is subject to a proven credit risk, individually classified as such. A risk is considered to have been “proven” when it is probable that the group will not collect all or part of the sums owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Doubtful assets are identified in compliance with ANC regulation no. 2014-07, particularly in the case of loans past due for over three months, over six months for real estate loans, and over nine months for loans to local authorities.

Doubtful assets are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and advances with terms that have lapsed, terminated lease financing agreements, and perpetual loans that have been rescinded, are considered as irrecoverable. The existence of collateral covering nearly all risks, along with the conditions for classification as doubtful loans and advances, must be taken into consideration when qualifying a doubtful asset as irrecoverable and assessing the associated impairment. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not considered. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful assets and commitments as irrecoverable.

For doubtful loans and advances, accrued interest and/or interest due but not received is recognised in banking income and impaired accordingly. For irrecoverable loans and advances, accrued interest due but not received is not recognised.

More generally, doubtful loans and advances are reclassified as performing once the debtor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Collateralised repurchase agreements are recognised in accordance with ANC regulation no. 2014-07, complemented by instruction no. 94-06, as amended, issued by the French banking commission.

The collateralised assets remain on the balance sheet of the vendor, which records the amount collected under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid under assets, representing the amount owed to the vendor. At each balance sheet date, the collateralised assets, as well as the debt vis-à-vis the purchaser or the amount due to the vendor, are stated according to the rules applicable to each of these transactions.

Impairment

Impairment losses are recognised to cover the risk of loss on receivables for which recovery is uncertain. Impairment losses are calculated on a case-by-case basis, taking into account the present value of guarantees received. Impairment losses are calculated at least every quarter and are based on available guarantees and a risk analysis. Impairment losses cover at the very least the interest not received on doubtful assets.

Impairment for probable incurred losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash flows discounted at the initial effective interest rate. Projected cash flows are determined based on the type of loans on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on collection histories.

Impairment charges and reversals booked for the risk of non-recovery are recorded under “cost of risk” except for impairments for interest on doubtful loans and advances, which are recorded as impaired interest under “interest and similar income”.

The reversal of impairment losses arising solely from the passage of time is recorded under ‘interest and similar income’.

When the credit risk has been identified, on loans that are not doubtful but showing a significant increase in the credit risk since their initial recognition, it is assessed on the basis of the credit losses expected over their remaining lifetimes. This credit risk is recorded in the form of a liabilities provision. Since 1 January 2018, the measurement of these non-doubtful loans has been aligned with those in IFRS 9 of stage 2 (s2) adopted for the consolidated financial statements.

Irrecoverable loans and advances are written off as losses and the corresponding impairment charges are reversed.

ASSETS

in millions of euros	31/12/2023	31/12/2022
Current accounts	1,703.1	1,949.9
Overnight loans	0.0	26.5
Securities received under overnight repurchase agreements	0.0	0.0
Unallocated values	0.0	0.0
Demand accounts	**1,703.1**	**1,976.4**
Term accounts and loans	2,968.3	2,257.3
Subordinated and participating loans	0.0	1.0
Securities received under term repurchase agreements	0.0	0.0
Term accounts	**2,968.3**	**2,258.3**
Accrued interest	**24.6**	**24.6**
Doubtful loans and advances	**0.0**	**0.0**
O/W IRRECOVERABLE DOUBTFUL LOANS AND ADVANCES	*0.0*	*0.0*
Impairment of interbank loans	**0.0**	**0.0**
OF WHICH IMPAIRMENT ON DOUBTFUL ASSETS AND ADVANCES	*0.0*	*0.0*
TOTAL	**4,696.0**	**4,259.3**

The centralisation of the Livret A and LDD savings accounts at the Caisse des Dépôts et consignations amounted to €540 million at 31 December 2023, compared with €478 million at 31 December 2022, which is presented as a deduction from liabilities in note 4.2.

Liabilities

in millions of euros	31/12/2023	31/12/2022
Current accounts in credit	0.2	87.5
Overnight deposits	0.0	0.0
Securities sold under overnight repurchase agreements	0.0	0.0
Other amounts due	1.2	1.7
Due on demand	0.0	0.0
Demand accounts	**1.4**	**89.3**
Term accounts and loans	2,347.9	1,666.7
Securities sold under term repurchase agreements	0.0	0.0
Related term accounts	0.3	0.0
Term accounts	**2,348.3**	**1,666.7**
TOTAL	**2,349.7**	**1,756.0**

4.2 Customer transactions

4.2.1 Customer transactions

Accounting principles

Loans and advances to customers include loans to economic agents other than credit institutions, with the exception of those evidenced by a security, securities received under repurchase agreements and loans relating to securities delivered under repurchase agreements. They are broken down into commercial loans, customer accounts in debit and other loans. Loans and advances due from customers are recorded on the balance sheet at their nominal value, with the exception of customer receivable buybacks, which are carried at cost, plus accrued interest not yet due and net of any impairment charges recognised for credit risk. Deferred marginal transaction costs and fees are included in the relevant loan.

Guarantees received are recorded as an off-balance sheet item. They are remeasured on a regular basis. The total carrying amount of all collateral received for a single loan may not exceed the outstanding amount of the loan.

State-guaranteed loans

The state-guaranteed loan (*Prêt Garanti par l'Etat - SGL*) is a support mechanism set up in application of article 6 of act no. 2020-289 of 23 March 2020 (the amended French finance act for 2020), and of the decision of the minister of the economy and finance of 23 March 2020, granting a state guarantee to credit institutions and finance companies as of 16 March 2020 in order to meet the cash flow needs of companies impacted by the covid-19 health crisis. The scheme was extended until 30 June 2022 by act no. 2021-1900 of 30 December 2021, the finance act for 2022. The SGL must meet the eligibility criteria common to all institutions distributing this loan as defined by the act.

State-guaranteed loans are liquidity loans with a one-year grace period.

The beneficiary companies may decide, at the end of the first year, to amortise the SGL over a period of one to five additional years or to start the amortisation of the capital only from the second year of the period by paying only the interest and the cost of the state guarantee.

For eligible companies, the amount of the state-guaranteed loan is capped, in the general case (excluding innovative and recently created companies, and excluding the season loans for our tourism/hotels/catering customers for example), at 25% of the company's revenue. State-guaranteed loans are 70% to 90% guaranteed by the French state, depending on the borrowing company's size, with the lending banks carrying the remaining risk. The state guarantee covers a percentage of the outstanding amount of the debt (capital, interest and accessories) until its expiry. The state guarantee may be called before the expiry of the term in the event of a credit event.

The early repayment penalty is fixed in the contract and in a reasonable way (2% of the remaining capital due during the initial period of the loan, 3% to 6% of the remaining capital due during the amortisation period of the loan). The terms of extension are not set in advance but are established two to three months before the expiration of the extension option, depending on market conditions.

The state-guaranteed loans do not need to be covered by other collateral or guarantees than the guarantee offered by the French state except when they are granted within the framework of an order issued by the minister of the economy and finance. It is accepted that the professional or manager may request or be offered death insurance, but not have it imposed on him or her.

With regard to the state guarantee, it is considered an integral part of the terms of the contract and is taken into account in the calculation of expected credit loss impairments. The guarantee fee paid at the granting of the loan by Groupe BPCE to the French state is recognised in profit or loss over the initial term of the state-guaranteed loan according to the effective interest rate (EIR) method. The impact is presented within the net interest margin.

From 6 April 2022, the resilience SGL is a complement to the SGL for companies impacted by the consequences of the conflict in Ukraine. The authorised ceiling is 15% of the average revenue over the last three financial years. Except for its amount, subject to the new ceiling of 15% of revenue, this additional resilience SGL takes the same form as the SGLs introduced at the beginning of the health crisis: same maximum duration (up to six years), same minimum deductible repayment period (12 months), same guaranteed percentage and guarantee premium. This resilience SGL is fully cumulative with any SGL(s) that may be obtained or to be initially obtained until 30 June 2022. This system was extended until 31 December 2023 as part of the amended finance law for 2023.

Restructured loans

Within the meaning of regulation no. 2014-07 of the French accounting standards authority (*Autorité des Normes Comptables - ANC*), restructured loans are doubtful loans for which the initial characteristics (term, interest rate) have been altered to enable counterparties to repay the amounts due.

At the time of restructuring, the loan is subject to a discount equal to the difference between the discounted value of the initially expected contractual cash flows and the discounted value of the expected future capital and interest flows resulting from the restructuring. The discount rate used for fixed-rate loans is the initial effective interest rate, and the discount rate used for variable-rate loans is the most recent effective interest rate prior to the restructuring date. The effective rate is the contractual rate. This discount is recorded under “cost of risk” and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method.

A restructured loan may be reclassified as performing when the new repayment dates are observed. When a loan that has been reclassified becomes overdue, regardless of the restructuring terms agreed, the loan is downgraded to doubtful.

Doubtful loans and advances

Doubtful loans and advances consist of all outstanding amounts (whether or not they are due, guaranteed or otherwise), where at least one commitment made by the debtor is subject to a proven credit risk, individually classified as such. A risk is considered to have been “proven” when it is probable that the group will not collect all or part of the sums owed under the terms of the commitments made by the counterparty, notwithstanding any guarantees or collateral.

Doubtful assets are identified in compliance with ANC regulation no. 2014-07, particularly in the case of loans past due for over three months, over six months for real estate loans, and over nine months for loans to local authorities.

Doubtful assets are considered to be irrecoverable when full or partial collection is deemed to be highly unlikely and a write-off is considered. Loans and advances with terms that have lapsed, terminated lease financing agreements, and perpetual loans that have been rescinded, are considered as irrecoverable.

The existence of collateral covering nearly all risks, along with the conditions for classification as doubtful loans and advances, must be taken into consideration when qualifying a doubtful asset as irrecoverable and assessing the associated impairment. A debt that has been classified as doubtful for more than one year is assumed to be irrecoverable, unless a write-off is not considered. Reclassification of a debt from doubtful to irrecoverable does not automatically entail the reclassification of the counterparty's other doubtful assets and commitments as irrecoverable.

For doubtful loans and advances, accrued interest and/or interest due but not received is recognised in banking income and impaired accordingly. For irrecoverable loans and advances, accrued interest due but not received is not recognised.

More generally, doubtful loans and advances are reclassified as performing once the debtor resumes regular payments in accordance with the original repayment schedule, provided that the counterparty is no longer considered to be at risk of default.

Repurchase agreements

Collateralised repurchase agreements are recognised in accordance with ANC regulation no. 2014-07, complemented by instruction no. 94-06, as amended, issued by the French banking commission.

The collateralised assets remain on the balance sheet of the vendor, which records the amount collected under liabilities, representing its debt vis-à-vis the purchaser. The purchaser records the amount paid under assets, representing the amount owed to the vendor. At each balance sheet date, the collateralised assets, as well as the debt vis-à-vis the purchaser or the amount due to the vendor, are stated according to the rules applicable to each of these transactions.

Impairment

Impairment losses are recognised to cover the risk of loss on receivables for which recovery is uncertain. Impairment losses are calculated on a case-by-case basis, taking into account the present value of the guarantees received and the costs of taking possession and selling the collateral. Impairment losses are calculated at least every quarter and are based on available guarantees and a risk analysis. Impairment losses cover at the very least the interest not received on doubtful assets.

Impairment for probable incurred losses includes all impairment charges, calculated as the difference between the principal outstanding and the projected cash flows discounted at the initial effective interest rate. Projected cash flows are determined based on the type of loans on the basis of historical losses and/or expert appraisals and are positioned over time using debt schedules based on collection histories.

Impairment charges and reversals booked for the risk of non-recovery are recorded under “cost of risk” except for impairments for interest on doubtful loans and advances, which are recorded as impaired interest under “interest and similar income”.

The reversal of the impairment related to the passage of time alone is recorded under “cost of risk”.

When the credit risk has been identified, on loans that are not doubtful but showing a significant increase in the credit risk since their initial recognition, it is assessed on the basis of the credit losses expected over their remaining lifetimes. This credit risk is recorded in the form of a liabilities provision. Since 1 January 2018, the measurement of these non-doubtful loans has been aligned with those in IFRS 9 of stage 2 (s2) adopted for the consolidated financial statements. Expected credit losses are defined as being an estimate of credit losses (i.e. the current value of any cash flow shortfall) weighted on the basis of the probability of such losses occurring during the expected useful life of the financial instruments. They care calculated individually for each case of exposure.

In practice, for stage 2 outstandings, expected credit losses are measured on the basis of several parameters:

- expected cash flows over the life of the financial instrument, discounted to the valuation date - these flows are determined according to the characteristics of the contract, its effective interest rate and, for mortgages, the expected level of early repayment on the contract;
- loss given default rate;
- probability of default until maturity of the contract.

Irrecoverable loans and advances are written off as losses and the corresponding impairment charges are reversed.

The parameters used to measure the expected credit losses are adjusted to the economic environment *via* the definition of three economic scenarios defined over a three-year horizon:

- the central scenario used by the group is that developed in July 2023. It corresponds to the consensus forecasts for the main economic variables having an impact on the calculation of expected credit losses;
- a pessimistic scenario, corresponding to less favourable macro-economic variables in the context of the central scenario;
- an optimistic scenario, corresponding to more favourable macro-economic variables in the context of the central scenario.

The definition and review of these scenarios follows the same organisation and governance as that defined for the budget process, with a quarterly review on the basis of economic research proposals and validation by the Executive management committee. The probabilities of occurrence of the scenarios are reviewed quarterly by the group's watch list and provisions committee. The parameters thus defined make it possible to evaluate the expected credit losses of all exposures, whether they belong to a scope certified through the internal method or one treated as standard for the calculation of risk-weighted assets.

Additional provisions have been recorded by the institutions to cover the specific risks of their portfolios, in addition to the provisions described above and calculated by the group's tools. These provisions mainly concern structured financing, professional real estate (offices, retail) and SCPIS.

Assets in millions of euros	31/12/2023	31/12/2022
Current accounts with overdrafts	**333.6**	**391.4**
Trade receivables	**156.0**	**161.3**
Export credits	*32.2*	*37.5*
Short-term and consumer credit facilities	*4,057.0*	*3,802.7*
Equipment credits	*3,506.9*	*3,309.6*
Home credits	*3,169.8*	*2,943.5*
Other customer loans	*176.1*	*123.0*
Securities received under repurchase agreements	*0.0*	*0.0*
Subordinated loans	*1.4*	*0.0*
Other	*65.9*	*52.7*
Other facilities granted to customers	**11,009.3**	**10,269.0**
Accrued interest	**52.3**	**31.8**
Doubtful loans and advances	**529.2**	**589.5**
Impairment of loans and advances to customers	**(220.6)**	**(257.2)**
TOTAL	**11,859.9**	**11,185.9**

Loans and receivables due from customers eligible for refinancing by the central bank of the country or countries in which the institution is established or the European Central Bank System amount to €462 million.

The state-guaranteed loans (PGE) amounted to €714 million at 31 December 2023, compared with €1 billion at 31 December 2022.

Liabilities in thousands of euros	31/12/2023	31/12/2022
Regulated savings accounts	**899.8**	**979.0**
LIVRET A SAVINGS ACCOUNTS	*118.5*	*120.3*
PEL/CEL	*160.8*	*180.4*
OTHER REGULATED SAVINGS ACCOUNTS	*620.4*	*678.4*
Receivables from savings funds		
Other accounts and loans from customers(1)	**9,875.2**	**9,863.7**
Guarantee deposits	**0.0**	**0.0**
Other amounts due	**39.4**	**7.2**
Accrued interest	**36.5**	**6.3**
TOTAL	**10,850.9**	**10,856.2**

(1) breakdown of accounts and loans from customers.

	31/12/2023			31/12/2022		
in millions of euros	Sight	Term	Total	Sight	Term	Total
Current accounts in credit	9,098.6		9,098.6	9,514.8		9,514.8
Borrowings from financial customers		0.0	0.0		0.0	0.0
Securities sold under repurchase agreements			0.0			0.0
Other accounts and loans		776.6	776.6		348.9	348.9
TOTAL	**9,098.6**	**776.6**	**9,875.2**	**9,514.8**	**348.9**	**9,863.7**

4.2.2 Breakdown of outstanding loans by economic agent

	Performing loans and advances	Doubtful loans and advances		O/w irrecoverable doubtful loans and advances	
in millions of euros	Gross	Gross	Specific impairment	Gross	Specific impairment
Non-financial companies	9,583.71	469.44	208.66	136.37	(79.08)
Self-employed customers	42.36	2.14	0.50	0.56	(0.20)
Individual customers	1,626.18	23.74	10.00	10.32	(6.66)
Non-profit institutions	8.05	0.02	0.00	0.00	0.00
Government and Social security institutions	38.11	33.88	1.47	0.00	0.00
Other	252.86	0.00	0.00	0.00	0.00
TOTAL AT 31 DECEMBER 2023	**11,551.28**	**529.22**	**220.64**	**147.24**	**(85.93)**
Total at 31/12/2022	**10,853.50**	**588.96**	**256.61**	**429.72**	**(146.96)**

4.3 Treasury bills, bonds, equities and other fixed- and variable-income securities

4.3.1 Securities portfolio

Accounting principles

The term ‘securities’ covers interbank market securities, treasury bills and other negotiable debt securities, bonds and other fixed-income securities (i.e. securities with a non-random yield), equities and other variable-income securities..

For accounting purposes, securities transactions are governed by regulation no. 2014-07 of the French accounting standards authority (Autorité des Normes Comptables - ANC), which sets out the general recognition and measurement rules applicable to securities and the rules concerning specific transfers such as securities lending transactions.

Investment securities are classified in the following categories: investments in unconsolidated subsidiaries and shares in related companies, other long-term equity investments, held-to-maturity securities, equity securities available for sale in the medium term, available-for-sale securities and investment securities.

The investment securities, available-for-sale securities, held-to-maturity securities, equity investments available for sale in the medium term and counterparts with incurred default risks the impacts of which can be separately identified are recognised in the form of impairments. Changes in impairment are recorded under the cost of risk.

In the event of a securities lending transaction, the securities loaned cease to appear on the balance sheet and a receivable representing the book value of the securities loaned is recognised as an asset.

In the case of a securities borrowing transaction, the borrowed securities are recorded in the investment securities category with a corresponding liability to the securities debt to the lender for an amount equal to the market price of the securities in question on the date of borrowing. Borrowed securities are presented in the balance sheet as a deduction from the debt representing the value of the borrowed securities.

Investment securities

These are securities acquired or sold with the intention of reselling or repurchasing them in the short term. To be eligible for this category, the securities must be tradable on an active market at the date of their initial recognition and their market prices must be accessible, representing actual arm’s length transactions regularly occurring in the market. They may be either fixed or variable income securities.

Investment securities are recorded in the accounts at cost on their acquisition date, less transaction costs and including accrued interest, where applicable. In the event of a short sale, the debt is recorded under liabilities in the amount of the selling price of the securities, less transaction costs.

At closing, they are valued at the market price of the most recent day: the overall balance of differences resulting from price changes is recorded in the income statement. For UCITS and investment funds, market value corresponds to net asset values reflecting available market information at the balance sheet date.

Except in exceptional market situations requiring a change of strategy or in the event of the disappearance of an active market for fixed-income securities, securities classified as trading securities may not be transferred to another accounting category, and continue to follow the rules for presentation and valuation of trading securities until they are removed from the balance sheet by disposal, redemption in full or written off.

Available-for-sale securities

Securities that do not qualify for recognition in any other category are considered as available-for-sale securities.

Available-for-sale securities are recognised at cost on their acquisition date, less transaction costs.

Where applicable, for fixed-income securities, accrued interest is recognised under related accounts, with an offsetting entry on the income statement under “interest and similar income”.

Any difference between acquisition cost and redemption value (premium or discount) for fixed-income instruments is recognised on the income statement over the remaining term of the security using the actuarial method.

Available-for-sale securities are measured at the lower of cost or market value. For UCITS and investment funds, market value corresponds to net asset values reflecting available market information at the balance sheet date.

Unrealised capital losses are subject to an impairment provision that may be estimated using homogeneous groups of securities and may not be offset by capital gains recorded on other categories of securities.

Any gains generated by hedging instruments as defined in article 2514-1 of ANC regulation no. 2014-07, are taken into account in the calculation of impairment. Unrealised gains are not recognised.

Gains and losses on disposals of available-for-sale securities, as well as impairment charges and reversals are recognised in “net gains or losses on available- for-sale securities and similar items”.

Held-to-maturity securities
These include fixed-income securities with a fixed maturity that were acquired or have been reclassified from “investment securities” or “available-for-sale securities” and which the company intends and is able to hold to maturity. The securities should not be subject to an existing legal or constructive restriction, which may have an adverse effect on the company’s intent to hold the securities to maturity. Classification as held-to-maturity securities is not incompatible with their designation as items hedged against interest rate risk.

Investment securities are recorded in the accounts at cost at their acquisition date, less transaction costs. When they come from the investment portfolio, they are recorded at their acquisition price and any impairment previously recorded is reversed over the residual life of the relevant securities..

The difference between acquisition cost and redemption value of the securities, as well as the corresponding accrued interest, is recognised using the same rules as those applicable to fixed-income available-for-sale securities.

An impairment loss may be recognised if there is a strong probability that the bank will not hold the securities to maturity due to new circumstances or if there is a risk of default by the issuer. Unrealised gains are not recognised.

Investment securities cannot be sold or transferred into another category of securities, with certain exceptions.
Pursuant to the provisions of ANC regulation no. 2014-07, fixed-income investment securities or investment securities reclassified into the category of held- to-maturity securities as a result of market illiquidity may be sold when the market on which they are traded becomes active again.

Equity securities available for sale in the medium term
Equity securities available for sale in the medium term comprise securities held with the sole objective of obtaining capital gains in the medium term, without the intent of long-term investment, to develop the investee’s business activities or actively participate in its operational management. In theory, these are always variable-income securities. This investment activity has to be significant and continuous, carried out in a structured framework, and must generate regular returns derived primarily from capital gains on disposals.

Equity securities available for sale in the medium term are recognised at cost on their acquisition date, less transaction costs.

At the balance sheet date, they are carried at the lower of historical cost or value in use. An impairment charge is recognised for any unrealised capital losses. Unrealised gains are not recognised.

Securities recorded under equity securities available for sale in the medium term cannot be transferred to any other accounting category.

Other long-term equity investments are recognised at acquisition cost, less transaction costs.

They are recorded on the balance sheet at the lower of historical cost or value in use. Value in use is determined for listed and non-listed securities on the basis of the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is recognised for any unrealised capital losses. Unrealised gains are not recognised.

Securities classified as other long-term equity investments may not be transferred to any other accounting category.

	31/12/2023					31/12/2022				
in millions of euros	Transaction	Available-for-sale securities	Investment	Investment securities	Total	Transaction	Available-for-sale securities	Investment	Investment securities	Total
Gross	0.0	568.1	326.0	0.0	894.2	0.0	754.1	310.1	0.0	1,064.3
Accrued interest		4.7	0.7	0.0	5.4		10.1	0.7	0.0	10.8
Impairment		(35.4)	0.0	0.0	(35.4)		(63.4)	0.0	0.0	(63.4)
Treasury bills and similar securities	**0.0**	**537.4**	**326.7**	**0.0**	**864.1**	**0.0**	**700.9**	**310.8**	**0.0**	**1,011.7**
Gross	0.0	35.2	150.6	0.0	185.8	0.0	52.3	161.9	0.0	214.2
Accrued interest	0.0	1.7	1.0	0.0	2.8	0.0	0.2	1.3	0.0	1.5
Impairment	0.0	(0.1)	(27.2)	0.0	(27.3)	0.0	(2.0)	(21.0)	0.0	(23.0)
Bonds and other fixed-income securities	**0.0**	**36.8**	**124.4**	**0.0**	**161.3**	**0.0**	**50.5**	**142.3**	**0.0**	**192.8**
Gross amounts	0.0	15.0	0.0	0.0	15.0	0.0	0.0	0.0	0.0	0.0
Accrued interest		0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0
Impairment	0.0	(11.7)	0.0	0.0	(11.7)	0.0	0.0	0.0	0.0	0.0
Equities and other Variable-income securities	**0.0**	**3.3**	**0.0**	**0.0**	**3.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL	**0.0**	**577.6**	**451.1**	**0.0**	**1,028.7**	**0**	**751.4**	**453.0**	**0.0**	**1,204.5**

The market value of held-to-maturity securities amounted to €383.7 million.

Treasury bills and other similar securities

in millions of euros	31/12/2023 Transaction	Available-for-sale securities	Investment	Total	31/12/2022 Transaction	Available-for-sale securities	Investment	Total
Listed securities		532.7	326.0	858.7		690.9	310.2	1,001.0
Unlisted securities				0.0				0.0
Loaned securities				0.0				0.0
Doubtful loans and advances				0.0				0.0
Accrued interest		4.7	0.7	5.4		10.1	0.7	10.8
TOTAL	**0.0**	**537.4**	**326.7**	**864.1**	**0.0**	**701.0**	**310.8**	**1,011.8**
O/w subordinated notes		*0.0*	*0.0*	*0.0*		*0.0*	*0.0*	*0.0*

Government securities, bonds and other fixed-income securities

in millions of euros	31/12/2023 Transaction	Available-for-sale securities	Investment	Total	31/12/2022 Transaction	Available-for-sale securities	Investment	Total
Listed securities		35.1		35.1		50.4		50.4
Unlisted securities			121.8	121.8			139.8	139.8
Loaned securities				0.0				0.0
Doubtful loans and advances			1.5	1.5			1.1	1.1
Accrued interest		1.7	1.0	2.8		0.2	1.3	1.6
TOTAL	**0.0**	**36.8**	**124.4**	**161.3**	**0.0**	**50.6**	**142.2**	**192.8**
O/w subordinated notes		*0.0*	*0.0*	*0.0*		*0.0*	*0.0*	*0.0*

Unrealised losses on marketable securities amounted to -€40.9 million at 31 December 2023, compared with -€74.8 million at 31 December 2022.

The portion of bonds and other fixed-income securities issued by public bodies amounted to €785 million at 31 December 2023.

Equities and other variable-income securities

in millions of euros	31/12/2023 Transaction	Available-for-sale securities	Investment securities	Total	31/12/2022 Transaction	Available-for-sale securities	Investment securities	Total
Listed securities	3.3	0.0	0.0	3.3	0.0	0.0	0.0	0.0
Unlisted securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accrued interest	0.0	0.0	0.0	0.0	0.0	0.0		
TOTAL	**3.3**	**0.0**	**0.0**	**3.3**	**0.0**	**0.0**	**0.0**	**0.0**

4.3.2 Changes in investment securities

in millions of euros	01/01/2023	Purchases	Sales	Redemptions	Category transfer	Conversion	Discounts/ premiums	Other changes	31/12/2023
Treasury bills	310.9	14.3		0.0			1.6	(0.1)	326.7
Bonds and other fixed-income securities	142.2	26.1	(4.1)	(36.8)		0.0	(2.7)	(0.4)	124.4
TOTAL	**453.1**	**40.3**	**(4.1)**	**(36.8)**	**0.0**	**0.0**	**(1.1)**	**(0.4)**	**451.1**

4.3.3 Asset reclassifications

Accounting principles

To harmonise accounting practices and ensure consistency with IFRS, regulation no. 2014-07 of the French accounting standards authority (*Autorité des Normes Comptables - ANC*) reiterates the provisions of opinion no. 2008-19 of 8 December 2008 related to the reclassification of securities previously accounted for as “investment securities” or “investment securities”.

Reclassification of investment securities as available-for-sale securities or as held-to-maturity securities is now permitted in the following two cases:

- in exceptional market circumstances necessitating a change of strategy;
- where fixed-income securities are no longer, after their acquisition, quoted in an active market, and provided that the company has the intent and ability to hold them in the foreseeable future or until they reach maturity.

Reclassifications of available-for-sale securities as held-to-maturity securities are effective from the reclassification date in either of the following conditions:

- in exceptional market circumstances necessitating a change of strategy;
- where fixed-income securities are no longer quoted in an active market.

In its press release dated 23 March 2009, the French national accounting board (*Conseil National de la Comptabilité* - CNC) stated that “the possibility of portfolio transfers, in particular from investment securities portfolios to held-to-maturity securities portfolios, as stipulated in article 19 of CRN regulation no. 90-01 before it was updated by CRC regulation no. 2008-17, remains in force and has not been repealed by ANC regulation no. 2014-07”.

Since CRC regulation no. 2008-17, replaced by ANC regulation no. 2014-07, provided for additional possibilities of transfers between portfolios, these new transfer options extend those previously available from the date of the entry into force of the regulation on 1 July 2008.

As a consequence, reclassification of the available-for-sale securities portfolio as held-to-maturity securities remains possible upon a mere change of intent if, at the date of the transfer, all of the criteria for a held-to-maturity portfolio are met.

4.4 Investments, shares in related companies, other long-term equity investments

Accounting principles

Investments in subsidiaries and associates

Securities in this category are those deemed to be useful for the activity of the company if held over the long term, in particular by providing significant influence or control over the governance bodies of the issuing companies.

Investments in unconsolidated subsidiaries and shares in related companies are recorded at their acquisition price, including costs if the amounts are significant.

They are measured individually at the balance sheet date at the lower of acquisition cost or value in use. The value in use is determined, in particular, on the basis of criteria such as the strategic nature of the investment, the intention to provide assistance or retain the investment, share price performance, net assets or remeasured net assets and forecasts. Impairment is recognised for any unrealised capital losses on securities on a line-by-line basis and is not offset against unrealised capital gains. Unrealised gains are not recognised.

Investment securities recorded under investments in subsidiaries and associates cannot be transferred to any other accounting category.

Other long-term equity investments

Other long-term equity investments include securities acquired with the intention of promoting the development of lasting business relationships, by creating special ties with the investee, without taking an active part in its management owing to the small percentage of voting rights that the investment represents.

Other long-term equity investments are recognised at acquisition cost, less transaction costs.

They are recorded on the balance sheet at the lower of historical cost or value in use. Value in use is determined for listed and non-listed securities on the basis of the amount the company would agree to pay to obtain the securities, given its investment objective, if it were to acquire them. An impairment charge is recognised for any unrealised capital losses. Unrealised gains are not recognised.

Securities classified as other long-term equity investments may not be transferred to any other accounting category.

4.4.1 Changes in investments in subsidiaries, shares in related companies and in other long-term equity investments

in millions of euros	31/12/2022	Increase	Decrease	Conversion	Other changes	31/12/2023
Investments in subsidiaries and long-term equity investments	9.5	0.6	(0.0)	0.0	0.0	10.1
Shares in related companies	10.8	0.0	0.0	0.0	0.0	10.8
Gross	**20.3**	**0.6**	**(0.0)**	**0.0**	**0.0**	**20.9**
Investments in subsidiaries and other long-term equity investments	0.0	0.0	0.0	0.0	0.0	0.0
Shares in related companies	(4.4)	0.0	0.0	0.0	0.0	(4.4)
Impairment	**(4.4)**	**0.0**	**0.0**	**0.0**	**0.0**	**(4.4)**
Total	**16.0**	**0.6**	**(0.0)**	**0.0**	**0.0**	**16.5**

IT-CE and I-BP were merged into SNC BPCE SI in 2023. These securities were derecognised at the same time as the securities received from BPCE SI were recognised with no impact on the income statement in the absence of any commercial substance of this exchange.

4.4.2 Table of subsidiaries and equity investments

The amounts shown are stated in millions of euros.

Subsidiaries and investments	Share capital 31/12/2023	Shareholders' equity other than share capital including fund for general banking risks, as appropriate at 31/12/2023	% interest held at 31/12/2023	Carrying amount of shares held at 31/12/2023		Loans and advances granted by the company and not yet redeemed (incl. Perpetual subordinated notes) in 2023	Guarantees and endorsements given by the company in 2023	Net revenue before tax for the year to 31/12/2023	Net income for the year to 31/12/2023	Dividends received by the company in 2023	Observations
				Gross	Net						
A. DETAILED INFORMATION ON EACH SHARE WHOSE GROSS VALUE EXCEEDS 1% OF THE SHARE CAPITAL OF THE COMPANY SUBJECT TO PUBLICATION											
1. Subsidiaries (more than 50% owned)											
Sa palatine asset management 86, rue de courcelles - 75008 paris	2	11	100.00%	6	6	0	0	17	5	4.7	0
2. Equity interests (held between 10% and 50%)											
B. GENERAL INFORMATION ON OTHER SECURITIES WHOSE GROSS VALUE DOES NOT EXCEED 1% OF THE SHARE CAPITAL OF THE COMPANY SUBJECT TO PUBLICATION											
French subsidiaries (together)				5.0	0.6	0	0			0.0116439	0
Foreign subsidiaries (together)											
Investments in french companies				1.3	1.3	0	0			0	0
Investments in foreign companies											
O/w investments in listed companies											

4.4.3 Companies in which the establishment is a partner with unlimited liability

Corporate name	Head office	Legal form
GIE Caisse d'Epargne Risk and Distribution Syndication	7, promenade Germaine Sablon -75013 PARIS et distribution	Economic interest grouping
BPCE SERVICES FINANCIERS	110, avenue de France -75013 PARIS	Economic interest grouping
BPCE Achats	110, avenue de France -75013 PARIS	Economic interest grouping
GIE GDS Gestion Déléguée Sociale	86, rue de Courcelles - 75008 PARIS	Economic interest grouping
I-BP Investissements	23, Place de Wicklow - 78180 Montigny-le-Bretonneux	Economic interest grouping
BPCE Solutions crédit	50, Avenue Pierre-Mendes France - 75013 Paris	Economic interest grouping
SNC MENES	50, Avenue Pierre-Mendes France - 75013 Paris	Partnership
GIE I DATECH	8, Rue René Laennec - 67300 SCHILTIGHEIM	Economic interest grouping
I-BP	23, place de Wicklow - 78180 Montigny-le-Bretonneux	Economic interest grouping

4.4.4 Transactions with related companies

	31/12/2023			31/12/2022
in millions of euros	Credit institutions	Other businesses	Total	Total
Receivables	**0.7**	**0.1**	**0.8**	**0.8**
Of which subordinated				
Liabilities	**0.6**	**1.0**	**1.6**	**1.1**
Of which subordinated				
Financing commitments	0.0	0.0	0.0	0.0
Guarantee commitments	0.0	0.0	0.0	0.0
Other commitments given	0.0	0.0	0.0	0.0
Commitments given	**0.0**	**0.0**	**0.0**	**0.0**
Financing commitments	0.0	0.0	0.0	0.0
Guarantee commitments	0.0	0.0	0.0	0.0
Other commitments received	0.0	0.0	0.0	0.0
Commitments received	**0.0**	**0.0**	**0.0**	**0.0**

No significant off-market transactions took place with related parties.

4.5 Finance leases and operating leases (to be deleted if applicable)

Accounting principles

Emergency committee opinion no. 2006-C of the French national accounting board (Conseil National de la Comptabilité - CNC) states that non-current assets held for use in equipment, real estate, lease-purchase and operating leases are to be recorded as assets on the lessor's balance sheet. For this asset class, as an exception to the PCG (Plan Comptable Général) rules on asset recognition, the concept of legal ownership applies, rather than that of control. Fixed assets are recorded at acquisition cost, and the asset breakdown by component does not apply on the lessor's side when maintenance/replacement costs are contractually incumbent on the lessee. In the event of breach of contract, a prospective component approach applies.

In accordance with said opinion, the lessor is entitled to depreciate the assets presented in its individual financial statements either over the contract term (financial depreciation *i.e.* equal to the portion of the rent earned) or over the normal period of use of the asset (straight-line depreciation/declining balance). The option selected applies to all assets allocated under the same transaction category.

Pursuant to regulation no. 2014-07 of the French accounting standards authority (Autorité des Normes Comptables - QNC), fees and commissions and marginal transaction costs spread over the term of the lease are included in the amount outstanding.

Unpaid rents are identified, accounted for and provisioned for in accordance with ANC regulation no. 2014-07.

Banque palatine only conducts operating lease transactions as a lessee.

4.6 Intangible assets and property, plant and equipment

The recognition rules for non-current assets are set out in ANC regulation no. 2014-03.

4.6.1 Intangible assets

Accounting principles

An intangible asset is an identifiable non-monetary asset without physical substance. Intangible assets are carried at cost (purchase price including costs). These assets are amortised over their estimated useful life.

Software purchased is amortised over a maximum period of five years. The additional share of amortisation that software may benefit from, in application of the tax provisions, is recorded under special amortisation.

Goodwill is not amortised but is tested for impairment, where appropriate.

Leasehold rights are amortised on a straight-line basis over the residual term of the lease and, if necessary, are tested for impairment relative to market value.

in millions of euros	31/12/2022	Increase	Decrease	Other Movements	31/12/2023
Leasehold rights and commercial goodwill	100.4	0.0	(0.2)	0.0	100.2
Software	3.1	0.0	(1.4)	0.0	1.7
Other	(0.2)	0.0	0.0	0.0	(0.3)
Gross	**103.5**	**0.0**	**(1.7)**	**0.0**	**101.8**
Leasehold rights and commercial goodwill	0.8	(0.1)	0.0	0.0	0.7
Software	3.1	0.0	(1.4)	0.0	1.7
Other	0.0	0.0	0.0	0.0	0.0
Impairment	0.0	0.0	0.0	0.0	0.0
Amortisation and impairment	**3.9**	**(0.1)**	**(1.4)**	**0.0**	**2.4**
TOTAL NET VALUES	**99.6**	**0.1**	**(0.2)**	**0.0**	**99.4**

4.6.2 Tangible fixed assets

Accounting principles

Property, plant and equipment is a physical asset that is held for use in the production or supply of goods and services, for rental to others or for administrative purposes; and expected to be used over more than one financial year.

Insofar as buildings are assets consisting of a number of components that have different uses at the outset, each component is recognised separately at cost and a depreciation schedule specific to each component is used.

The depreciable amount is the gross value less the residual value where the latter is material, prolonged and can be measured reliably. The main components of buildings are depreciated to reflect the pattern of use of the asset's expected economic benefits, which generally matches the asset's useful life:

- construction, major works: 15 to 50 years;
- plant and equipment: 20 years;
- fixtures and fittings: 10 years;
- furniture and special equipment: from 5 to 10 years;
- computer equipment: from 3 to 5 years.

Other property, plant and equipment is carried at cost, production cost or remeasured cost. The cost of assets denominated in foreign currencies is translated into euros at the exchange rate ruling at the transaction date. These assets are depreciated to reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity, which generally corresponds to the asset's useful life.

Where applicable, impairment may be recognised on property, plant and equipment.

Investment property consists of non-operating property, plant and equipment and is accounted for using the component method.

in millions of euros	31/12/2022	Increase	Decrease	Other Movements	31/12/2023
Land	8.0	0.0	(4.2)	0.0	3.7
Constructions	0.0				0.0
Sci shares	0.0				0.0
Other	29.8	7.1	(6.0)	(2.4)	28.5
Property, plant and equipment used in operations	**37.8**	**7.1**	**(10.2)**	**(2.4)**	**32.3**
Property, plant and equipment not used in operations	**0.1**	**0.0**	**(0.1)**	**0.0**	**0.0**
Gross values	**37.9**	**7.1**	**(10.2)**	**(2.4)**	**32.3**
Land	6.6	0.3	(3.8)	0.0	3.2
Constructions	0.0				0.0
Sci shares	0.0				0.0
Other	15.9	4.4	(6.0)	0.0	14.4
Property, plant and equipment used in operations	**22.5**	**4.7**	**(9.7)**	**0.0**	**17.5**
Property, plant and equipment not used in operations	**0.1**	**0.0**	**(0.1)**	**0.0**	**0.0**
Amortisation and impairment	**22.7**	**4.7**	**(9.8)**	**0.0**	**17.6**
TOTAL NET VALUES	**15.2**	**2.4**	**(0.4)**	**(2.4)**	**14.7**

4.7 Debt securities

Accounting principles

Debt securities are presented by type: cash vouchers, interbank market securities and negotiable debt securities, bonds and similar securities, excluding subordinated notes which are classified in a specific line under liabilities.

Accrued interest not yet due on these securities is recognised under accrued interest as a balancing entry to the income statement.

Issue premiums are recognised in full during the period or on a straight-line basis over the life of the corresponding borrowings. Issue and redemption premiums are recognised on a straight-line basis over the life of the borrowing via a deferred expenses account.

In line with the conservatism principle, only the certain portion of structured debt interest and/or principal payments is recognised. An unrealised capital gain is not recognised. A provision is made for an unrealised loss.

in millions of euros	31/12/2023	31/12/2022
Certificates of deposit and savings bonds	0.0	0.0
Interbank market instruments and money market instruments	2,351.2	2,293.2
Bonds	0.0	0.0
Other debt securities	170.6	0.0
Accrued interest	26.5	5.0
TOTAL	**2,548.3**	**2,298.2**

4.8 Other assets and liabilities

in millions of euros	31/12/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities
Settlement accounts in credit on securities transactions	0.0	0.0	0.0	0.0
Premiums on conditional instruments bought and sold	0.0	0.0	0.0	0.0
Debt on borrowed securities and other debt securities	0.0	0.0	0.0	0.0
Tax and social security receivables and liabilities	1.1	33.5	9.3	15.4
Security deposits paid and received	62.8	273.3	96.4	508.9
Other non-trade receivables, other accounts payable	96.0	78.9	97.4	106.5
TOTAL	**159.9**	**385.7**	**203.0**	**630.8**

In accordance with anc regulation no. 2020-10, the amount of debt on borrowed securities is reduced by the value of identical securities classified by the institution as investment securities and up to the amount of the debt. See note 4.3.1.

The amount of guarantee deposits paid, which record cash collateral payments, is €57.7 million compared to €61.4 million at the end of 2022.

4.9 Accruals and deferred income

In millions of euros	31/12/2023		31/12/2022	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange commitments	8.5	0.0	4.6	0.0
Deferred gains and losses on forwards, futures and options used for hedging purposes	9.6	14.8	9.5	46.0
Issue premiums and costs	0.0	0.0	0.0	0.0
Prepaid expenses and unearned income	2.8	4.7	3.7	5.3
Accrued income/expenses	115.6	135.2	90.6	124.7
Items in process of collection	0.3	8.3	0.5	9.7
Other*	25.6	41.1	116.6	19.9
TOTAL	**162.3**	**204.1**	**225.5**	**205.7**

** The "other" asset item mainly represents the amounts entered in suspense accounts, before being interfaced in the management modules, and on the liabilities side the cash flows awaiting allocation.*

4.10 Provisions

Accounting principles

This item includes provisions set up to cover contingencies and losses that are clearly identifiable but of uncertain timing or amount, that are either directly related or unrelated to banking transactions as laid down in article L. 3-311-1 and related transactions as laid down in article L. 3-311-2 of the French monetary and financial code. Unless they are covered by a specific text or relate to banking or related transactions, the establishment of such provisions is subject to the existence of an obligation to a third party at the reporting date and to the absence of an equivalent consideration expected from this third party, in accordance with the provisions of regulation no. 2014-03 of the French accounting standards authority (*Autorité des Normes Comptables - ANC*).

It includes a provision for employee benefit obligations and a provision for counterparty risks.

Employee commitments

Employee benefits paid are accounted for in accordance with ANC recommendation no. 2013-R-02. They are classified into four categories:

Short-term employee benefits

Short-term employee benefits mainly include wages, salaries, paid annual leave, incentive schemes, profit-sharing, and bonuses payable within 12 months of the end of the period in which the employee renders the service. They are expensed in the period, including amounts remaining due at the reporting date.

Following the ruling of the court of cassation of 13 September 2023 allowing employees to acquire paid leave entitlements during their sick leave, regardless of the origin of the illness or the duration of the sick leave, and pending the legislative clarifications that will be made accordingly, Groupe BPCE has decided to set aside a provision for the impact of this decision as soon as this ruling is made.

Long-term employee benefits

Long-term employee benefits are generally linked to seniority, accruing to current employees and payable 12 months or more after the end of the period in which the employee renders the related service; this particularly concerns long-service awards. A provision is set aside covering the amount of these obligations at the reporting date.

Post-employment benefit obligations are measured using an actuarial method that takes account of demographic and financial assumptions such as age, length of service, the likelihood of the employee being on the payroll at retirement and the discount rate. The calculation allocates costs over the service life of each employee (projected unit credit method).

Termination benefits

Termination benefits are granted to employees on termination of their employment contract before the normal retirement date, either as a result of a decision by the group to terminate a contract or a decision by an employee to accept voluntary redundancy. A provision is set aside for termination benefits. Termination benefits payable more than 12 months after the reporting date are discounted to present value.

Post-employment benefits

Post-employment benefits include lump-sum retirement bonuses, pensions and other post-employment benefits.

These benefits can be classified into two categories: defined-contribution plans (not representing a commitment to be funded by the company) and defined- benefit plans (representing a commitment payable by the company and giving rise to valuation and provisioning).

Employee commitments not funded by contributions charged to income and paid out to pension funds or insurance companies are provided for in liabilities on the balance sheet.

They are measured in the same manner as long-term employee benefits.

The measurement of these obligations reflects the value of plan assets as well as previously unrecognised actuarial gains and losses.

Actuarial gains and losses of post-employment benefits, representing differences in calculation assumptions (early retirement, discount rate, etc.) Or recognised between actuarial assumptions and actual calculations (return on hedging assets, etc.) Are amortised according to the so-called corridor rule, i.e. for the part that exceeds a change of more or less than 10% of the commitments or assets.

The annual expense in respect of defined-benefit plans includes the current service cost, interest cost (the effect of discounting the net obligation), the past service cost and the amortisation of any previously unrecognised actuarial gains and losses.

Provisions for regulated home savings products

Regulated home savings accounts (*Comptes d'Épargne Logement* - CEL) and regulated home savings plans (*Plans d'Épargne Logement* - PEL) are retail products marketed in France governed by the 1965 law on home savings plans and accounts, and subsequent implementing decrees.

Regulated home savings products generate two types of commitments for institutions marketing these products:

- a commitment to grant a loan to the customer at a future date at a rate set at inception of the contract (for PEL products) or at a rate contingent on the savings phase (for CEL products);
- a commitment to pay interest on the savings at a future date at a rate set at inception of the contract for an indefinite period (for PEL products) or at a rate set on a semi-annual basis according to an indexation formula regulated by law (for CEL products).

Commitments with potentially adverse consequences for the group are measured for each generation of regulated home savings plans and for all regulated home savings accounts.

A provision is recognised for the associated risks by discounting future potential income from at-risk outstanding:

- at-risk savings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. They are estimated on a statistical basis for each future period taking account of savers' historical patterns of behaviour and reflect the difference between the probable outstandings and the minimum expected savings;
- at-risk loans correspond to the loans outstanding granted but not yet due at the calculation date plus statistically probable loans outstanding based on customers' historical patterns of behaviour as well as vested and projected rights from regulated home savings accounts and plans.

The commitments are estimated using the Monte Carlo method to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings. On this basis, a provision is made for the same generation of contracts in the event of a potentially unfavourable situation for the group, without compensation between generations.

The provision is recognised under liabilities on the balance sheet, and changes are recognised in net banking income.

4.10.1 Table of changes in provisions

in millions of euros	31/12/2022	Allocations	Reversals	Uses	Other Movements	31/12/2023
Provisions for counterparty risks	**87.5**	**32.0**	**(33.5)**	**0.0**	**(0.2)**	**85.8**
Provisions for employee benefit obligations	**11.9**	**1.2**	**(0.1)**	**0.0**	**0.0**	**13.0**
Provisions for PEL/CEL regulated accounts	**2.6**	**0.0**	**(0.4)**	**0.0**	**0.0**	**2.2**
Provisions for litigation	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Provisions for restructuring	**5.0**	**0.0**	**(4.3)**	**0.0**	**0.0**	**0.7**
Securities portfolio and forwards, futures and options	7.4	3.5	(2.6)	0.0	0.0	8.3
Non-current financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Risks on banking transactions	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for taxes	0.0	0.0	0.0	0.0	0.0	0.0
Other	12.4	4.3	(4.1)	0.0	0.0	12.6
Other provisions for contingencies	**19.8**	**7.9**	**(6.7)**	**0.0**	**0.0**	**21.0**
Provisions for it restructuring	0.0	0.0	0.0	0.0	0.0	0.0
Other exceptional provisions	0.0	0.0	0.0	0.0	0.0	0.0
Exceptional provisions	**0.0**					**0.0**
TOTAL	**126.8**	**41.0**	**(44.9)**	**0.0**	**(0.2)**	**122.7**

4.10.2 Provisions and impairment for counterparty risks

In millions of euros	31/12/2022	Allocations(3)	Reversals(3)	Uses	Conversion and other movements(4)	31/12/2023
Impairment of loans and advances to customers	257.0	105.4	(108.5)	(30.3)	(5.4)	218.2
Impairment of other loans and advances	21.0	6.2	0.0			27.2
Impairment of assets	**278.1**	**111.6**	**(108.5)**	**(30.3)**	**(5.4)**	**245.4**
Provisions for off-balance sheet commitments(1)	29.9	31.9	(23.4)			38.3
Provisions for country risks	0.0					0.0
Provisions for customer counterparty risk(2)	57.6	0.1	(10.1)			47.6
Other provisions	0.0					0.0
Provisions for counterparty risk recognised as liabilities	**87.5**	**31.9**	**(33.5)**	**0.0**	**0.0**	**85.9**
TOTAL	**365.5**	**143.5**	**(142.0)**	**(30.3)**	**(5.4)**	331.3

(1) provisions for financing commitments and guarantees with proven risk.

(2) a provision for counterparty risk is set aside for non-doubtful exposures, whether on or off balance sheet, where the available information points to a risk of default and loss at maturity (see notes 4.1 and 4.2.1).

(3) the institution applies the methods for recording movements related to impairments and provisions in accordance with the provisions of regulation no. 2014-07 of the ANC.

(4) includes interest provisions presented under net revenue before tax.

4.10.3 Provisions for employee benefit obligations

Post-employment benefits related to defined-contribution plans

Defined-contribution plans refer to mandatory social security pension schemes as well as those managed by the AGIRC and ARRCO pension funds and the supplementary pension schemes to which the Caisse d'Epargne and Banque Populaire banks belong.

Post-employment benefits relating to defined-benefit plans and long-term employee benefits

Banque palatine's obligations in this regard relate to the following schemes:

- retirements and similar schemes: pensions and other post-employment benefits;
- other: benefits such as long-service awards and other long-term employee benefits

These commitments are calculated in accordance with recommendation no. 2013-R-02 of the French accounting standards authority, as amended on 5 November 2021.

Analysis of assets and liabilities recorded on the balance sheet

	2023 financial year					2022 financial year				
	Post-employment benefits under defined-benefit plans	Other long-term benefits				Post-employment benefits under defined-benefit plans	Other long-term benefits			
In thousands of euros	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other benefits	TOTAL	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other benefits	TOTAL
Actuarial liabilities	0.5	2.7	2.9	7.7	13.8	0.5	1.7	2.9	7.5	12.6
Fair value of plan assets										
Fair value of reimbursement rights										
Asset cap effect										
Unrecognised actuarial gains/(losses)	0.0	0.8	0.0	0.0	0.8	0.1	(0.7)	0	0	(0.6)
Unrecognised past service cost										
NET AMOUNT REPORTED ON THE BALANCE SHEET	**0.5**	**3.5**	**2.9**	**7.7**	**14.6**	**0.6**	**1.0**	**2.9**	**7.5**	**11.9**
Employee benefits, liabilities	0.5	3.5	2.9	7.7	14.6	0.6	1.0	2.9	7.5	11.9
Active employee benefits										

Analysis of the expense for the period

	Post-Employment Benefits Under Defined-Benefit Plans	Other Long-Term Benefits			2023 Financial Year	2022 Financial Year
In millions of euros	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other benefits	Total	Total
Service cost	0.0	0.9	0.2		1.1	1.7
Service cost	0.0	(0.1)	0.0		(0.1)	(0.6)
Interest cost	0.0	0.1	0.1		0.2	0.1
Finance income	(0.1)	(0.1)	(0.3)		(0.4)	(1.2)
Benefits paid	0.0	(0.3)	(0.1)		(0.4)	(1.4)
Contributions received		0.0	0.0			
Actuarial gains and losses	0.0	0.0	0.0			
Other		0.4	0.1		0.5	0.7
TOTAL EXPENSE FOR THE PERIOD	**(0.1)**	**0.9**	**0.0**		**0.9**	**(0.7)**

The pension reform in France (law 2023-270 of 14 April 2023 amending the financing of social security for 2023 and implementing decrees 2023-435 and 2023-436 of 3 June 2023) was taken into account for the valuation of the actuarial debt at 31 December 2023. The impact of this reform is considered to be a plan change recognised in past service cost.

Main actuarial assumptions

Excluding CGPCE and CAR-BP	2023 financial year				2022 financial year			
	Post-employment benefits under defined-benefit plans		Other long-term benefits		Post-employment benefits under defined-benefit plans		Other long-term benefits	
	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other benefits	Supplementary pension benefits and other	Termination benefits	Long-service awards	Other benefits
Discount rate	2.95%	3.16%	3.01%		3.66%	3.75%	3.58%	
Inflation rate	2.40%	2.40%	2.40%		2.40%	2.40%	2.40%	
Wage growth rate	0.00%	0.00%	0.00%		0.00%	0.00%	0.00%	
Rate of change in medical costs								
Life tables used								
Duration								

IFRS 19 provides that the discount rate used is determined on the basis of a market yield curve depending on the duration of the liability.

The life tables used are those drawn up by Insee by generation and by gender (TG h05 and TG TF 05).

The retirement age is determined individually as the one at which the employee reaches the full pensionable rate under the social security pension scheme. If the start date of professional activity is not known, then the assumption of the starting age used is 23 for managers and 20 for non-managers.

Groupe BPCE is assuming voluntary retirement.

The remuneration growth assumption is added to the forward-looking inflation assumption.

The average prospective inflation rate over the period covered by the commitments is set at 2.40%.

4.10.4 PEL/CEL provisions

Deposit account balances

in millions of euros	31/12/2023	31/12/2022
Deposits held in pel regulated home savings plans		
• less than 4 years of service	4.9	4.6
• more than 4 years of service and less than 10 years	57.3	71.5
• more than 10 years of service	85.8	89.9
Deposits collected via home savings plans	**147.9**	**166.0**
Deposits collected via home savings accounts	**15.6**	**15.5**
TOTAL	**163.5**	**181.5**

Loans granted

in millions of euros	31/12/2023	31/12/2022
Loans granted		
• in respect of home savings plans	0.0	0.0
• in respect of home savings accounts	0.1	0.0
TOTAL	**0.1**	**0.0**

Provisions for commitments related to regulated home savings plans and accounts

in millions of euros	31/12/2022	Charges/net reversals	31/12/2023
Provisions for pel regulated home savings plans			
• Less than 4 years of service	0.0	0.0	0.0
• More than 4 years of service and less than 10 years	0.2	(0.1)	0.1
• More than 10 years of service	2.0	(0.4)	1.7
Provisions for home savings plans	**2.3**	**(0.5)**	**1.8**
Provisions for home savings accounts	**0.3**	**0.1**	**0.4**
Provisions for PEL loans	0.0	0.0	0.0
Provisions for CEL loans	0.0	0.0	0.0
Provisions for home savings loans	**0.0**	**0.0**	**0.0**
TOTAL	**2.6**	**(0.4)**	**2.2**

4.11 Subordinated debt

Accounting principles

Subordinated debt consists of the proceeds from issues of term and perpetual subordinated debt securities, plus mutual guarantee deposits. Should the debtor be liquidated, subordinated debt may be redeemed only after the claims of all the other creditors have been satisfied.

Accrued interest payable on subordinated debt is disclosed separately as a balancing entry to the income statement.

in millions of euros	31/12/2023	31/12/2022
Term subordinated debt	340.0	325.0
Perpetual subordinated debt	100.0	0.0
Accrued interest	1.0	3.8
TOTAL	**441.0**	**328.8**

These borrowings have the following characteristics:

Currency	Issue date	Outstandings at 31/12/2023 In millions of euros	Issue price in millions of euros	Rate	Interest step-up in basis points (1)	Date of call or interest step- up	Mandatory payment	Maturity date if not determined
EUR	07/12/2015	150.0	150.0	Euribor 3M + 2.29%			yes	08/12/2025
EUR	21/12/2017	50.0	50.0	Euribor 3M + 0.97%			yes	22/12/2027
EUR	28/03/2018	100.0	100.0	4.29%		28/03/2023	no	
EUR	28/09/2022	25.0	25.0	Euribor 3M + 2.825%			yes	28/09/2032
EUR	29/03/2023	75.0	75.0	Euribor 3M + 2.97%			yes	29/03/2033
EUR	18/12/2023	40.0	40.0	Euribor 3M + 2.37%			yes	18/12/2033
TOTAL		**440.0**	**440.0**					

(1) Above 3-month euribor.

4.12 Fund for general banking risks

General principles

These funds are intended to cover the risks inherent in the entity's activities.

in millions of euros	31/12/2022	Increase	Decrease	Other changes	31/12/2023
Fund for general banking risks	1.3	0.0	0.0	0.0	1.3
TOTAL	**1.3**	**0.0**	**0.0**	**0.0**	**1.3**

4.13. Equity

in millions of euros	Share capital	Share premiums	Retained earnings/other	Carried forward	Profit or loss	Total shareholders' equity excl. FRBG
Total at 31 December 2021	**688.8**	**56.7**	**50.9**	**182.3**	**38.4**	**1,017.2**
Movements during the year			1.9	36.6	(41.2)	(2.7)
Total at 31/12/2022	**688.8**	**56.7**	**52.8**	**218.9**	**(2.7)**	**1,014.5**
Appropriation of 2022 income				(2.7)	2.7	0.0
Dividend payments						0.0
Capital increase					0.0	0.0
Net income for the period					124.2	124.2
TOTAL AT 31 DECEMBER 2023	**688.8**	**56.7**	**52.8**	**216.158**	**124.2**	**1,138.7**

Banque Palatine's share capital amounts to €688.8 million and comprises 34,440,134 shares with a par value of €20 each, fully subscribed to by BPCE.

4.14 Residual duration of uses and resources

Sources and uses of funds with pre-set due dates are presented by residual maturity and include accrued interest.

	31/12/2023						
in millions of euros	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Not determined	Total
Treasury bills and similar securities	(30.1)	0.0	0.0	531.6	362.6	0.0	864.1
Loans and advances due from credit institutions	2,304.3	785.0	547.1	600.0	459.6	0.0	4,696.0
Customer transactions	1,640.2	547.9	1,255.2	4,435.9	3,675.9	304.7	11,859.9
Bonds and other fixed-income securities	13.1	5.0	10.0	71.0	65.5		164.6
Finance and operating leases	0.0	0.0	0.0	0.0	0.0		0.0
TOTAL USES OF FUNDS	**3,927.5**	**1,337.9**	**1,812.3**	**5,638.6**	**4,563.6**	**304.7**	**17,584.5**
Amounts due to credit institutions	215.9	866.0	442.8	815.2	9.8	0.0	2,349.7
Customer transactions	10,252.1	162.4	238.2	197.3	1.0	0.0	10,850.9
Debt securities	365.5	360.2	1,608.3	178.4	35.9		2,548.3
Subordinated debt	1.0	0.0	0.0	200.0	140.0	100.0	441.0
TOTAL SOURCES OF FUNDS	**10,834.5**	**1,388.6**	**2,289.3**	**1,390.9**	**186.7**	**100.0**	**16,189.9**

Following the application of ANC regulation no. 2020-10, debt securities are presented after deduction of borrowed securities and the receivable on the savings fund is presented as a deduction from regulated savings. Please refer to notes 4.2, 4.3.1 and 4.8.

NOTE 5 Information on off-balance sheet and similar transactions

5.1 Commitments received and given

General principles

Financing commitments

Financing commitments in favour of credit institutions and similar institutions include refinancing agreements, acceptances payable or commitments to pay, confirmations of the opening of documentary credits and other commitments granted to credit institutions.

Financing commitments in favour of customers include confirmed credit lines, commercial paper substitution lines, commitments on securities issue facilities and other commitments in favour of economic agents other than credit institutions and similar institutions.

Financing commitments received include refinancing agreements and miscellaneous commitments received from credit institutions and similar institutions.

Guarantee commitments

Guarantee commitments to credit institutions include: sureties, endorsements and other guarantees to credit institutions and similar institutions.

Guarantee commitments to customers include: sureties, endorsements and other guarantees to economic agents other than credit institutions and similar institutions.

Guarantee commitments received include: sureties, endorsements and other guarantees received from credit institutions and similar institutions.

5.1.1 Financing commitments

in millions of euros	31/12/2023	31/12/2022
Financing commitments given		
To credit institutions	**2.1**	**0.0**
Documentary credits	122.3	70.4
Other confirmed credit lines	2,154.7	1,988.5
Other commitments	17.5	30.4
To customers	**2,294.5**	**2,089.3**
TOTAL FINANCING COMMITMENTS GIVEN	**2,296.6**	**2,089.3**
Financing commitments received		
From credit institutions		**304.7**
From customers	**0.0**	**0.0**
TOTAL FINANCING COMMITMENTS RECEIVED	**0.0**	**304.7**

5.1.2 Guarantee commitments

in millions of euros	31/12/2023	31/12/2022
Guarantee commitments given		
Confirmation of documentary credit lines	86.6	66.1
Other guarantees	0.7	12.6
To credit institutions	**87.2**	**78.7**
Real estate guarantees	183.4	192.2
Government and tax guarantees	86.9	89.1
Other guarantees and sureties given	0.0	0.0
Other guarantees given	988.2	1,021.3
To customers	**1,258.5**	**1,302.6**
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,345.7**	**1,381.3**
Guarantee commitments received from credit institutions	408.0	216.7
TOTAL GUARANTEE COMMITMENTS RECEIVED	**408.0**	**216.7**

5.1.3 Other commitments not recognised off-balance sheet

	31/12/2023		31/12/2022	
in millions of euros	Commitments given	Commitments received	Commitments given	Commitments received
Other securities pledged as collateral to credit institutions				
Other securities pledged as collateral received from customers		7,055.2		6,803.9
TOTAL	**0.0**	**7,055.2**	**0.0**	**6,803.9**

No other major commitments were given by Banque Palatine as collateral for its own commitments or for those of third parties.

5.2 Transactions on derivative financial instruments

Accounting principles

Trading and hedging transactions in interest rate, currency or equity derivative financial instruments are recognised in accordance with the provisions of ANC regulation no. 2014-07.

Commitments arising from these instruments are recorded off-balance sheet at the notional value of the contracts. At the balance sheet date, the amount recognised in respect of these commitments represents the volume of unwound forward transactions at the balance sheet date.

The accounting policies applied vary depending on the type of instrument and the original purpose of the transaction.

Futures and forwards

Interest rate *swaps* and similar contracts (forward rate agreements, collars, etc.) Are classified as follows based on their initial purpose:

- micro-hedging (allocated hedging);
- macro-hedging (global asset and liability management);
- speculative positions/isolated open positions;
- for use with a trading book.

Amounts received or paid in respect of the first two categories are recognised in income on a *pro rata* basis.

Income and expense related to instruments used for hedging an asset or a homogeneous group of assets is recognised in income in the same manner and period as the income and expense from the hedged items. Gains and losses on hedging instruments are recognised in the same line item as the income and expense from the hedged item under “interest and similar income” and “interest and similar expenses”. The “net gains or losses on trading book transactions” line item is used when the hedged items are in the trading book.

Should over-hedging be identified, a provision may be set aside to cover the over-hedged portion of the hedging instrument, if the instrument shows an unrealised loss. In this case, the charge to provisions is made with a corresponding adjustment to “net gains or losses on trading book transactions”.

Income and expense related to futures and options instruments used for hedging purposes or for managing global interest rate risk is recognised in income on a *pro rata* basis under “interest and similar income” and “interest and similar expenses”. Unrealised gains and losses are not recorded.

Gains and losses on contracts classified as isolated open positions are taken to income either when the contracts are unwound or over the life of the contract, depending on the type of instrument.

Unrealised capital gains or losses are determined based on the type of market involved (organised, other markets considered as organised, or over-the- counter).

On over-the-counter markets (which include transactions handled by clearing houses), a provision is recorded for any unrealised losses relative to market value. Unrealised capital gains are not recognised.

Instruments traded in organised markets or other markets considered as organised are continuously quoted and liquid enough to justify being marked to market.

Contracts classified as specialised asset management contracts are measured after applying a discount to take account of the counterparty risk and the net present value of future management costs, if these valuation adjustments are material. Derivatives that are traded with a counterparty that is a member of Groupe BPCE's share support mechanism (see note 1.2) are not subject to these valuation adjustments.

Changes in value from one accounting period to another are recognised immediately in the income statement under “net gains or losses on trading book transactions”.

Balances on terminations or transfers are recognised as follows:

- transactions classified under specialised asset management or isolated open positions are recognised immediately in income;
- for micro-hedging and macro-hedging transactions, balances are amortised over the remaining term of the initially hedged item or taken immediately to income.

Options

The notional amount of the underlying asset of an option or forward or futures contract is recognised by distinguishing between hedging contracts and contracts traded as part of capital market transactions.

For transactions involving interest rate, currency, or equity options, the premiums paid or received are recognised in a suspense account. At the end of the period, any options traded on an organised or similar market are measured and recognised in the income statement. For over-the-counter (OTC) options, provisions are set aside for capital losses, but unrealised capital gains are not recognised. When an option is sold, repurchased, exercised or lapses, the corresponding premium is recognised immediately in income.

Income and expenses arising from hedging instruments are recognised in the same manner and period as those relating to the hedged item. Written options are not eligible for classification as macro-hedging instruments.

Over-the-counter markets may be treated as organised markets when institutions acting as market makers guarantee continuous quotations with spreads that reflect market practice or when the underlying financial instrument is itself quoted in an organised market.

5.2.1 Financial instruments and forward foreign exchange transactions

in millions of euros	31/12/2023 Hedge	Other transactions	Total	Fair value	31/12/2022 Hedge	Other transactions	Total	Fair value
Futures and forwards								
Interest rate contracts	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency contracts			0.0	0.0			0.0	0.0
Other contracts			0.0	0.0			0.0	0.0
Transactions in organised markets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency contracts	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*431.2*	*431.2*	*0.0*
Forward rate agreements (fra)	*0.0*	*6,276.3*	*6,276.3*	*(2.1)*	*0.0*	*0.0*	*0.0*	*0.0*
Interest rate *swaps*	7,200.8	3,550.5	10,751.3	(21.4)	6,254.1	2,784.5	9,038.6	(21.8)
Financial currency *swaps*	45.0	0.0	45.0	0.1	76.5	0.0	76.5	(0.0)
Other forward contracts	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*
Over-the-counter transactions	**7,245.9**	**9,826.8**	**17,072.7**	**(23.4)**	**6,330.6**	**3,215.7**	**9,546.3**	**(21.8)**
Total futures and forwards	**7,245.9**	**9,826.8**	**17,072.7**	**(23.4)**	**6,330.6**	**3,215.7**	**9,546.3**	**(21.8)**
Options								
Interest rate options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Currency options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transactions in organised markets	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Interest rate options	13,702.9	0.0	13,702.9	(24.2)	11,452.5	0.0	11,452.5	(19.8)
Currency options	1.8	3,463.3	3,465.1	0.9	0.0	7,623.1	7,623.1	3.7
Other options	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Over-the-counter transactions	**13,704.7**	**3,463.3**	**17,167.9**	**(23.3)**	**11,452.5**	**7,623.1**	**19,075.6**	**(16.1)**
Total conditional transactions	**13,704.7**	**3,463.3**	**17,167.9**	**(23.3)**	**11,452.5**	**7,623.1**	**19,075.6**	**(16.1)**
TOTAL FINANCIAL AND FORWARD FOREIGN EXCHANGE INSTRUMENTS	**20,950.5**	**13,290.1**	**34,240.6**	**(46.7)**	**17,783.1**	**10,838.8**	**28,621.9**	**(37.9)**

The notional amounts of contracts listed in this table are solely intended to provide an indication of the volume of Banque Palatine's activities involving financial instruments at the reporting date and do not reflect the market risk associated with these instruments.

Commitments on interest rate instruments traded over the counter mainly consisted of interest rate *swaps* and FRAS for futures and forwards, and interest rate guarantees for options.

Commitments on foreign exchange instruments traded over the counter mainly consisted of currency *swaps*.

5.2.2 Breakdown of over-the-counter interest rate financial instruments and currency *swaps* traded by type of portfolio

	31/12/2023					31/12/2022				
in millions of euros	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	Total	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	Total
Interest rate contracts			*0.0*		*0.0*			*0.0*		*0.0*
Interest rate swaps	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*6,033.8*	*220.3*	*2,784.5*		*9,038.6*
Currency contracts	*7,050.1*	*150.7*	*3,550.5*		*10,751.3*	*0.0*		*431.2*		*431.2*
Currency swaps	*45.0*		*0.0*		*45.0*	*76.5*		*0.0*		*76.5*
Other forward interest rate contracts			*0.0*		*0.0*			*0.0*		*0.0*
Futures and forwards	**7,095.1**	**150.7**	**3,550.5**	**0.0**	**10,796.4**	**6,110.3**	**220.3**	**3,215.7**	**0.0**	**9,546.3**
Other options					*0.0*					*0.0*
Interest rate options	*13,702.9*		*0.0*		*13,702.9*	*11,452.5*		*0.0*		*11,452.5*
Currency options	*0.0*		*0.0*		*0.0*	*0.0*		*7,623.1*		*7,623.1*
Options	**13,702.9**	**0.0**	**0.0**	**0.0**	**13,702.9**	**11,452.5**	**0.0**	**7,623.1**	**0.0**	**19,075.6**
TOTAL	**20,798.0**	**150.7**	**3,550.5**	**0.0**	**24,499.2**	**17,562.8**	**220.3**	**10,838.8**	**0.0**	**28,621.9**

There were no transfers of transactions to another portfolio during the year.

	31/12/2023					31/12/2022				
in millions of euros	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	Total	Micro-hedge	Macro-hedge	Isolated open position	Specialised management	Total
Fair value	(52.5)	(4.1)	11.1	0.0	(45.5)	(64.2)	(11.4)	37.6	0.0	(37.9)

Residual term of commitments on derivative financial instruments

	31/12/2023			
in millions of euros	Less than 1 year	1 year to 5 years	Over 5 years	Total
Transactions in organised markets	0.0	0.0	0.0	0.0
Over-the-counter transactions	1,014.3	3,822.6	5,914.4	10,751.3
Futures and forwards	**1,014.3**	**3,822.6**	**5,914.4**	**10,751.3**
Transactions in organised markets	0.0	0.0	0.0	0.0
Over-the-counter transactions	5,618.5	10,282.5	1,266.9	17,167.9
Options	**5,618.5**	**10,282.5**	**1,266.9**	**17,167.9**
TOTAL	**6,632.8**	**14,105.2**	**7,181.3**	**27,919.3**

5.3 Foreign currency transactions (optional)

Accounting principles

The income relating to foreign exchange transactions is determined in accordance with ANC regulation no. 2014-07.

Foreign currency receivables, payables and off-balance sheet commitments are translated at the exchange rate ruling at the end of the year. Definitive or unrealised foreign exchange gains and losses are recognised in income. Income and expense paid or received in foreign currencies is recognised at the exchange rate at the transaction date.

Property, plant and equipment, intangible assets and investments in subsidiaries denominated in foreign currencies but financed in euros are stated at acquisition cost.

Unsettled spot foreign exchange transactions are stated at the exchange rate at year-end.

Discounts or premiums on currency forwards and futures used for hedging purposes are recognised in income on a *pro rata* basis. Other currency forwards and futures and financial forwards and futures denominated in foreign currencies are marked to market. Outright currency forwards and futures and those hedged by forwards, futures and options, are remeasured over the remaining term. Foreign exchange *swaps* are recognised as combined spot purchase/forward sale transactions. Currency *swaps* are subject to the provisions of ANC regulation no. 2014-07.

in millions of euros	31/12/2023	31/12/2022
Spot foreign exchange transactions		
Currencies receivable not received	48.2	28.8
Currencies deliverable not delivered	48.7	20.1
TOTAL	**96.9**	**48.9**

5.4 Breakdown of the balance sheet by currency (optional)

	31/12/2023		31/12/2022	
in millions of euros	Assets	Liabilities	Assets	Liabilities
Euro	17,256	17,257	16,331	16,332
Dollar	564	564	705	705
Pound sterling	50	50	50	50
Swiss franc	17	17	11	11
Yen	7	7	7	7
Other	148	148	114	114
TOTAL	**18,042**	**18,042**	**17,218**	**17,218**

NOTE 6 Other information

6.1 Consolidation

With reference to article 4111-1 of regulation no. 2014-07 of the French accounting standards authority (Autorité des Normes Comptables - ANC), in accordance with article 111-1 of ANC regulation no. 2020-01, Banque Palatine prepares consolidated financial statements in accordance with international accounting standards.

Its individual financial statements are included in the consolidated financial statements of Groupe BPCE.

6.2 Remuneration, advances, loans and commitments

The total remuneration paid in 2023 to members of the management bodies amounted to €0.7 million.

During 2023, no advances and loans were granted to any member of the administrative, management or supervisory bodies.

6.3 Statutory auditors' fees

	Deloitte				PricewaterhouseCoopers				KPMG				Total			
Amount in thousands of euros	**Amount**		**%**		**Amount**		**%**		**Amount**		**%**		**Amount [1]**		**%**	
	2023	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Role of certification of financial statements	132	144	89%	58%	165	174	98%	97%	0	19		83%	297	337	94%	75%
Issuer	132	144			165	174			0	19			297	337		
Services other than the certification of the financial statements	16	105	11%	42%	4	5	2%	3%	0	4		17%	20	114	6%	25%
Issuer	16	105			4	5			0	4			20	114		
TOTAL	**148**	**249**	**100%**	**100%**	**169**	**179**	**100%**	**100%**	**0**	**23**	**100%**	**100%**	**317**	**451**	**100%**	**100%**
Change (%)			*- 41%*				*(6%)*				*(100%)*				*(30%)*	

(1) the amounts relate to the services shown in the income statement for the financial year, including in particular non-recoverable vat.

The total amount of Deloitte fees included in the profit and loss account for the year was €148 thousand, of which €132 thousand related to the certification of the 2023 financial statements, €6 thousand related to the production of the FRU certificate for 2023 and €10 thousand related to other services (ESEF, H3C, etc.).

The total amount of PricewaterhouseCoopers' fees recorded in the consolidated income statement for the financial year amounted to €169 thousand, of which €165 thousand for the certification of the financial statements for the 2023 financial year and €4 thousand for other services (ESEF, h3c, etc.)..

6.4 Operations in non-cooperative countries

Article L. 511-45-i of the French monetary and financial code and the decision of 6 October 2009 issued by the French minister of the economy require credit institutions to disclose in the notes to their annual financial statements information about their presence and activities in countries and territories that have not entered into an administrative assistance agreement with France for the exchange of banking information to combat tax fraud and tax evasion.

These obligations fit within the broader scope of global action against uncooperative tax havens, which were defined at OECD meetings and summits, and are also intended to prevent money laundering and terrorism financing.

Since its foundation, Groupe BPCE has adopted a prudent approach. It ensures that entities belonging to its networks are regularly informed of updates to the OECD list of territories that are considered as uncooperative as regards the effective exchange of tax information as well as about the potential consequences of maintaining operations in uncooperative territories. In addition, lists of these territories were added in part to the ERP systems used in the fight against money laundering with a view to ensuring an appropriate level of vigilance for transactions with non-cooperative countries and territories (implementation of decree no. 2009-874 of 16 July 2009). An inventory of the group's locations and activities in uncooperative territories was drawn up by the central body to keep management bodies informed.

This statement is based on the list of countries named in the decision of 3 February 2023, made in application of article 238-0-a of the French general tax code.

At 31 December 2023, Banque Palatine had no offices or activities in uncooperative tax havens.

3 IFRS consolidated financial statements of the Palatine group at 31 December 2023

3.1 Consolidated income statement

in millions of euros	Notes	2023 financial year	2022 financial year
Interest and similar income	4.1	590.0	276.4
Interest and similar expenses	4.1	(310.9)	(55.2)
Fee and commission income	4.2	112.3	115.5
Fee and commission expenses	4.2	(11.5)	(11.6)
Gains or losses on financial instruments at fair value through profit or loss	4.3	15.6	28.7
Net gains or losses on financial instruments at fair value through equity	4.4	(5.5)	0.0
Net gains or losses arising from derecognition of financial assets at amortised cost	4.5	0.0	0.3
Income from other activities	4.6	0.7	0.5
Expenses from other activities	4.6	(6.6)	(8.0)
NET BANKING INCOME		**384.2**	**346.6**
General operating expenses	4.7	(212.3)	(207.8)
Depreciation, amortisation and impairment of property, plant and equipment and intangible assets	4.7	(11.3)	(9.0)
GROSS OPERATING INCOME		**160.7**	**129.8**
Cost of credit risk	7.1.1	(33.1)	(56.2)
OPERATING INCOME		**127.6**	**73.5**
Share in net income of associates and joint ventures consolidated under the equity method	11.4.2	0.3	0.3
Gains or losses on other assets	4.8	7.2	4.8
Changes in the value of goodwill	3.5.2	0.0	0.0
INCOME BEFORE TAX		**135.2**	**78.6**
Income tax	10.1	(34.4)	(20.6)
NET INCOME		**100.7**	**57.9**
Non-controlling interests		0.0	0.0
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**100.7**	**57.9**

3.2 Total income

in millions of euros	2023 financial year	2022 financial year
NET INCOME	**100.7**	**57.9**
ITEMS RECYCLABLE TO NET PROFIT OR LOSS	**19.5**	**(58.0)**
Remeasurement of financial assets at fair value through recyclable equity	26.2	(78.1)
Income taxes	(6.8)	20.1
ITEMS NOT RECYCLABLE TO NET PROFIT OR LOSS	**1.4**	**4.4**
Remeasurement (or actuarial gains and losses) in respect of defined- benefit plans	0.1	6.0
Other items recognised through non-recyclable equity	1.8	(0.1)
Income taxes	(0.5)	(1.5)
CHANGE IN GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY	**20.8**	**(53.6)**
TOTAL INCOME	**121.6**	**4.3**
Attributable to equity holders of the parent	121.6	4.3
Non-controlling interests	-	-
For information: amount of non-recyclable items transferred to reserve	-	-

3.3 Consolidated balance sheet

Assets

	Notes	31/12/2023	31/12/2022
Cash, central banks	5.1	5.2	9.4
Financial assets at fair value through profit or loss	5.2.1	428.4	608.0
Hedging derivatives	5.3	6.7	17.2
Financial assets at fair value through shareholders' equity	5.4	574.5	748.2
Securities at amortised cost	5.5.1	453.3	451.7
Credit institutions' loans and receivables and similar items at amortised cost	5.5.2	5,325.0	4,782.5
Customers' loans and receivables at amortised cost	5.5.3	11,797.3	11,097.1
Remeasurement gains and losses on interest rate risk- hedged portfolios		(3.6)	-
Current tax assets	10.1	-	8.9
Deferred tax assets	10.2	32.3	22.6
Accrual accounts and sundry assets	5.7	83.6	174.8
Non-current assets held for sale	5.8	-	-
Shares in associates	11.4.1	3.7	3.5
Investment property	5.9	-	-
Property, plant and equipment	5.10	55.8	36.8
Intangible assets	5.10	4.1	4.1
Goodwill	3.5.1	-	-
TOTAL ASSETS		**18,766.4**	**17,964.8**

Liabilities

in millions of euros	Notes	31/12/2023	31/12/2022 restated
Financial liabilities at fair value through profit or loss	5.2.2	380.5	557.4
Hedging derivatives	5.3	4.7	5.7
Debt securities	5.11	2,548.3	2,298.2
Amounts due to credit institutions and similar items	5.12	2,636.0	2,237.7
Amounts due to customers	5.12.2	11,407.6	11,339.8
Remeasurement gains and losses on interest rate risk- hedged portfolios		0.0	11.4
Current tax liabilities		9.9	0.1
Deferred tax liabilities	10.2	0.0	0.0
Accruals and miscellaneous liabilities	5.13	202.5	170.9
Liabilities related to non-current assets held for sale	5.8	0.0	0.0
Provisions	5.14	78.1	75.2
Subordinated debt	5.15	340.9	225.5
Equity		1,157.8	1,043.0
Equity attributable to equity holders of the parent		1,157.8	1,043.0
Share capital and related premiums		745.5	745.5
Consolidated retained earnings		338.5	287.3
Gains and losses recognised directly in other lines of comprehensive income		(26.9)	(47.7)
Net income for the period		100.7	57.9
Non-controlling interests		**0.0**	**0.0**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**18,766.4**	**17,964.8**

3.4 Statement of changes in shareholders' equity

	Share capital and related premiums			
in millions of euros	Share capital	Premiums	Perpetual deeply subordinated notes	Consolidated retained earnings
SHAREHOLDERS' EQUITY AT 1 JANUARY 2022	**688.8**	**56.7**	**100.0**	**189.4**
Distribution	-	-	-	(2.1)
Capital increase	-	-	-	-
Sct repayment	-	-	-	-
Sct repayment	-	-	-	-
Impact of acquisitions and disposals on non-controlling interests	-	-	-	-
TOTAL MOVEMENTS RELATED TO RELATIONS WITH SHAREHOLDERS	**0.0**	**0.0**	**-**	**(2.1)**
Gains and losses recognised directly in other lines of comprehensive income	-	-	-	-
Net income for the period	-	-	-	-
COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**
Other changes	-	-	-	-
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2022	**688.8**	**56.7**	**100.0**	**187.3**
Allocation of net income for the 2022 financial year	-	-	-	57.9
SHAREHOLDERS' EQUITY AT 1 JANUARY 2022	**688.8**	**56.7**	**100.0**	**245.2**
Distribution	-	-	-	(6.7)
Capital increase	-	-	-	-
Sct repayment	-	-	-	-
Sct repayment	-	-	-	-
Impact of acquisitions and disposals on non-controlling interests	-	-	-	-
TOTAL MOVEMENTS RELATED TO RELATIONS WITH SHAREHOLDERS	**0.0**	**0.0**	**0.0**	**(6.7)**
Gains and losses recognised directly in other lines of comprehensive income	-	-	-	-
Net income for the period	-	-	-	-
COMPREHENSIVE INCOME	**-**	**-**	**-**	**-**
Other changes	-	-	-	-
SHAREHOLDERS' EQUITY AT 31 DECEMBER 2023	**688.8**	**56.7**	**100.0**	**238.5**

	Gains and losses recognised directly in other lines of comprehensive income										
	Recyclable				Non-recyclable						
	Translation reserves	Financial debt assets at fair value through shareholders' equity	Available-for-sale insurance assets	Change in fair value of hedging derivatives	Financial equity assets at fair value through equity	Revaluation of own credit risk on financial liabilities that have been recognised at fair value through profit or loss	Revaluation difference on employee benefits	Net income attributable to equity holders of the parent	Total equity attributable to equity holders of the parent	Non-controlling interests	Total consolidated shareholders' equity
	(0.1)	15.1	0.0	0.0	0.0	(3.3)	(5.9)	0.0	1,040.7	0.0	1,040.7
	-	-	-	-	-	-	-	-	(2.1)	-	(2.1)
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-
	-	-	0.0	-	-	-	-	-	(2.1)	-	(2.1)
	-	(58.0)	-	-	-	(0.1)	4.6	-	(53.5)	-	(53.5)
	-	-	-	-	-	-	-	57.9	57.9	-	57.9
	-	(58.0)	0.0	0.0	0.0	(0.1)	4.6	57.9	4.4	0.0	4.4
	-	-	-	-	-	-	-	-	-	-	-
	(0.1)	(42.9)	0.0	0.0	0.0	(3.4)	(1.3)	57.9	1,043.0	0.0	1,043.0
	-	-	-	-	-	-	-	(57.9)	0.0	-	0.0
	(0.1)	(42.9)	0.0	0.0	0.0	(3.4)	(1.3)	0.0	1,043.0	0.0	1,043.0
	-	-	-	-	-	-	-	-	(6.7)	-	(6.7)
	-	-	-	-	-	-	-	-	0.0	-	-
	-	-	-	-	-	-	-	-	0.0	-	-
	-	-	-	-	-	-	-	-	0.0	-	-
	-	-	-	-	-	-	-	-	0.0	-	-
	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(6.7)	0.0	(6.7)
	0.0	19.5	-	-	-	1.3	-	-	20.8	-	20.8
	-	-	-	-	-	-	-	100.7	100.7	-	100.7
	-	19.5	-	0.0	1.3	1.3	0.0	100.7	121.5	-	121.5
	-	-	-	-	-	-	-	-	-	-	-
	0.0	(23.4)	0.0	0.0	0.0	(2.1)	(1.3)	100.7	1,157.8	0.0	1,157.8

3.5 Statement of cash flows

in millions of euros	2023 financial year	2022 financial year
Income before tax	**135.2**	**78.6**
Net depreciation and amortisation of property, plant and equipment, and intangible assets	11.3	9.0
Net impairment of goodwill and other fixed assets	0.0	0.0
Net allocations to provisions	(35.4)	13.1
Share of profit of associates	(0.3)	(0.2)
Net gains/losses on investment activities	(14.2)	(11.9)
(Income)/expenses from financing activities	0.0	0.0
Other movements (or flows without cash disbursement)	100.1	15.4
Total non-cash items included in net income before tax	**61.4**	**25.3**
Net increase or decrease arising from transactions with credit institutions	(80.3)	940.9
Net increase or decrease arising from transactions with customers	(609.9)	(447.5)
Net increase or decrease arising from transactions affecting financial assets and liabilities	450.8	167.5
Net increase or decrease arising from transactions affecting non-financial assets and liabilities	(185.3)	467.8
Tax paid	(32.6)	(24.2)
Net increase/(decrease) in assets and liabilities generated by operating activities	**(457.3)**	**1,104.5**
TOTAL NET CASH FLOW FROM OPERATING ACTIVITIES (A) - CONTINUING OPERATIONS	**(260.7)**	**1,208.4**
Net increase or decrease relating to financial assets and investments	1.6	(222.1)
Net increase or decrease relating to investment property	0.0	0.0
Net increase or decrease relating to property, plant and equipment, and intangible assets	3.0	(4.1)
TOTALNET CASH FLOWS FROM INVESTING ACTIVITIES (B) - CONTINUING OPERATIONS	**4.6**	**(226.2)**
Cash flow received from or paid to shareholders[(1)]	(9.9)	(4.3)
Other cash flows from financing activities	115.4	25.3
NET CASH FLOWS FROM FINANCING ACTIVITIES (C) - CONTINUING OPERATIONS	**105.5**	**21.0**
IMPACT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS (D) CONTINUING OPERATIONS	**0.0**	**0.0**
Net increase (decrease) in cash and cash equivalents (A + B + C + D)	**(150.6)**	**1,003.2**
Cash and net balance of accounts with central banks	**9.4**	**562.5**
Cash and net balance of accounts with central banks (assets)	9.4	562.5
Cash placed with central banks (liabilities)	0.0	0.0
Net balance of demand transactions with credit institutions	**1,867.6**	**311.2**
Current accounts with overdrafts [(2)]	1,950.1	305.9
Demand accounts and loans	20.4	22.9
Demand accounts in credit	(102.9)	(17.5)
Demand repurchase agreements	0.0	0.0
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**1,876.9**	**873.7**
Cash and net balance of accounts with central banks	**5.2**	**9.4**
Cash and net balance of accounts with central banks (assets)	5.2	9.4
Cash placed with central banks (liabilities)	0.0	0.0
Net balance of demand transactions with credit institutions	**1,721.2**	**1,867.6**
Current accounts with overdrafts [(2)]	1,728.4	1,950.1
Demand accounts and loans	8.0	20.4
Demand accounts in credit	(15.2)	(102.9)
Demand repurchase agreements	0.0	0.0
Cash and cash equivalents at end of year	**1,726.3**	**1,876.9**
CHANGE IN NET CASH	**(150.6)**	**1,003.2**

(1) *The cash flows received from or paid to shareholders correspond to dividends paid.*
(2) *Current accounts with overdrafts do not include livret A, LDD and LEP passbook savings accounts centralised with Caisse des dépôts et Consignations.*

3.6 Notes to the financial statements of the Palatine group

NOTE 1 General background 123

1.1 Groupe BPCE and Banque Palatine 123
1.2 Guarantee mechanism 124
1.3 Significant events 124
1.4 Post-balance sheet events 124

NOTE 2 Applicable accounting standards and comparability 125

2.1 Regulatory framework 125
2.2 Reference framework 125
2.3 Use of estimates and judgements 125
2.4 Presentation of the consolidated financial statements and reporting date 126
2.5 General accounting principles and valuation methods 127

NOTE 3 Consolidation 130

3.1 Consolidating entity 130
3.2 Scope of consolidation, consolidation and measurement methods 130
3.3 Consolidation rules 131
3.4 Changes in the scope of consolidation during the financial year 132
3.5 Goodwill 132

NOTE 4 Notes to the income statement 133

4.1 Interest, similar income and expenses 133
4.2 Commission income and expenses 134
4.3 Gains or losses on financial instruments at fair value through profit or loss 136
4.4 Net gains or losses on financial instruments at fair value through equity 136
4.5 Net gains or losses arising from derecognition of financial assets at amortised cost 137
4.6 Income and expense from other activities 137
4.7 Other general operating expenses 138
4.8 Gains or losses on other assets 138

NOTE 5 Notes to the balance sheet 139

5.1 Cash and amounts due from central banks 139
5.2 Financial assets and liabilities at fair value through profit or loss 139
5.3 Hedge derivative instruments 142
5.4 Financial assets at fair value through shareholders' equity 146
5.5 Assets at amortised cost 148
5.6 Reclassifications of financial assets 151
5.7 Accrual accounts and sundry assets 151
5.8 Non-current assets held for sale and related liabilities 151
5.9 Investment property 152
5.10 Fixed assets 152
05.11 Debt securities 153
5.12 Amounts due to credit institutions and similar entities and to customers 154
5.13 Accrual accounts and miscellaneous liabilities 155
5.14 Provisions 155
5.15 Subordinated debt 157
5.16 Ordinary shares and equity instruments issued 158
5.17 Non-controlling interests 158
5.18 Change in gains and losses recognised directly in shareholders' equity 159
5.19 Offsetting of financial assets and liabilities 159
5.20 Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that may be sold 161
5.121 Financial instruments subject to the benchmark index reform 163

NOTE 6 Commitments 165

6.1 Financing commitments 165
6.2 Guarantee commitments 165

NOTE 7 Exposure to risk 166

7.1 Credit risk 166
7.2 Market risk 180
7.3 Overall interest rate risk and foreign exchange risk 180
7.4 Liquidity risk 180

NOTE 8 Employee benefits 182

8.1 Payroll costs 182
8.2 Employee benefits 183

NOTE 9 Fair value of financial assets and liabilities 186

9.1 Fair value of financial assets and liabilities 189
9.2 Fair value of financial assets and liabilities at amortised cost 196

NOTE 10 Taxes 197

10.1 Income tax 197
10.2 Deferred taxes 198

NOTE 11 Other information 200

11.1 Segment reporting 200
11.2 Information on leases
11.3 Related party transactions 203
11.4 Partnerships and associated companies 204
11.5 Interests in unconsolidated structured entities 205
11.6 Statutory auditors' fees 207

NOTE 12 Details of the scope of consolidation 208

12.1 Scope of consolidation at 31 December 2023 208
12.2 Non-consolidated companies at 31 December 2023 208

NOTE 1 General background

1.1 Groupe BPCE and Banque Palatine

Groupe BPCE comprises the Banque Populaire network, the Caisse d'Epargne network, the BPCE central body and its subsidiaries.

Two banking networks - the Banque Populaire banks and the Caisse d'Epargne banks

Groupe BPCE is a cooperative group whose members own two retail banking networks: the 14 Banque Populaire banks and the 15 Caisse d'Epargne banks. Each of the two networks owns an equal share in BPCE, the group's central body.

The Banque Populaire network consists of the Banque Populaire banks and the mutual guarantee companies granting them the exclusive benefit of their guarantees.

The Caisse d'Epargne network consists of the Caisse d'Epargne banks and the local savings companies (LSCS).

The Banque Populaire banks are wholly owned by their cooperative members.

The capital of the Caisse d'Epargne banks is wholly owned by the local savings companies. Local savings companies are cooperative entities with open- ended share capital owned by cooperative members. They are tasked with coordinating the cooperative membership, in line with the general objectives set out for the individual Caisse d'Epargne with which they are affiliated, and they cannot perform banking transactions.

BPCE

A central body as defined by the French banking act, and a credit institution licensed to operate as a bank, BPCE was created pursuant to act no. 2009-715 of 18 June 2009. BPCE was incorporated as a French société anonyme with a management board and a supervisory board. Its share capital is owned jointly and equally by the 14 Banque Populaire and 15 Caisse d'Epargne banks.

BPCE must comply with the cooperative principles of the Banque Populaire and Caisse d'Epargne banks at all times.

Specifically, BPCE represents the interests of its various affiliates in dealings with the supervisory authorities, defines the range of products and services offered by them, takes steps to ensure depositor protection, approves appointments of senior executives and oversees the smooth operation of the group's institutions.

As a holding company, BPCE acts as the ultimate controlling party of the group and holds the joint ventures between the two networks in retail banking and insurance, corporate banking and financial services, and their production units. It also defines the group's corporate strategy and growth and expansion policies.

The network and BPCE's main subsidiaries are organised around two main business lines:

- retail Banking and insurance, including the Banque Populaire network, the Caisse d'Epargne network, the financial solutions & expertise segment (including factoring, consumer loans, finance leases, securities & financial guarantees and the retail securities activity), the payment and insurance segments and other networks ;
- Global financial services comprising asset and wealth management (Natixis investment managers and Natixis wealth management) and global customers banking (Natixis corporate & investment banking).

In parallel, BPCE is responsible for centralised management of surplus funds, for the execution of any financial transactions required to develop and fund the group, and for choosing the most appropriate counterparty for these transactions in the broader interests of the group as part of its general oversight of financial activities. BPCE also provides banking services to the other group entities.

Banque Palatine

Banque Palatine is a société anonyme (French limited liability corporation) with a Board of directors, wholly owned by the BPCE central body. Its registered office has been located at 86, rue de Courcelles - 75008 Paris (France) since 1 January 2022.

Its main subsidiaries and affiliates are active in two segments:

- financial services and asset management activities;
- insurance activities.

1.2 Guarantee mechanism

In accordance with articles L. 511-31, L. 512-107-5 and L. 512-107-6 of the French monetary and financial code, the guarantee and solidarity mechanism aims to safeguard the liquidity and capital adequacy of the group and BPCE's affiliates, and to organise financial support between them.

BPCE is responsible for taking all necessary measures to guarantee the capital adequacy of the group and each of the networks and to organise financial solidarity within the group. This financial solidarity is based on legislative provisions establishing a legal principle of solidarity requiring the central body to restore the liquidity or capital adequacy of affiliates in difficulty and/or all of the group's affiliates. By virtue of the unlimited nature of the principle of solidarity, BPCE is entitled at any time to ask any one, several or all of the affiliates to contribute to the financial efforts that may be necessary to restore the situation, and may, if necessary, mobilise all of the cash and equity capital of the affiliates in the event of difficulty of one or several of them.

Thus, in the event of difficulties, BPCE must do everything necessary to restore the financial position and may, in particular, make unlimited use of the resources of any one, several or all affiliates, or implement the group's internal appropriate solidarity mechanisms and call on the guarantee fund common to the two networks, for which it determines the operating rules, the methods of triggering in addition to the funds of the two networks as well as the contributions of affiliated institutions for its endowment and reconstitution.

BPCE manages the Banque Populaire network fund, the Caisse d'Epargne network fund and the mutual guarantee fund.

The **Banque Populaire network Fund** was endowed with a €450 million deposit by the Banque Populaire banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The **Caisse d'Epargne network Fund** consists of a €450 million deposit made by the Caisse d'Epargne banks that was recorded by BPCE as a ten-year term account renewable in perpetuity.

The **Mutual Guarantee Fund** was formed through deposits made by the Banque Populaire and Caisse d'Epargne banks. These deposits were booked by BPCE in the form of ten-year term accounts renewable in perpetuity. The deposits by network amounted to €174 million at 31 December 2023.

The total amount of deposits made with BPCE in the Banque Populaire network fund, the Caisse d'Epargne network fund and the mutual guarantee fund may be no lower than 0.15% and may not exceed 0.3% of the group's total risk-weighted assets.

When deposits are recorded in the institutions' individual accounts under the guarantee and solidarity system, an item of an equivalent amount is recorded under a dedicated capital heading.

Mutual guarantee companies granting statutory exclusivity of their guarantees to a Banque Populaire benefit from the liquidity and solvency guarantee in their capacity as affiliates of the central body.

The liquidity and capital adequacy of the local savings companies are secured at the level of each individual local savings company by the Caisse d'Epargne in which the relevant local savings company is a shareholder.

BPCE's management board holds all the requisite powers to use the financial resources of the various contributors immediately and in the agreed order pursuant to prior authorisations given to BPCE by the contributors.

1.3 Significant events

On 30 August 2023, the Board of directors:

- acknowledged the appointment of Marjorie Cozas, to replace Stéphanie Clavié, as permanent representative of BPCE, director;
- co-opted Sabine Calba, as director, to replace Hélène Madar, who resigned.

At 31 December 2023, the percentage of female board members reached 50%, excluding female board members representing employees. The composition of the Board of directors respects the Copé Zimmermann law.

Banque Palatine signed the lease for its new administrative headquarters in Val-de-Fontenay with a view to moving in 2024.

1.4 Post-balance sheet events

Since 31 December 2023 and until 6 February 2024, the date on which the Board of directors approved the financial statements, no event occurred likely to have a notable influence on the financial position or the income of Banque Palatine.

NOTE 2 Applicable accounting standards and comparability

2.1 Regulatory framework

The consolidated financial statements of Groupe BPCE were prepared in compliance with the International Financial Reporting Standards (IFRS) as adopted by the European union and applicable on that date, excluding certain provisions in las 39 relating to hedge accounting.

2.2 Standards

The standards and interpretations used and outlined in the annual financial statements at 31 December 2022 were supplemented by the standards, amendments and interpretations whose application is mandatory for financial years starting on or after 1 January 2023, including primarily IFRS 17 on insurance contracts.

Groupe BPCE has chosen the option provided by IFRS 9 not to apply the provisions of the standard relating to hedge accounting and to continue to apply IAS 39 for the recognition of these transactions, as adopted by the European union, i.e. excluding certain provisions on macro-hedging.

Regulation (EU) 2017/2395 of 12 December 2017 on transitional provisions to mitigate the impact of the introduction of IFRS 9 on capital and for the treatment of the significant risks of certain public sector exposures was published in the official journal of the European union (OJEU) on 27 December 2017. As a reminder, Groupe BPCE decided not to opt for the transitional neutralisation of IFRS 9 impacts at the prudential level because of the moderate impacts relating to implementation of the standard.

Amendments to IAS 12: international tax reform - second pillar rules of the model

Directive 2022/2523 was adopted by the European union on 14 December 2022. This directive transposes into European law the recommendations of the organisation for economic co-operation and development ("OECD") on the reform of international taxation (known as "pillar 2"). It will be transposed into French law as part of the adoption of the 2024 finance act.

This reform aims to introduce a minimum income tax for certain international groups from 1st January 2024.

The accounting impacts of this reform were taken into account by the international accounting standards board (IASB) *via* an amendment to IAS 12 published on 23 may 2023. This amendment, adopted by the European union *via* regulation (EU) 2023/2468 of 8 November 2023, provides for an exemption from the recognition of deferred taxes associated with this additional tax, subject to the provision of additional information in the notes to the financial statements (see note 10.2).

The other standards, amendments and interpretations adopted by the European union have no significant impact on the group's financial statements.

2.3 Use of estimates and judgements

Preparation of the financial statements requires management to make estimates and assumptions in certain areas with regard to uncertain future events.

These estimates are based on the judgment of the individuals preparing these financial statements and the information available at the reporting date.

Actual future results may differ from these estimates.

In the financial statements for the annual period ended 31 December 2023, the accounting estimates involving assumptions were mainly used for the following measurements:

- the fair value of the financial instruments determined on the basis of the valuation techniques (note 9);
- the amount of expected credit losses on financial assets, and financial and guarantee commitments (note 7.1);
- the results of the hedging relationship effectiveness tests (note 5.3);
- provisions recorded as liabilities on the balance sheet and, more specifically, the provision for regulated home savings products (note 5.14);
- the calculations relating to pension and future employee benefit obligations (note 8.2);
- uncertainties relating to tax treatment of income tax (note 10);
- the deferred taxes (note 10);
- the uncertainties relating to the application of certain provisions of the regulation relating to benchmarks (note 5.21);
- the goodwill impairment testing (note 3.5);
- the term of the leases to be used for the recognition of right-of-use assets and lease liabilities (note 11.2.3).

Moreover, judgement must be exercised to understand the business model, as well as the basic characteristic of the financial instrument. The methods are detailed in the relevant paragraphs (note 2.5.1).

Estimates and judgment are also used to estimate the climate and environmental risks of the group's activities. Information on the impact and consideration of climate risks on credit risk management (note 7) is presented in Chapter 4 "Risk management - Climate risks". The accounting treatment of the main green financial instruments is presented in notes 2.5, 5.5, 5.11 and 5.12.2.

Climate risks

The environmental and climate emergency represents one of the greatest challenges facing the planet's economies and all economic players today. Finance can and must be at the forefront of the ecological transition by directing financial flows towards a sustainable economy. Convinced of the importance of the risks and opportunities arising from climate change, BPCE has placed the energy transition and the climate among the three major focuses of its strategic plan.

Groupe BPCE is exposed, directly or indirectly to several climate-related risk factors. To qualify them, BPCE has adopted the risk terminology proposed by the TCFD (*Task Force on Climate-Related Financial Disclosures*)[(1)]: "transition risk" and "physical risk".

As part of the risk appetite and the risk identification process, the assessment of the materiality of these risks is reviewed annually and may, if necessary, be refined using new measurement methodologies. The materiality of the risks associated with climate change (acute physical risks, chronic risks and transition risks) is assessed in the short and long term by reference to the major risk categories in Basel III pillar 1, namely credit risk, market risk and operational risk, including compliance and reputational risk. In 2023, this assessment was carried out at the level of almost all Groupe BPCE entities and consolidated at the level of Groupe BPCE. This work feeds into the review of the macro-risk mapping conducted annually at the level of Groupe BPCE and these entities.

Physical risk is taken into account in the internal assessment of the group's capital requirement (ICAAP process) by applying drought and flood risk scenarios to the real estate portfolio in France. Transition risk is incorporated implicitly: counterparties' internal rating models already take into account possible changes in the economic environment over a reasonable time horizon (1 to 3 years) and therefore cover the possible impacts of the climate transition, even if these cannot currently be separated out. Work is underway to integrate this risk on retail real estate portfolios in ICAAP 2024 and the potential long-term impact of transition risk by deploying a stress test logic.

In addition, as part of the annual internal stress test exercise, physical climate risk hazards and a transition risk scenario were included in one of the adverse scenarios used to assess their potential impact on Groupe BPCE's 3-year financial trajectory.

The group has also gradually rolled out several tools to assess and manage its exposure to transitional and physical risks. Global customers bank assesses the effects of its transactions on the climate by assigning a climate rating ("green weighting factor colour rating") to either the asset or project financed, or to the borrower in the case of traditional financing. For the corporate customers of regional institutions, an ESG questionnaire was set up to better understand the maturity of its customers in terms of environmental, social and governance (ESG) issues, and in particular climate issues, and to detect customers' needs for support in the transition, to report the data necessary to calculate the alignment of outstandings and to integrate these criteria as an aid in the assessment of credit files.

The process of identifying, quantifying and managing climate-related risks is being strengthened as the data available or to be collected are compiled. In 2023, efforts focused in particular on the system for quantifying the physical risk of the residential real estate portfolio in France. This portfolio has been the subject of an enriched study of the exposure to climatic hazards based on the addresses of the properties and zones made available by the reference institutions. Further work is underway to refine the impact assessment taking into account the vulnerability of assets.

2.4 presentation of the consolidated financial statements and reporting date

As no specific format is required under IFRS, the presentation used for the summarised statements follows recommendation no. 2022-01 of 8 April 2022 of the French accounting standards authority (*Autorité des Normes Comptables - ANC*).

The consolidated financial statements are based on the financial statements at 31 December 2023. The Palatine group's consolidated financial statements of the Palatine group for the financial year ended 31 December 2023 were approved by the Board of directors on 6 February 2023. They will be submitted for shareholder approval at the general meeting of 31/05/2024.

Unless stated otherwise, the amounts presented in the financial statements and in the notes to the financial statements are expressed in millions of euros. The impacts of rounding may result in differences between the amounts reported in the financial statements and those disclosed in the notes to the financial statements.

(1) (The TCFD climate report, published by BPCE in October 2021, in accordance with the recommendations of the TCFD, is available on the BPCE website. (https://groupebpce.com/content/download/33295/file/230324-TCFD-FR-DEF.pdf)

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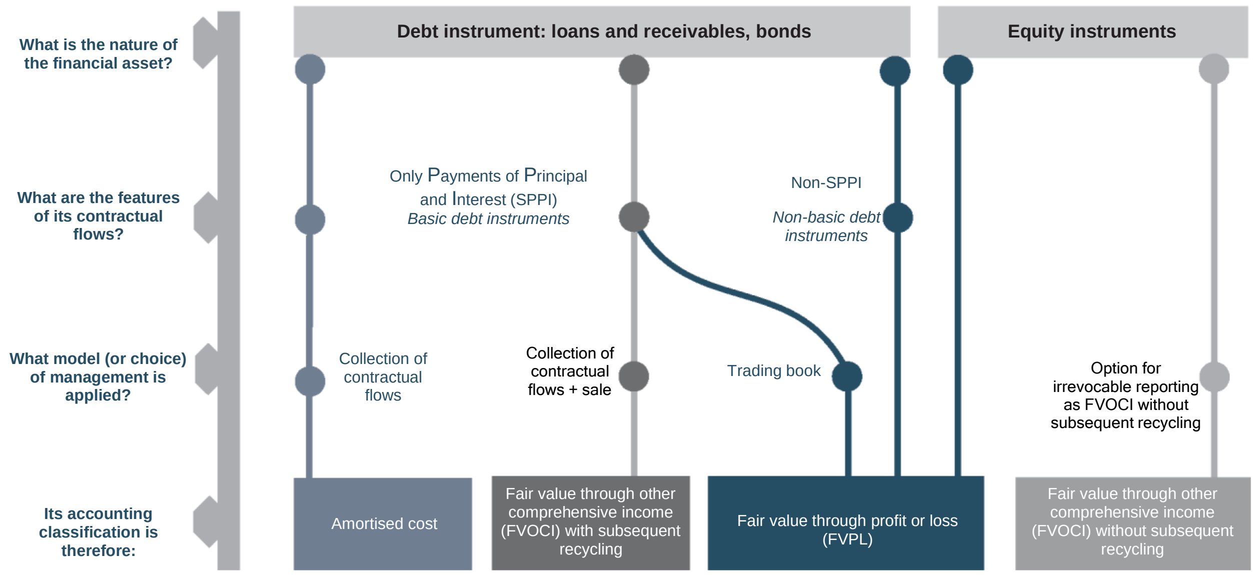
2.5 General accounting principles and measurement methods

The general accounting principles presented below apply to the main items in the financial statements. Specific accounting principles are presented in the various appended notes to which they relate.

2.5.1 Classification and measurement of financial assets and liabilities

IFRS 9 is applicable to Groupe BPCE.

On initial recognition, financial assets are classified at amortised cost, at fair value through equity or at fair value through profit or loss depending on the nature of the instrument (debt or equity), the characteristics of their contractual cash flows and how the entity manages its financial instruments (business model).



Business model

The entity's *business model* is the way said entity manages its financial assets with a view to generating cash flows. Judgement must be exercised to assess the business model.

The definition of the business model must take into account all the information on how cash flows have been generated in the past, as well as all other relevant information.

By way of example, it is worth highlighting:

- the way the performance of the financial assets is evaluated and presented to the main senior executives;
- the risks that have an impact on the performance of the business model and, in particular, the way these risks are managed;
- the way senior executives are paid (for example, whether remuneration is based on the fair value of the assets under management or on the contractual cash flows generated);
- the frequency, the volume and the reason for sales.

Moreover, the definition of the business model must be conducted in such a way that it reflects how the groups of financial assets are collectively managed with a view to attaining a given economic objective. Therefore, the business model is not defined instrument by instrument but at a higher level of aggregation, by portfolio.

The standard recognises three business models:

- a business model whose objective is to hold financial assets with a view to generating contractual cash flows from them (collection model). This model, whose holding concept is quite close to holding to maturity, is not however called into question if sales are made in the following specific cases:
  - the sales result from the increased credit risk,
  - the sales take place shortly before maturity and at a price reflecting the contractual cash flow still due,
  - the other sales may also be compatible with the contractual flow collection model if they are infrequent (even if they are of significant value) or if they are not of significant value considered both individually and globally (even if they are frequent).

  For Groupe BPCE, the collection model particularly applies to the financing activity (excluding syndication activities) carried out by the retail banking, global customers and financial solutions and expertise divisions;
- A combined model where assets are managed with a view to both generating contractual cash flows and selling the financial assets (a collection and sales model).

  Groupe BPCE applies the collection and sale model primarily to the part of the securities portfolio management activities of the liquidity reserve which is not exclusively managed according to a collection model;
- a model specific to other financial assets, particularly transaction, in which the collection of contractual flows is incidental. This business model applies to the syndication activity (for the portion of the outstanding available for sale identified at the outset) and the market activities primarily implemented by the global customers banking department.

Characteristic of the contractual flows: establishing the basic nature or SPPI *(Solely Payments of Principal and Interest)*

A financial asset is considered basic if the contractual terms of the financial asset give rise, on specified dates, to cash flows corresponding solely to payments of principal and interest calculated on the outstanding capital due. The basic character is to be established for each financial asset upon initial recognition.

The principal is defined as the fair value of the financial asset at its vesting date. The interest is consideration for the time value of money and the credit risk associated with the principal, as well as other risks such as liquidity risk, administrative expenses and the trading margin.

To assess whether contractual cash flows are solely payments of principal and interest, the contractual terms of the instrument must be examined. This involves analysing any element that might call into question the exclusive representation of the time value of money and the credit risk. For example:

- the events that would change the amount and date of generation of the cash flows;

  Any contractual model which would bring about exposure to risks or volatility of the flows without any link to a basic loan contract, such as exposure to changes in share prices or a stock market index, or again the introduction of a leverage effect, would not allow the contractual cash flow to be considered as being basic;
- the characteristics of the applicable rates (e.g. consistency between the rate reset period and the interest calculation period);

  In the case where a qualitative analysis would not enable a precise result to be obtained, a quantitative analysis (*benchmark test*) is carried out consisting in comparing the contractual cash flow of the asset studied with those of the benchmark asset;
- the terms of early redemption and extension.

  The contractual terms, for the borrower or for the lender, for early redemption of the financial instrument remain compatible with the basic nature of the contractual cash flow when the amount of the early redemption mainly represents the principal due and the related interest, as well, if applicable, reasonable compensation.

Furthermore, although not strictly meeting the remuneration criteria of the money's time value, certain assets with a regulated rate are considered as basic when this regulated interest rate provides a counterparty which, to a large degree, corresponds to the passage of time and without any exposure to a risk inconsistent with a basic loan. This is particularly the case with financial assets representing the part of the collection of livret A savings accounts centralised with Caisse des dépôts et consignations.

Basic financial assets are debt instruments which particularly include: fixed-rate loans, variable-rate loans without any differential (mismatch) in rates or without indexation to a value or a stock market index and fixed-rate or variable-rate debt securities.

Non-basic financial assets particularly include: units in UCITS, debt instruments that are convertible or redeemable into a fixed number of shares, and structured loans granted to local authorities.

To be described as basic assets, the securities held in a securitisation vehicle must meet specific conditions. The contractual terms of the tranche must meet the basic criteria. The underlying asset pool must meet the basic conditions. The risk in the tranche must be equal to or lower than the exposure to the underlying assets in the tranche.

A non-recourse loan (example: an infrastructure financing type project) is a loan guaranteed solely by collateral. In the absence of any possible recourse against the borrower, to be classified as a basic asset, it is necessary to examine the structure of the other possible recourse or mechanisms of protection of the lender in the event of default: takeover of the underlying asset, collateral contributed (security deposit, margin call, etc.) Or enhancements made.

Accounting categories

Debt instruments (loans, receivables or debt securities) can be measured at amortised cost, at fair value through recyclable equity or at fair value through profit or loss.

A debt instrument is measured at amortised cost if it meets the following two conditions:

- the asset is held under a business model the objective of which is to collect contractual cash flow; and
- the contractual terms of the financial asset, which define it as basic (solely payments of principal and interest - SPPI) within the meaning of the standard.

A debt instrument is measured at fair value through equity only if it meets the following two conditions:

- the asset is held under a business model the objective of which is both to collect contractual cash flows and to sell financial assets; and
- the contractual terms of the financial asset, which define it as basic (solely payments of principal and interest - SPPI) within the meaning of the standard.

The equity instruments are recognised by default at fair value through profit or loss except in the case of an irrevocable option for an assessment of the fair value through non-recyclable equity (provided that these instruments are not held for trading and as such are classified as financial assets at fair value through profit or loss) without subsequent reclassification in income. In the case of an option for the latter category, dividends will still be recognised in income.

Financing through the issuance of green financial products or investments in such products are recognised at amortised cost unless they are held as part of a short-term disposal activity.

All other financial assets are classified at fair value through profit or loss. Said financial assets notably include financial assets held for trading, financial assets used at fair value through profit or loss and non-basic assets (non-SPPI). The designation at fair value through profit or loss option for financial assets only applies in the case of the elimination or significant reduction of an accounting treatment gap.

This option makes it possible to eliminate distortions arising from different valuation rules applied to instruments managed as part of the same strategy.

As regards financial liabilities, the rules for classifying and assessing financial liabilities given in IAS 39 are adopted without change in IFRS 9, apart from those applicable to the financial liabilities that the entity decides to assess at fair value through profit or loss (fair value option) for which the revaluation differences in connection with the changes in the entity's own credit risk will be recognised among the gains and losses recognised directly in equity without reclassification at a later stage as income.

The provisions of IAS 39 relating to the derecognition of financial assets and liabilities are adopted without change in IFRS 9. The IFRS 9 amendment dated 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate should be recorded in profit or loss.

2.5.2 Foreign currency transactions

The method used to account for assets and liabilities relating to foreign currency transactions entered into by the group depends upon whether the asset or liability in question is classified as a monetary or a non-monetary item.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the balance sheet on which they appear at the exchange rate on the reporting date. The exchange differences resulting from this conversion are recognised in the income statement. However, this rule has two exceptions:

- the only component of the foreign currency gains and losses calculated on the amortised cost of financial assets at fair value through equity is recognised in income, with any additional gains and losses recognised in “gains and losses recognised directly in equity”;
- the foreign currency gains and losses arising on monetary items designated as cash flow hedges or as part of a net investment in a foreign entity are recognised in “gains and losses recognised directly in equity”.

Non-monetary assets carried at historical cost are translated at the exchange rate ruling at the transaction date. Non-monetary assets recognised at fair value are translated using the exchange rate on the date on which the fair value was determined. Foreign currency gains and losses on non-monetary lines are recognised in profit or loss if the gain or the loss on the non-monetary line is recorded in income and in “gains and losses recognised directly in equity”, and if the gain or the loss on the non-monetary line is recorded in “gains and losses recognised directly in equity”.

NOTE 3 Consolidation

3.1 Consolidating entity

Banque Palatine is the Banque Palatine group's consolidating entity.

3.2 Scope of consolidation - consolidation and measurement methods

The group's financial statements include the financial statements of all the entities over which it exercises control or significant influence, when their consolidation has a material impact on the aforementioned financial statements.

The scope of the entities consolidated by Banque Palatine is shown in note 12 “details of the scope of consolidation”.

3.2.1 Entities controlled by the group

The subsidiaries controlled by Banque Palatine are fully consolidated.

Definition of control

Control exists when the group has the power to govern an entity's relevant activities, it is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing control. These potential voting rights may derive, for example, from call options on ordinary shares traded on the market, debt instruments that are convertible into ordinary shares, or equity warrants attached to other financial instruments. However, potential voting rights are not taken into account in calculating percentage ownership.

Exclusive control is presumed to exist when the group holds directly or indirectly either the majority of the subsidiary's voting rights, or at least half of an entity's voting rights and a majority within the management bodies, or is able to exercise significant influence.

Specific case of structured entities

Entities described as structured entities are those organised in such a way that voting rights are not a dominant factor in deciding who controls the entity. This is the case in particular when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

A structured entity frequently has some or all of the following features or attributes:

(a) well-defined activities;

(b) a precise and well-defined objective, for example: to implement a lease benefiting from specific tax treatment, to carry out research and development activities, to provide a source of capital or financing to an entity, or to provide investment opportunities to investors by transferring to them the risks and benefits associated with the assets of the structured entity;

(c) insufficient equity to permit the structured entity to finance its activities without resorting to subordinated financial support;

(d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit risk or other risks (“tranches”).

As structured entities, the group therefore may use collective investment vehicles as defined in the French monetary and financial code and equivalent bodies governed by foreign law.

Full consolidation method

A subsidiary in the group's consolidated financial statements is fully consolidated from the date on which the group takes control until it relinquishes control of the entity.

A non-controlling interest is an interest not directly or indirectly attributable to the group.

Income and all components of other comprehensive income (gains and losses recognised directly in equity) are apportioned between the group and non-controlling interests. The comprehensive income of subsidiaries is apportioned between the group and non-controlling interests, even where this results in the allocation of a loss to non-controlling interests.

Changes to the percentage ownership of subsidiaries that do not lead to a change in control are recognised as transactions affecting equity.

The effects of such transactions are recognised in equity at their amount net of tax and therefore do not impact consolidated net income attributable to equity holders of the parent.

Exclusion from the scope of consolidation

Non-material controlled entities are excluded from the scope of consolidation in accordance with the principle outlined in note 12.1 “details of the scope of consolidation”.

Pension funds and supplementary health insurance plans for the group’s employees are excluded from the scope of consolidation insofar as IFRS 10 does not apply to either post-employment benefit funds or other long-term employee benefit plans to which IAS 19 “employee benefits” applies.

Likewise, interests acquired with a view to their subsequent short-term disposal are recorded as available for sale and recognised in accordance with the provisions of IFRS 5 “non-current assets held in view of sale and discontinued activities”.

3.2.2 Shares in related companies and joint ventures

Definitions

An associate is an entity over which the group holds significant influence. Significant influence is the power to participate in the entity's financial and operating policy decisions, but not control them or exercise joint control over these policies. It is presumed to exist if the group holds, directly or indirectly, more than 20% of the voting rights.

A joint venture is a joint arrangement whereby the parties that have joint control of the entity have rights to the net assets of the arrangement.

Joint control is the contractually agreed sharing of control over a company which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Equity accounting

Income, assets and liabilities of shares in related companies and joint ventures are accounted for in the group's consolidated financial statements using the equity method.

An investment in an associate or a joint venture is initially recognised at cost and adjusted thereafter for the group's share in the income and other comprehensive income of the associate or joint venture.

The equity method is applied from the date on which the entity becomes an associate or a joint venture. On the acquisition of an associate or a joint venture, the difference between the cost of investment and the group's share in the net fair value of the entity's identifiable assets and liabilities is recognised as goodwill. When the net fair value of the entity's identifiable assets and liabilities is higher than the cost of investment, the difference is recognised in income.

The share in net income of entities accounted for under the equity method is included in the group's consolidated income.
When a group entity carries out a transaction with a group joint venture or associate, the profit and loss resulting from this transaction is recognised in interests held by third parties in the associate or joint venture.

Net investment in an associate or a joint venture is subjected to an impairment test if there is any objective indication of impairment arising from one or more events occurring after the net investment's initial recognition and that these events have an impact on the estimated future cash flow from the net investment, which may be reliably estimated. In such a case, the total carrying amount of the investment (including goodwill) is tested for impairment according to the provisions of ias 36 "impairment of assets".

Exception to the equity method

When an investment is held by a venture capital organisation, mutual fund, unit trust or similar entities including investment-linked insurance funds, the investor may elect not to account for the investment in the associate using the equity method. The revised IAS 28 "Investment in associates", in this case, allows the investor to recognise the investment at its fair value (with changes in fair value recognised in profit or loss) in accordance with IFRS 9.

These investments are therefore recognised as "financial assets at fair value through profit or loss".

3.2.3 Investments in joint activities

Definition

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement.

Accounting for joint operations

An investment in a joint operation is accounted for including all the interests held in the joint operation, i.e. its share in each of the assets, liabilities and income items to which it is entitled. These interests are allocated by their nature to the various lines of the consolidated balance sheet, the consolidated income statement and the statement of net income and gains and losses recognised directly in equity.

3.3 Consolidation rules

The consolidated financial statements are prepared using consistent accounting policies for reporting similar transactions in comparable circumstances. The significant adjustments required to harmonise the valuation methods of consolidated entities are carried out.

3.3.1 Translation of the accounts of foreign entities

The consolidating entity's financial statements are presented in euros.

The consolidated subsidiaries of the Palatine group are all domiciled in France and the financial statements are prepared in euros.

3.3.2 Elimination of reciprocal transactions

The impacts of intra-group transactions on the consolidated balance sheet and consolidated income statement were eliminated. Dividends, as well as gains and losses on intercompany asset disposals, are also eliminated. Where appropriate, capital losses from asset disposals resulting in impairment are maintained.

3.3.3 Business combinations

In accordance with revised IFRS 3 “business combinations” and IAS 27 “financial and separate financial statements”:

- combinations between mutual insurers are now included in the scope of IFRS 3;
- costs directly associated with business combinations are recognised in income for the period;
  - contingent consideration payable is included in the cost of the business combination at its fair value at the date of acquisition of control, including contingent consideration. Depending on the settlement method, the counterparties transferred are recognised with a corresponding adjustment in:
  - equity, and subsequent price adjustments are not accounted for,
  - or debts, and subsequent price adjustments are recognised in the income statement (financial liabilities) or according to the appropriate standards (other financial liabilities outside the scope of IFRS 9);
- at the date on which control of an entity is acquired, the amount of non-controlling interests can be measured:
  - either the fair value (method resulting in the allocation of a share of the goodwill to non-controlling interests),
  - or at their share of the fair value of the identifiable assets and liabilities of the entity acquired (method similar to that applicable to transactions prior to 31 December 2009).

The choice between these two methods must be chosen for each business combination.

Irrespective of the method chosen at the time of the business combination, increases in the percentage ownership of an entity already controlled are recognised systematically in equity:

- any share previously held by the group at the time of the business combination should be remeasured at fair value through profit or loss. Consequently, in the event of a step acquisition, the goodwill is determined with reference to the fair value at the time of the business combination;
- when the group relinquishes control of a consolidated company, any share previously held by the group should be remeasured at fair value through profit or loss.

Companies combined prior to the revision of IFRS 3 and IAS 27 are recognised in accordance with the method by which they were acquired, however with the exception of combinations involving mutual guarantee entities and entities under common control which were explicitly excluded from the field of application.

3.3.4 reporting date for consolidated entities

The reporting date for entities in the scope of consolidation is 31 December.

3.4 Changes in the scope of consolidation during the 2023 financial year

There were no changes in Palatine group’s scope of consolidation in the 2023 financial year.

	31/12/2023				
	Country of incorporation or residence	Consolidation method	Changes in scope compared with 31 December 2022	Percentage control	Percentage of interest
Banque Palatine	**France**	**Full consolidation**			**Consolidating entity**
Palatine Asset Management	France	Full consolidation	-	100.0%	100.0%
Ariès Assurances	France	Full consolidation	-	100.0%	100.0%
Conservateur Finance	France	Equity method	-	20.0%	20.0%

3.5 Goodwill

3.5.1 Value of goodwill

in millions of euros	31/12/2023	31/12/2022
Opening net value	**0.0**	**3.1**
Impairment on Ariès	0.0	(3.1)
Goodwill at end of period, net	**0.0**	**0.0**

3.5.2 Changes in the value of goodwill

No change in value has been recorded since 31 December 2018.

NOTE 4 Notes to the income statement

Overview

Net banking income (NBI) combines:

- interest income and expense;
- commissions;
- net gains or losses on financial instruments at fair value through profit or loss;
- net gains or losses on financial instruments at fair value through equity;
- net gains or losses arising from the derecognition of financial assets at amortised cost;
- net income from insurance activities;
- income and expense from other activities.

4.1 Interest and similar income and expenses

Accounting principles

Interest income and expenses are recognised in the income statement for all financial instruments measured at amortised cost using the effective interest method, namely, loans and borrowings on interbank transactions and customer transactions, the portfolio of securities at amortised cost, debts represented by a security and subordinated debt as well as rental liabilities. The interest accrued and due on fixed-income securities recognised in the portfolio of financial assets at fair value in equity and hedging derivatives, it being specified that accrued interest on cash flow hedges is taken to the income statement in the same manner and period as the accrued interest on the hedged item.

Interest income also includes interest on non-basic debt instruments not held in a transaction model as well as interest from related economic hedges (by default classified as instruments at fair value through profit or loss).

The effective interest rate is the rate that exactly discounts estimated future cash inflows or outflows over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

The effective interest rate calculation takes account of all transaction fees paid or received and any premiums and discounts. Costs and transaction income that form an integral part of the effective rate of the contract, such as set-up fees or commissions paid to business providers, are similar to additional interest.

Negative interest is presented as follows:

- A negative interest on an asset is shown as an interest expense in the NBI;
- A negative interest on a liability is shown as interest income in the NBI.

In millions of euros	2023 Financial Year Interest income	Interest expense	Net	2022 Financial Year Interest income	Interest expense	Net
Loans/borrowing from credit institutions(*)	169.6	(92.0)	77.5	41.7	(12.5)	29.2
Loans/borrowing to customers	389.1	(117.1)	271.9	215.3	(24.9)	190.4
Bonds and other debt securities held/issued	8.5	(76.2)	(67.7)	7.8	(4.6)	3.3
Subordinated debt	///	(15.8)	(15.8)	///	(4.3)	(4.3)
Rental liabilities	///	(0.6)	(0.6)	///	(0.1)	(0.1)
Financial assets and liabilities at amortised cost (excluding finance lease contracts)	**567.1**	**(301.8)**	**265.4**	**264.8**	**(46.4)**	**218.4**
Finance lease operations	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	4.7	///	4.7	5.6	///	5.6
Other	0.0	///	0.0	0.0	///	0.0
Financial assets at fair value through shareholders' equity	**4.7**	**///**	**4.7**	**5.6**	**///**	**5.6**
TOTAL FINANCIAL ASSETS AND LIABILITIES AT AMORTISED COST AND FAIR VALUE THROUGH SHAREHOLDERS' EQUITY (1)	**571.8**	**(301.8)**	**270.0**	**270.4**	**(46.4)**	**224.0**
Non-standard financial assets not held for trading	**0.0**	**///**	**0.0**	**0.0**	**///**	**0.0**
Hedging derivatives	**18.2**	**(9.1)**	**9.1**	**6.0**	**(8.8)**	**(2.8)**
Derivatives for economic hedging	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
TOTAL INTEREST INCOME AND EXPENSE	**590.0**	**(310.9)**	**279.2**	**276.4**	**(55.2)**	**221.2**

(1) The interest income on loans and receivables from credit institutions comprises €15.7 million (€6.7 million in 2022) collected on the livret A, LDD and LEP passbook savings accounts centralised with Caisse des Dépôts et Consignations.

Interest income or expenses on special savings accounts include €0.3 million in respect of the net reversal of the provisions for regulated home savings products (compared to an allocation of €0.3 million in respect of 2022).

4.2 Commission income and expenses

Accounting principles

Pursuant to IFRS 15 "revenue from contracts with customers", the recognition of income from current activities now reflects the transfer of control of goods and services promised to customers in an amount corresponding to the consideration that the entity expects to receive in exchange for these goods and services. There are five steps in the revenue recognition process:

- identifying contracts with customers;
- identifying distinct performance obligations (or elements) to be recognised separately from each other;
- establishing the price of the transaction as a whole;
- allocating the price of the transaction to the different distinct performance obligations;
- recognising income when the performance obligations are met.

This approach applies to agreements that an entity enters into with its customers, apart from leases (covered by IFRS 16), insurance contracts (covered by IFRS 17), and financial instruments (covered by IFRS 9), in particular. If the provisions specific to revenues or to contract costs are provided for in another standard, they will be applied as a priority.

In light of the group's activities, this method mainly concerns the following items:

- fees and commission income, in particular that relating to banking services when this income is not included in the effective interest rate, or that relating to asset management or financial engineering services;
- income from other activities (see note 4.6), notably in the case of integrated services provided under leases;
- banking services rendered with the participation of group partners.

This means that commissions are recorded based on the type of service rendered and on the method of accounting for the financial instrument to which the service relates.

This line includes mainly fees and commission receivable or payable on recurring services (payment processing, custody fees, etc.) And occasional services (fund transfers, payment penalties, etc.), commission receivable or payable on execution of significant transactions, and commission receivable or payable on trust assets managed on behalf of the group's customers.

However, fees and commission that form an integral part of the effective yield on a contract are recorded under “net interest income”.

Service fee and commission income and expense

Service fees and commissions were analysed to distinguish the various items (or performance obligations) which comprise them and to allocate its share of the income to each item. Then each item is recognised in income by type of service provided and according to the method used to account for the associated financial instruments:

- commission payable on recurring services is deferred over the period in which the service is provided (payment processing, securities custody fees, etc.);
- commission payable on occasional services is recognised in full in income when the service is provided (fund transfers, payment penalties, etc.);
- commission payable on execution of a significant transaction is recognised in full in income upon performance of the transaction.

When there is uncertainty about the assessment of the amount of a commission (asset management performance commission, financial engineering variable commission, etc.), only the amount the right to which the group is already assured in view of the information available at closing is recognised.

Fees and commission forming an integral part of the effective yield on an instrument, such as fees on financing commitments given or origination fees, are recognised and amortised as an adjustment to the effective interest rate over the estimated term of the loan. These fees are therefore reported as interest income rather than fees and commission income.

Fiduciary, trust and similar fees and commission are earned by the group when it holds or invests assets on behalf of individual customers, pension schemes or other institutions. The fiduciary and trust activities mainly consist of asset management and custody for third parties.

	2023 Financial Year			2022 Financial Year		
in millions of euros	Income	Expense	Net	Income	Expense	Net
Cash and interbank transactions	1.1	(0.1)	1.0	1.1	(0.1)	1.0
Customer transactions	49.4	0.0	49.4	52.7	0.0	52.7
Financial services	7.2	(4.4)	2.8	6.9	(4.2)	2.6
Sales of life insurance products	12.5	///	12.5	12.6	///	12.6
Payment services	12.5	(6.7)	5.8	13.2	(7.1)	6.2
Securities transactions	2.2	(0.0)	2.1	2.2	0.0	2.2
Fiduciary and trust activities	26.2	(0.2)	26.0	24.6	0.0	24.6
Transactions on financial instruments and off-balance sheet	0.0	0.0	0.0	0.0	0.0	(0.0)
Other fee and commission income	1.2	0.0	1.2	2.2	0.0	2.2
TOTAL FEES AND COMMISSIONS	**112.3**	**(11.5)**	**100.9**	**115.5**	**(11.6)**	**103.9**

4.3 Net gains or losses on financial instruments at fair value through profit or loss;

Accounting principles

The item “gains and losses on financial instruments at fair value through profit or loss”, records trading financial gains and losses of assets and liabilities, or optionally recognised at fair value through profit or loss including the interest generated by these instruments.

“Gains and losses on hedging transactions” include the remeasurement of derivatives used as fair value hedges, as well as the remeasurement of the hedged item in the same manner, offset by remeasurement at fair value of the macro-hedged portfolio and the ineffective portion of cash flow hedges.

in millions of euros	2023 Financial Year	2022 Financial Year
Gains and losses on financial instruments obligatorily measured at fair value through profit or loss*	7.0	23.3
Gains and losses on hedging transactions	0.0	0.1
Change in fair value hedges	(15.4)	35.9
Change in the hedged item	15.4	(35.8)
Gains and losses on foreign exchange transactions	8.7	5.3
TOTAL NET GAINS AND LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**15.6**	**28.7**

** And including economic currency hedging.*

The net gains and losses on financial instruments at fair value through profit or loss decreased by €13.1 million.

This item mainly recorded income of €4.5 million on CVA (*Credit Value Adjustment - CVA*) and DVA (*Debit Valuation Adjustment - DVA*).

4.4 Net gains or losses on financial instruments at fair value through equity

Accounting principles

Financial instruments at fair value through equity include:

- basic debt instruments managed under a business model for the collection and sale at fair value through equity that is recyclable in profit or loss. If they are sold, these changes in fair value are transferred to income;
- equity instruments at fair value through equity that is non-recyclable in profit or loss. If they are sold, these changes in fair value are not transferred to income but directly to retained earnings in shareholders' equity. Only dividends affect income if they correspond to a return on investment.

Changes in the value of basic debt instruments under a business model for the collection and sale at fair value through recyclable equity include:

- income and expenses recognised in the net interest margin;
- net gains or losses on derecognised financial debt assets at fair value through equity;
- impairments/reversals recognised as cost of risk;
- gains and losses recognised directly in equity.

in millions of euros	2023 financial year	2022 financial year
Gains or losses on debt instruments	(6.0)	0.0
Net gains or losses on equity instruments (dividends)	0.5	0.0
TOTAL GAINS AND LOSSES ON FINANCIAL ASSETS AT FAIR VALUE THROUGH SHAREHOLDERS’ EQUITY	**(5.5)**	**0.0**

4.5 Net gains or losses arising from the derecognition of financial assets at amortised cost;

Accounting principles

This item includes net gains or losses on financial instruments at amortised cost arising from derecognition of instruments at amortised cost (loans or receivables, debt securities) and financial liabilities at amortised cost.

	2023 financial year			2022 financial year		
In millions of euros	**Gains**	**Losses**	**Net**	**Gains**	**Losses**	**Net**
Gains and losses on financial assets at amortised cost	0.0	0.0	0.0	0.0	0.0	0.0
Gains and losses on financial liabilities at amortised cost	0.0	(0.0)	(0.0)	0.3	(0.0)	0.3
TOTAL NET GAINS OR LOSSES ARISING FROM THE DERECOGNITION OF FINANCIAL ASSETS AT AMORTISED COST	**0.0**	**(0.0)**	**(0.0)**	**0.3**	**(0.0)**	**0.3**

4.6 Income and expense from other activities.

Accounting principles

Income and expenses from other activities particularly recorded:

- income and expense on investment property (rental income and expense, gains and losses on disposals, depreciation and impairment);
- income and expenses on operational lease transactions;
- income and expenses on property development (revenue, purchases consumed).

	2023 financial year			2022 financial year		
In millions of euros	**Income**	**Expense**	**Net**	**Income**	**Expense**	**Net**
Income and expense on investment property	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Transfers of expenses and income	*0.0*	*(1.8)*	*(1.8)*	*0.0*	*(1.4)*	*(1.4)*
Other miscellaneous operating income and expenses	*0.7*	*(3.9)*	*(3.2)*	*0.5*	*(5.8)*	*(5.3)*
Additions to and reversals of provisions to other operating income and expenses	*/// *	*(0.9)*	*(0.9)*		*(0.7)*	*(0.7)*
Other income and expenses from banking operations*	**0.7**	**(6.6)**	**(5.9)**	**0.5**	**(8.0)**	**(7.5)**
TOTAL INCOME AND EXPENSES FROM OTHER ACTIVITIES	**0.7**	**(6.6)**	**(5.9)**	**0.5**	**(8.0)**	**(7.5)**

* *In 2021, income of €1.44 million was recognised under "Income from other activities" in respect of the "ESC" cheque image exchange fine following the favourable ruling by the second court of appeal. Given the uncertainty and the history of the case (see Legal risks in the risk management section), a provision for an equivalent amount was recognised under "expenses from other activities". On 28 June 2023, the Court of cassation rejected the appeal of the autorité de la concurrence. The case is therefore definitively closed, as any possible recourse seems highly unlikely. Consequently, the provision for disputes, fines and penalties established in 2021 has been reversed.*

4.7 Other general operating expenses

Accounting principles

Operating expenses include mainly payroll costs, including wages and salaries net of rebilled amounts, social security charges, and employee benefit expenses such as pension costs. Operating expenses also include the full amount of administrative expenses and other external services costs.

The procedures for feeding the deposit guarantee and resolution fund were amended by an order dated 27 October 2015.

For the deposit guarantee fund, the cumulative amount of the contributions paid to deposit, guarantee and securities mechanisms represents €17 million. The accumulated premiums (non-repayable contributions in the event of voluntary withdrawal of approval) represent €3.6 million. The contributions paid in the form of associate or association certificates and cash guarantee deposits that are registered on the asset side of the balance sheet total €13.4 million at 31 December 2023.

Contributions to mechanisms for banking resolution

Eu directive no. 2014/59/EU referred to as the bank recovery and resolution directive (BRRD) that establishes a framework for the correction and resolution of credit institutions and investment corporations and EU regulation no. 806/2014 (SRM regulation) established the implementation of a resolution fund starting in 2015. In 2016, this fund became a single resolution fund (SRF) between the member states participating in the single supervisory mechanism (SSM). The SRF is a system for funding the resolution available to the single resolution board (SRB). It may call upon this fund to implement resolution procedures.

In compliance with EU delegated regulation no. 2015/63 and implementing regulation no. 2015/81 supplementing the BRRD directive on ex ante contributions to the systems for financing the resolution, the single resolution board determined the contributions to the single resolution fund for 2023. The amount of contributions paid by the Palatine group for the financial year amounted to €6.3 million, of which €4.9 million recognised as an expense and €1.4 million in the form of irrevocable payment commitments (epi) guaranteed by cash deposits recorded on the assets side of the balance sheet (the share of epi corresponds to 15% of calls for funds guaranteed by cash deposits until 2022 and 22.5% for the 2023 contribution). Interest on these deposits is €ster - 20bp since 1 may 2023. The total contributions that are entered in the balance sheet assets amounted to €7.7 million at 31 December 2023. It is carried at amortised cost on the assets side of the balance sheet under ‘accruals and other assets. The conditions governing the use of SRF resources, and therefore the use of irrevocable payment commitments, are strictly governed by the regulations. Such resources may only be called upon in the event of an institution’s resolution proceedings and after a minimum of 8 % of total liabilities has been applied by shareholders and holders of relevant capital instruments and other eligible liabilities under the bail-in. In addition, the contribution of the SRF must not exceed 5% of the total liabilities of the institution under resolution.

in millions of euros	2023 financial year	2022 financial year
Personnel expenses	**(141.9)**	**(131.0)**
Taxes, levies and regulatory contributions*	(8.9)	(12.9)
External services and other general operating expenses	(61.5)	(37.7)
Other administrative expenses	**(70.4)**	**(76.8)**
TOTAL GENERAL OPERATING EXPENSES	**(212.3)**	**(207.8)**

* *Taxes and regulatory contributions include in particular the contribution to the SRF (Single Resolution Fund) for an annual amount of €4.9 million (versus €7.6 million in 2022) and the local authorities support tax for an annual amount of €0.52 million (versus €0.5 million in 2022).*

The breakdown of personnel expenses is provided in note 8.1.

As a reminder, since 2020, rebillings of “central body” activities (listed in the French monetary and financial code) are now presented in net revenue before tax and rebillings of group assignments are still presented as management fees.

4.8 Gains or losses on other assets

Accounting principles

Gains and losses on other assets record the profit or loss on disposal of operating property, plant and equipment and intangible assets and the profits or losses from the disposal of investments in consolidated subsidiaries.

	2023 financial year	2022 financial year
Gains or losses on disposals of property, plant and equipment and operating intangible assets	7.2	4.8
Gains or losses on disposals of consolidated holdings	0.0	0.0
TOTAL GAINS OR LOSSES ON OTHER ASSETS	**7.2**	**4.8**

As part of the ongoing transformation of the network, the sale of agencies generated an income from disposals of €7.2 million.

NOTE 5 Notes to the balance sheet

5.1 Cash, central banks

Accounting principles

This item mainly comprises cash and assets placed with central banks at amortised cost.

in millions of euros	31/12/2023	31/12/2022
Cash	5.2	5.8
Cash placed with central banks///cash deposits within central banks	0.0	3.6
TOTAL CASH AND NET BALANCE OF ACCOUNTS WITH CENTRAL BANKS	**5.2**	**9.4**

5.2 Financial assets and liabilities at fair value through profit or loss

Accounting principles

Financial assets and liabilities at fair value through profit or loss consist of traded-for-trading transactions, including derivative financial instruments, certain assets and liabilities that the group has elected to recognise at fair value, from their date of acquisition or issue, under the option offered by IFRS 9, and non-basic assets.

The criteria for classifying financial assets are described in note 2.5.1.

Date of recognition of securities

Investments are recorded on the balance sheet on the settlement/delivery date.

Securities lending transactions are also recognised on the settlement date.

When the securities' reverse repurchase agreements are recognised in "assets and liabilities at fair value through profit or loss", the commitment to repurchase is recognised as a fixed-rate derivative instrument.

The first-in, first-out (FIFO) method is applied to any partial disposals of investments, except in special cases.

5.2.1 Financial assets at fair value through profit or loss

Accounting principles

Financial assets at fair value through profit or loss are:

- financial assets held for trading, i.e. securities acquired or issued principally for the purpose of selling them in the short term;
- financial assets that the group has designated on initial recognition as those to be recognised at fair value through profit or loss using the fair value option in IFRS 9. The conditions for the use of this option are described above.
- non-basic debt instruments;
- equity instruments measured at fair value through profit or loss (which are not held for trading).

These assets are measured at fair value at the date of initial recognition and at each reporting date. Changes in fair value over the period, interest, dividends, gains or losses on disposals on these instruments are recognised in "Net gains or losses on financial instruments at fair value through profit or loss" with the exception of non-basic debt financial assets whose interest is recognised under "interest income".

The financial assets of the trading portfolio mainly consist of securities transactions conducted on its own behalf, repurchase agreements and derivative financial instruments traded as part of the group's position management activities.

Assets designated at fair value through profit or loss (option)

IFRS 9 makes it possible, on initial recognition, to designate financial liabilities as being recognised at fair value through profit or loss, with said choice being irrevocable.

Compliance with the conditions set by the standard must be checked prior to any registration of an instrument under the fair value option.

The application of this option is reserved only in the event of a significant elimination or reduction of an accounting mismatch. The use of the option makes it possible to eliminate the distortions arising from the different valuation rules applied to instruments managed as part of a same strategy.

in millions of euros	31/12/2023				31/12/2022			
	Other financial assets that must be measured at fair value through profit or loss				Other financial assets that must be measured at fair value through profit or loss			
	Financial assets related to a trading activity	Other financial assets (2)	Financial assets designated at fair value on option (1)	Total	Financial assets related to a trading activity	Other financial assets (2)	Financial assets designated at fair value through profit or loss (option)	Total
Bonds and other debt securities	0.0	18.8	0.0	18.8	0.0	16.3	0.0	16.3
Debt securities	**0.0**	**18.8**	**0.0**	**18.8**	**0.0**	**16.3**	**0.0**	**16.3**
Equity instruments	**3.3**	**0.0**	***///***	**3.3**	**0.0**	**0.0**	***///***	**0.0**
Trading derivatives (1)	**406.4**	***///***	***///***	**406.3**	**591.8**	***///***	***///***	**591.8**
Security deposits paid	**0.0**	***///***	***///***	**0.0**	**0.0**	***///***	***///***	**0.0**
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**409.7**	**18.8**		**428.4**	**591.8**	**16.3**		**608.0**

(1) only in the case of an "accounting mismatch".

(2) includes non-basic assets that are not part of a trading activity, including fund units and shares not designated at fair value through equity that will not be reclassified to profit or loss.

The "Trading derivatives" item includes derivatives whose fair value is positive. These are mainly economic hedging derivatives that do not meet the restrictive hedging criteria required by IFRS 9.

The amount of this item is also reduced by the amount of the value adjustments of the credit valuation adjustment (CVA) derivative portfolio (transaction and hedging), *i.e.* €7.6 million at 31 December 2023.

5.2.2 Financial liabilities at fair value through profit or loss

Accounting principles

Financial liabilities at fair value through profit or loss include financial liabilities held for trading or voluntarily classified in this category as of their initial recognition pursuant to the option provided by IFRS 9. The trading portfolio consists of short-selling debt, repurchase agreements and derivative financial instruments. The conditions for the use of this option are described above.

These liabilities are measured at fair value upon initial recognition and at each reporting date.

Changes in the fair value of the period, interest, and gains or losses related to these instruments are recorded under "net gains or losses on financial instruments at fair value through profit or loss", except for changes in fair value attributable to changes in its own credit risk for financial liabilities at fair value through profit or loss (option) which are recorded, as of 1 January 2016, in "remeasurement of own credit risk on financial liabilities designated at fair value through profit or loss" under "gains and losses recognised directly in equity".

If the liability is derecognised prior to maturity (for example, early redemption), the realised fair value gain or loss, attributable to own credit risk, is transferred directly to retained earnings in shareholders' equity.

Financial liabilities at fair value through profit or loss (option)

IFRS 9 makes it possible, on initial recognition, to designate financial liabilities as being recognised at fair value through profit or loss, with said choice being irrevocable.

Compliance with the conditions set by the standard must be checked prior to any registration of an instrument under the fair value option.

The use of this option is reserved for the following situations:

Elimination or significant reduction of an accounting treatment gap

The use of the option makes it possible to eliminate the distortions arising from the different valuation rules applied to instruments managed as part of a same strategy.

Alignment of accounting treatment with management and performance measurement

The option applies in the case of liabilities managed and measured at fair value, provided that such management is based on a documented risk management policy or investment strategy and that internal monitoring is based on a measurement at fair value.

Compound financial instruments with one or more embedded derivatives

An embedded derivative is the component of a hybrid contract, whether financial or not, that meets the definition of a derivative. It must be extracted from the host contract and recognised separately if the hybrid instrument is not measured at fair value through profit or loss and the economic characteristics and associated risks of the embedded derivative are not closely related to the host contract.

The use of the fair value option for a financial liability is possible in the event that the embedded derivative materially modifies the flows of the host contract and that the separate recognition of the embedded derivative is not specifically prohibited by IFRS 9 (case of an early redemption option embedded in a debt instrument). The option allows the instrument to be measured at fair value in its entirety, making it possible to not extract, recognise or measure the embedded derivative separately.

This treatment applies in particular to certain structured issues with significant embedded derivatives.

	31/12/2023			31/12/2022		
in millions of euros	**Financial liabilities issued for trading**	**Financial liabilities designated at fair value (option)**	**Total**	**Financial liabilities issued for trading**	**Financial liabilities designated at fair value (option)**	**Total**
Trading derivatives	380.5	///	380.5	557.4	///	557.4
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**380.5**		**380.5**	**557.4**		**557.4**

The “trading derivatives” item includes derivatives whose fair value is negative. These are mainly economic hedging derivatives that do not meet the restrictive hedging criteria required by IFRS 9.

The amount of this item is also reduced by the amount of the value adjustments of the credit valuation adjustment (CVA) derivative portfolio (transaction and hedging), i.e. €9 million at 31 December 2023.

Liabilities designated at fair value through profit or loss consist mainly of issues originated and structured within the global financial services division on behalf of customers whose risks and hedging are managed together. These issues contain embedded derivatives whose changes in value are offset, with the exception of those assigned to own credit risk, by those of the derivative instruments that hedge them economically.

5.2.3 Trading derivatives

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognised on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each reporting date irrespective of whether they were acquired for trading or hedging purposes.

The trading derivatives are entered in the balance sheet in “financial assets at fair value through profit or loss” and in “financial liabilities at fair value through profit or loss”. The gains and losses realised and unrealised are recognised in the income statement in the line item “net gains or losses on financial instruments at fair value through profit or loss”.

The notional amounts of derivatives are merely an indication of the volume of activity and do not reflect the market risks associated with such instruments. Positive or negative fair values represent the replacement value of the instruments. These values may vary significantly depending on changes in market parameters.

in millions of euros	31/12/2023 Notional	31/12/2023 Positive fair value	31/12/2023 Negative fair value	31/12/2022 Notional	31/12/2022 Positive fair value	31/12/2022 Negative fair value
Interest rate instruments	10,397.8	219.8	213.5	8,580.6	284.7	271.4
Currency instruments	2,373.3	13.3	14.9	3,249.4	41.3	37.1
Futures and forwards	**12,771.1**	**233.1**	**228.4**	**11,830.0**	**326.0**	**308.5**
Interest rate instruments	13,728.0	161.4	137.3	11,452.5	267.7	247.7
Currency instruments	3,455.4	11.8	14.8	11,418.1	(1.9)	1.2
Options	**17,183.4**	**173.2**	**152.1**	**22,870.6**	**265.8**	**248.9**
TOTAL TRADING DERIVATIVES	**29,954.5**	**406.3**	**380.5**	**34,700.6**	**591.8**	**557.4**

5.3 Hedging derivatives

Accounting principles

A derivative is a financial instrument or other contract with all three of the following characteristics:

- its value changes in response to the change in a specific interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided that, in the case of a non-financial variable, this variable may not be specific to one of the parties to the contract;
- it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors;
- it is settled at a future date.

All derivative financial instruments are recognised on the balance sheet at the trade date and are measured at fair value at inception. They are remeasured at their fair value at each reporting date irrespective of whether they were acquired for trading or hedging purposes.

Changes in the fair value of derivatives are recognised in income for the period, except for derivatives qualifying as cash flow hedges for accounting purposes or as hedges of a net investment in a foreign operation.

Derivatives may be designated as hedges only if they meet the criteria laid down in IAS 39 at inception and throughout the term of the hedge. These criteria include formal documentation that the hedging relationship between the derivatives and the hedged items is effective both prospectively and retrospectively.

Fair value hedges mainly consist of interest-rate *swaps* that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates. These hedges transform assets or liabilities at fixed rates into floating rate assets or liabilities. Fair value hedges include hedges of loans, securities, deposits and fixed-rate subordinated debt.

Fair value hedging is also used to manage the global interest rate risk position.

The cash flow hedges fix or control the Variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the global interest rate risk position.

The notional amounts of derivatives are merely an indication of the volume of activity and do not reflect the market risks associated with such instruments.

The hedging relationship qualifies for hedge accounting if, at the inception of the hedge, there is formal documentation of the hedging relationship identifying the hedging strategy, and the type of risk hedged, the designation and characteristics of the hedged item and the hedging instrument. In addition, the effectiveness of the hedge must be demonstrated at inception and verified retrospectively.

Derivatives used in hedging relationship are designated according to the intended purpose of the hedge.

Groupe BPCE has chosen the option provided by IFRS 9 not to apply the provisions of the standard relating to hedge accounting and to continue to apply IAS 39 for the recognition of these transactions, as adopted by the European union, i.e. excluding certain provisions on macro-hedging.

Fair value hedge

Fair value hedges are intended to reduce exposure to changes in the fair value of an asset or liability carried on the balance sheet, or a firm commitment, in particular the interest rate risk on fixed-rate assets and liabilities.

The remeasurement gain or loss on hedging instruments is recognised in income in the same manner and period as the gain or loss on the hedged item attributable to the risk being hedged. The ineffective portion of the hedge, if any, is recognised in income under "net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging instrument is taken to income in the same manner and period as the accrued interest on the hedged item.

Where identified assets or liabilities are hedged, the remeasurement of the hedged component is recognised on the same line of the balance sheet as the hedged item.

The ineffective portion relating to the dual-curve valuation of collateralised derivatives is taken into account when calculating the effectiveness of a hedge.

If a hedging relationship ceases (investment decision, failure to fulfil effectiveness criteria, or because the hedged item is sold before maturity), the hedging derivative is transferred to the trading book. The remeasurement gain or loss recorded on the balance sheet in respect of the hedged item is amortised over the residual life of the initial hedge. If the hedged item is sold before maturity or redeemed early, the cumulative amount of the remeasurement gain or loss is recognised in income for the period.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to Variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable future transaction (hedge of interest rate risk on floating-rate assets and liabilities, hedge of conditions relating to future transactions such as future fixed interest rates, future prices, exchange rates, etc.).

The effective portion of the changes in fair value is recognised on a separate line of "gains and losses recognised directly in equity", and the ineffective portion is recognised in the income statement under "net gains or losses on financial instruments at fair value through profit or loss".

Accrued interest on the hedging derivative is recognised in interest income in the same manner and period as the accrued interest on the hedged item.

The hedged items are accounted for using the rules applicable to their specific asset category.

If a hedging relationship ceases (because the hedge no longer meets the effectiveness criteria, the derivative is sold or the hedged item ceases to exist), the cumulative amounts recognised in equity are transferred to income as and when the hedged item impacts profit or loss, or immediately if the hedged item ceases to exist.

Specific cases of portfolio hedging (macro-hedging)
Documentation of cash flow hedges

Some of the group's institutions document their macro-hedging of interest rate risk in cash flow hedges (hedging of loan or borrowing portfolios).

In this case, portfolios of assets and liabilities that may be hedged are assessed in each maturity band by considering:

- floating-rate assets and liabilities; the entity incurs a risk of Variability in future cash flows from floating-rate assets or liabilities insofar as future interest rate levels from forthcoming fixings are not known in advance;
- future transactions for which the nature may be considered highly probable (forecasts): in the case of a constant outstandings assumption, the entity bears a risk of Variability of future cash flows on a future fixed-rate loan to the extent that the rate at which the future loan will be granted is unknown; in the same way, the entity may consider that it bears a risk of Variability of future cash flows on refinancing that it will have to carry out on the market.

Under IAS 39, hedges of an overall net position per maturity band do not qualify for hedge accounting. The hedged item is therefore considered to be equivalent to a proportionate share of one or more portfolios of floating rate instruments identified (portion of outstanding variable-rate deposits or loans); the effectiveness of the hedges is measured by constituting, for each maturity band, a hypothetical instrument whose changes in fair value since inception are compared with those of the derivatives documented as hedges.

The characteristics of this instrument model those of the hedged item. Effectiveness is then assessed by comparing the changes in value of the hypothetical instrument with the actual hedging instrument. This method requires preparation of a maturity schedule.

Hedge effectiveness must be demonstrated prospectively and retrospectively.

The hedge is effective prospectively if, for each target maturity band, the nominal amount of items to be hedged is higher than the notional amount of the hedging instruments.

The retrospective test calculates the retrospective effectiveness of a hedge initiated at various reporting dates.

At each reporting date, changes in the fair value of hedging instruments, excluding accrued interest, are compared against those of hypothetical instruments. The ratio of their respective changes should be between 80% and 125%.

If the hedged item is sold or the future transaction is no longer highly probable, the cumulative unrealised gain or loss recognised in equity is transferred immediately to income. When the hedging relationship ceases, if the hedged item is still shown on the balance sheet, or if it remains highly probable, cumulative unrealised gains and losses are recognised in equity on a straight-line basis. If the derivative has not been cancelled, it is reclassified as a trading derivative, and subsequent changes in its fair value are recognised in income.

Documentation as fair value hedges

Some of the group's entities document their macro-hedge of interest rate risk as fair value hedges, applying the provisions of IAS 39 as adopted by the European union (known as a carve-out).

The version of IAS 39 adopted for use by the European union does not include certain hedge accounting provisions that appear incompatible with the strategies implemented by European banks to reduce global interest rate risk. In particular, the carve-out allows the group to make use of hedge accounting for interbank interest rate risk on customer transactions at fixed rates (loans, savings accounts and demand deposits). The macro-hedging instruments used by the group are mainly plain vanilla interest rate *swaps* designated at inception as fair value hedges of fixed-rate deposits or loans.

Macro-hedging derivatives are accounted for according to the same principles as those described above for fair value micro-hedging.

In the case of a macro-hedging relation, the remeasurement of the component covered is broadly included in the item "remeasurement gains and losses on interest rate risk-hedged portfolios" on the assets side of the balance sheet when a portfolio of financial assets is hedged and on the liabilities side of the balance sheet when a portfolio of financial liabilities is hedged.

The hedges are deemed effective if the derivatives offset the interest rate risk on the underlying fixed-rate portfolio. The ineffective portion relating to the dual curve valuation of collateralised derivatives is taken into account.

Effectiveness is tested in two ways:

- a basis test: for simple *swaps* designated as hedging instruments at inception, it is verified prospectively at the date of designation of the hedging relationship and retrospectively at each balance sheet date that there is no overhedging;
- a quantitative test: for other *swaps*, the change in the fair value of the actual swap must offset the changes in the fair value of a hypothetical instrument that exactly reflects the underlying hedged item. These tests are conducted prospectively at the date the instrument is designated as a hedge and retrospectively at each reporting date.

If a hedging relationship ceases, the remeasurement gain or loss is amortised on a straight-line basis over the remaining term of the initial hedge, if the hedged item has not been derecognised. It is taken directly to income if the hedged item is no longer recorded on the balance sheet. Derivatives used for macro-hedging may be disqualified for hedge accounting purposes when the nominal amount of the hedged items falls below the notional amount of the hedging instruments, due in particular to the early repayment of loans and deposit withdrawals observed and modelled.

Hedging a net investment denominated in foreign currency

The net investment in a business abroad is the amount of the consolidating entity's interest in the net assets of that business.

The purpose of hedging a net investment denominated in foreign currency is to protect the consolidating entity against changes in the exchange rate of an investment in an entity whose functional currency is different from the presentation currency of the consolidated financial statements. This type of hedge is recognised in the same way as cash flow hedges.

Unrealised gains or losses recognised in equity are transferred to profit or loss on disposal (or partial disposal with loss of control) of all or part of the net investment.

Fair value hedges mainly consist of interest-rate *swaps* that protect fixed-rate financial instruments against changes in fair value attributable to changes in market rates. These hedges transform assets or liabilities at fixed rates into floating rate assets or liabilities.

Fair value macro-hedging is used for the overall management of interest rate risk, notably to cover:

- the fixed-rate loan portfolios;
- the demand deposits;
- the PEL-related deposits;
- the inflation component of the livret A or livret d'Epargne Populaire (LEP).

In a decree dated 28 July 2023, the government decided to set the livret A rate at 3%, i.e. until 31 January 2025, by way of derogation from the regulatory calculation formula. The absence of an inflation component during this period was taken into account by the group as a source of ineffectiveness (or, where applicable, de-qualification) of the hedges of the inflation component of the livret A, with no significant impact on income.

Fair value micro-hedging is used notably to cover:

- a fixed-rate liability;
- securities of the fixed-rate liquidity reserve and securities indexed to inflation.

The cash flow hedges fix or control the Variability of cash flows arising from floating-rate instruments. Cash flow hedging is also used to manage the global interest rate risk position.

Cash flow hedges are used notably for:

- the hedge of variable-rate liabilities;
- the hedge of the risk of changes in the value of future variable debt flows;
- the macro-hedge of variable-rate assets.

The main sources of hedge ineffectiveness stem from:

- the "bi-curve" inefficacy: the valuation of collateralised derivatives (subject to margin calls paid at €str) is based on the €str discount curve, whereas the valuation of the hedged component of the items hedged at fair value is calculated on the basis of a Euribor discount curve;
- the time value of the optional hedges;
- the over-hedging as part of macro-hedging base tests (notional hedging derivative amounts greater than the nominal amount of the hedged items, notably in the event that the hedged items have been repaid earlier than expected);
- the valuation adjustments linked to credit risk and own credit risk on derivatives (credit value adjustment and debit value adjustment);
- fixing differences between the hedged item and its hedge.

The notional amounts of derivatives are merely an indication of the volume of activity and do not reflect the market risks associated with such instruments.

	31/12/2023			31/12/2022		
in millions of euros	Notional	Positive fair value	Negative fair value	Notional	Positive fair value	Negative fair value
Interest rate instruments	353.5	6.7	4.7	458.0	17.2	5.7
Futures and forwards	**353.5**	**6.7**	**4.7**	**458.0**	**17.2**	**5.7**
Fair value hedge	**353.5**	**6.7**	**4.7**	**458.0**	**17.2**	**5.7**
TOTAL HEDGING DERIVATIVES	**353.5**	**6.7**	**4.7**	**458.0**	**17.2**	**5.7**

All hedging derivatives are presented under "hedging derivatives" on the assets and liabilities sides of the balance sheet.

Currency *swaps* are documented as both fair value interest rate hedges and foreign exchange cash flow hedges. The overall fair value is nevertheless presented in currency derivatives. These derivatives are presented as foreign exchange cash flow hedges in order to better reflect the weight of the foreign exchange component (related to cash flow hedges) in the overall fair value.

Timetable of the notional amount of the hedging derivatives at 31 December 2023

	Under 1 year	1 to 5 years	6 to 10 years	Over 5 years
Interest rate hedges	**37.6**	**240.9**	**75.0**	**0.0**
Fair value hedging instruments	37.6	240.9	75.0	0.0
TOTAL	**37.6**	**240.9**	**75.0**	**0.0**

Currency *swaps* are documented as both fair value interest rate hedges and foreign exchange cash flow hedges. The overall fair value is nevertheless presented in currency derivatives. These derivatives are presented as foreign exchange cash flow hedges in order to better reflect the weight of the foreign exchange component (related to cash flow hedges) in the overall fair value.

Hedged item

Fair value hedge

	Fair value hedge																	
	31/12/2023									31/12/2022								
	Exchange rate risk hedge			Interest rate risk hedge			Hedging of other risks (gold, commodities, etc.)			Exchange rate risk hedge			Interest rate risk hedge			Hedging of other risks (gold, commodities, etc.)		
in millions of euros	Carrying amount	Of which revaluation of the hedged component (1)	Hedged component remaining to be spread>>	Carrying amount	Of which revaluation of the hedged Component (1)	Hedged component remaining to be spread (2)	Carrying amount	Of which revaluation of the hedged Component (1)	Hedged component remaining to be spread ®	Carrying amount	Of which revaluation of the hedged Component (1)	Hedged component remaining to be spread(2)	Carrying amount	Of which revaluation of the hedged component (1)	Hedged component remaining to be spread (2)	Carrying amount	Of which revaluation of the hedged Component (1)	Hedged component remaining to be spread (2)
Assets																		
Financial assets at fair value through shareholders' equity	**188.7**	**(9.1)**	**197.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**189.9**	**(16.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities	188.7	(9.1)	197.8	0.0	0.0	0.0	0.0	0.0	0.0	189.9	(16.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shares and other equity securities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1,252.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Loans or advances due from customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1,252.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Liabilities																		
Financial liabilities at amortised cost	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**218.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Amounts due to customers	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	218.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**188.7**	**(9.1)**	**197.8**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1659.9**	**(16.8)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

(1) Excluding accrued interest.

(2) De-designation, end of the hedging relationship.

Hedge ineffectiveness for the period is presented in note 4.3 “gains or losses on financial assets and financial liabilities at fair value through profit or loss” or in note 4.4 “net profit or loss on financial instruments at fair value through equity” for equity instruments classified at fair value through equity that cannot be recycled.

Cash flow hedging - hedges of net investments in foreign currencies

Banque Palatine is not involved in cash flow hedging or hedging of net investments in foreign currencies.

5.4 Financial assets at fair value through shareholders’ equity

Accounting principles

Financial assets at fair value through equity are initially recognised at their fair value plus transaction costs.

Income accrued or acquired on debt instruments is recorded under “interest income and similar income” according to the effective interest rate (EIR) method. This method is described in note 5.5 “assets at amortised cost”.

Debt instruments measured at fair value through recyclable equity

At the reporting date, they are measured at fair value and changes in fair value (excluding accrued interest) are recorded in gains and losses recognised directly in recyclable equity (foreign currency assets being monetary, changes in fair value for the foreign exchange component affect income). The principles used to determine fair value are described in note 9.

These instruments are subject to the IFRS 9 requirements regarding impairment. Information on credit risk is presented in note 7.1. If they are sold, these changes in fair value are transferred to income.

Debt instruments measured at fair value through non-recyclable equity

At the reporting date, they are measured at fair value and changes in fair value are recorded in gains and losses recognised directly in non-recyclable equity (foreign currency assets being non-monetary, changes in fair value for the foreign exchange component do not affect income). The principles used to determine fair value are described in note 9.

The designation at fair value through non-recyclable equity is an irrevocable option that applies instrument-by-instrument only to equity instruments not held for trading. Unrealised and realised impairment losses are still recognised in equity without ever affecting income. These financial assets are not subject to impairment.

If they are sold, these changes in fair value are not transferred to income but directly to retained earnings in shareholders' equity.

Only dividends affect income if they correspond to a return on investment. They are recorded under "Net gains or losses on financial instruments at fair value through equity" (note 4.4).

in millions of euros	31/12/2023	31/12/2022
Debt securities	566.2	740.4
Shares and other equity securities	8.3	7.8
FINANCIAL ASSETS AT FAIR VALUE THROUGH SHAREHOLDERS' EQUITY	**574.5**	**748.2**
Of which impairment for expected credit losses	*(0.0)*	*(0.2)*
*Of which gains and losses recognised directly in shareholders' equity (before tax) **	*(31.7)*	*(57.9)*
• Debt instruments	(31.7)	(57.9)
• Equity instruments	0.0	0.0

**Including the share of non-controlling interests.*

At 31 December 2023, the gains and losses recognised directly in shareholders' equity included, in particular, treasury bills, bonds and other investments in unconsolidated subsidiaries.

Equity instruments designated at fair value through equity

Accounting principles

Equity instruments designated as at fair value through equity may be:

- investment securities;
- shares or other equity securities.

During initial recognition, equity instruments designated as at fair value through equity are measured at fair value plus transactions costs.

On subsequent reporting dates, changes in the fair value of the instrument are recognised in equity (OCI).

The changes in fair value thus accrued in equity will not be reclassified in income during subsequent years (non-recyclable OCI).

Only dividends are recognised in income, when the criteria are met.

	31/12/2023				31/12/2022			
		Dividends recognised over the period	Derecognition over the period			Dividends recognised over the period	Derecognition over the period	
in millions of euros	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Accumulated profit or loss at the disposal date	Fair value	Equity instruments held at the end of the period	Fair value at the disposal date	Accumulated profit or loss at the disposal date
Investments in unconsolidated subsidiaries	1.3	0.5	0.0	0.0	1.3	0.0	0.0	0.0
Shares and other equity securities	7.0	0.0	0.0	0.0	6.4	0.0	0.0	0.0
TOTAL	**8.3**	**0.5**	**0.0**	**0.0**	**7.7**	**0.0**	**0.0**	**0.0**

Investments in unconsolidated subsidiaries include strategic holdings, "tool" entities (e.g. it) and certain long-term capital investment securities. Since these investments in unconsolidated subsidiaries are not held for sale, the categorisation as equity instruments designated as at fair value through equity is appropriate for this type of investment.

5.5 Assets at amortised cost

Accounting principles

Assets at amortised cost are basic financial assets held in a collection model. The vast majority of loans granted by the group are classified in this category. Credit risk disclosures are presented in note 7.1 “credit risk”.

Financial assets at amortised cost include loans and advances to credit institutions and customers as well as securities at amortised cost such as treasury bills and bonds.

Loans and receivables are initially recognised at fair value plus costs and less any income directly attributable to the implementation of the loan or issue.

When loans are granted at below-market conditions, a discount corresponding to the difference between the nominal value of the loan and the sum of future cash flows, discounted at the market rate, is recognised as a reduction in the nominal value of the loan. The market rate is the rate used by the vast majority of institutions in the market at a given moment, for instruments and counterparties with similar characteristics.

For subsequent reporting periods, these financial assets are measured at amortised cost using the effective interest rate (EIR) method.

The EIR is the rate used to discount future cash flows in respect of the carrying amount of the loan at inception. This rate includes discounts, recorded when loans are issued at below-market conditions, as well as external transaction income and costs directly related to the implementation of loans and analysed as an adjustment to the actual yield on the loan. No internal costs are included in the calculation of amortised cost.

State-guaranteed loans

The state-guaranteed loan (*prêt garanti par l'Etat* - SGL) is a support mechanism set up in application of article 6 of act no. 2020-289 of 23 March 2020 (the amended French finance act for 2020), and of the decision of the minister of the economy and finance of 23 March 2020, granting a state guarantee to credit institutions and finance companies as of 16 March 2020 in order to meet the cash flow needs of companies impacted by the covid-19 health crisis. The scheme was extended until 30 June 2022 by act no. 2021-1900 of 30 December 2021, the finance act for 2022. The SGL must meet the eligibility criteria common to all institutions distributing this loan as defined by the act.

State-guaranteed loans are liquidity loans with a one-year grace period. The beneficiary companies may decide, at the end of the first year, to amortise the SGL over a period of one to five additional years or to start the amortisation of the capital only from the second year of the period by paying only the interest and the cost of the state guarantee.

For eligible companies, the amount of the state-guaranteed loan is capped, in the general case (excluding innovative and recently created companies, and excluding the season loans for our tourism/hotels/catering customers for example), at 25% of the company's revenue. State-guaranteed loans are 70% to 90% guaranteed by the French state, depending on the borrowing company's size, with the lending banks carrying the remaining risk. The state guarantee covers a percentage of the outstanding amount of the debt (capital, interest and accessories) until its expiry. The state guarantee may be called before the expiry of the term in the event of a credit event.

The early repayment penalty is fixed in the contract and in a reasonable way (2% of the remaining capital due during the initial period of the loan, 3% to 6% of the remaining capital due during the amortisation period of the loan). The terms of extension are not set in advance but are established two to three months before the expiration of the extension option, depending on market conditions.

The state-guaranteed loans do not need to be covered by other collateral or guarantees than the guarantee offered by the French state except when they are granted within the framework of an order issued by the minister of the economy and finance. It is accepted that the professional or manager may request or be offered death insurance, but not have it imposed on him or her.

Given these characteristics, the loans guaranteed by the French state meet the basic lending criteria (see note 2.5.1). They are recognised in the “amortised cost” category since they are held in a collection management model whose objective is to hold the loans in order to collect the cash flows (see note 2.5.1). At subsequent reporting periods, they will be measured at amortised cost using the effective interest rate method.

With regard to the state guarantee, it is considered an integral part of the terms of the contract and is taken into account in the calculation of expected credit loss impairments. The guarantee fee paid at the granting of the loan by Groupe BPCE to the French state is recognised in profit or loss over the initial term of the state-guaranteed loan according to the effective interest rate (EIR) method. The impact is presented within the net interest margin.

A state-guaranteed loan granted to a counterparty considered doubtful at the inception (stage 3) is classified as a *Purchased or Originated Credit Impaired* (POCI).

However, the granting of an SGL to a given counterparty does not in itself constitute a criterion for downgrading the risk, which would lead to a transition to stage 2 or 3 of the other outstandings of this counterparty.

From 6 April 2022, the resilience SGL is an additional SGL for companies impacted by the consequences of the conflict in Ukraine (in particular for companies that may be at or close to the 25% ceiling of the SGL). The authorised ceiling is 15% of the average turnover for the last three financial years, or the last two financial years if they have only two financial years or the last financial year if they have only one financial year, or calculated as the annualised turnover by linear projection based on the turnover achieved to date if they have no financial year ended.

Except for its amount, subject to the new ceiling of 15% of revenue, this additional SGL takes the same form as the SGLs introduced at the beginning of the health crisis: same maximum duration (up to six years), same minimum deductible payment period (12 months), same guaranteed percentage and guarantee premium. This resilience SGL is fully cumulative with any SGL(s) that may be obtained or to be initially obtained until 30 June 2022. This system was extended until 31 December 2023 as part of the amended finance law for 2023.

Renegotiation and restructuring

When contracts are amended, IFRS 9 requires the identification of financial assets that have been renegotiated, restructured or reorganised, whether or not in view of financial difficulties, and which do not give rise to derecognition. Any gains or losses resulting from an amended contract are recognised in the income statement when the contract is modified the gross carrying amount of the financial asset is then recalculated to equal the present value - at the initial effective interest rate - of the renegotiated or amended contractual cash flows. An analysis of the substantial nature of the amendments is however to be carried out on a case-by-case basis.

“restructured” outstandings correspond to financing arrangements that constitute a concession when these arrangements are made with debtors facing or about to face financial difficulties. The “restructured” outstandings therefore result from the combination of a concession and financial difficulties.

The adjustments targeted by the “restructuring” must bring a more advantageous situation to the debtor (e.g. suspension of interest or principal repayment, extension of maturity, etc.) And are materialised by the introduction of amendments modifying the terms of an existing contract or by the total or partial refinancing of an existing loan.

The financial difficulty is determined by observing a certain number of criteria such as the existence of non-payment of more than 30 days or the presence of a sensitive note. The implementation of a “restructuring” does not necessarily imply the classification of the counterparty concerned by the restructuring in the Basel defaults category. The classification in default of the counterparty depends on the result of the viability test carried out during the restructuring of the counterparty.

Under IFRS 9, the treatment of restructurings due to financial difficulties remains similar to that which prevailed under IAS 39: in the event of restructuring following a proven credit loss event, the loan is considered as an impaired loan (in stage 3) and is subject to a discount equal to the difference between the discounting of the initially expected contractual flows and the discounting of the expected future flows of capital and interest following the restructuring. The discount rate used is the initial effective interest rate. This discount is expensed to the “cost of credit risk” item and offset against the corresponding outstanding on the balance sheet. It is written back to net interest income in the income statement over the life of the loan using an actuarial method. If there is no significant discount, the EIR of the restructured loan is adjusted and no discount is recorded.

The restructured loan is reclassified as performing (not impaired, stage 1 or stage 2) when there is no more uncertainty about the borrower's capacity to honour its commitments.

When substantial restructuring takes place (e.g. the conversion of all or part of a loan into an equity instrument), the new instruments are recognised at fair value. The difference between the derecognised loan's carrying amount (or part of the loan) and the fair value of the assets received in exchange is recognised in the income statement under “Cost of credit risk”. Any previously recorded loan impairment charges are adjusted. It is reversed in full if the loan is fully converted into new assets.

The moratoria generally granted to companies and aimed at responding to temporary cash flow difficulties related to the covid-19 crisis have modified the repayment schedules of these receivables without substantially modifying their characteristics. These receivables are therefore modified without being derecognised. In addition, the granting of this adjustment is not in itself an indicator that these companies are in any financial difficulty.

Fees and commissions

Costs directly relating to the implementation of loans include external costs, primarily consisting of commissions paid to third parties, such as those paid to business introducers.

Income directly attributable to the issuance of new loans principally comprises set-up fees charged to customers, rebilled costs and commitment fees (if it is more likely than unlikely that the loan will be drawn down). The loan commitment fees received that will not result in any drawdowns are apportioned on a straight-line basis over the life of the commitment.

Expenses and income arising on loans with a term of less than one year at inception are deferred on a *pro rata temporis* basis with no recalculation of the effective interest rate. For floating or adjustable rate loans, the effective interest rate is calculated at each fixing date.

Date of recognition

Investments are recorded on the balance sheet on the settlement/delivery date.

Securities lending transactions are also recognised on the settlement date.

The first-in, first-out (FIFO) method is applied to any partial disposals of investments, except in special cases.

For reverse repurchase transactions, a financing commitment given is recognised between the transaction date and the settlement-delivery date.

5.5.1 Securities at amortised cost

in millions of euros	31/12/2023	31/12/2022
Treasury bills and similar securities	327.9	310.5
Bonds and other debt securities	151.7	162.3
Impairment for expected credit losses	(26.3)	(21.0)
Total securities at amortised cost	**453.3**	**451.7**

The fair value of securities at amortised cost is presented in note 9.

The breakdown of outstanding amounts and impairment for credit losses by stage is presented in note 7.1.

5.5.2 Credit institutions' loans and receivables and similar items at amortised cost

in millions of euros	31/12/2023	31/12/2022
Current accounts with overdrafts	1,728.4	1,950.1
Repurchase agreements	0.0	0.0
Accounts and loans*	3,534.8	2,765.7
Other loans or receivables due from credit institutions	0.0	0.0
Security deposits paid	61.8	66.7
Impairment for expected credit losses	(0.0)	(0.0)
Total	**5,325.0**	**4,782.5**

(1) the livret A, LDD and LEP savings accounts centralised with Caisse des dépôts et consignations and recorded under "accounts and loans" amounted to €541.9 million at 31 December 2023, versus €477.5 million at 31 December 2022.

The fair value of loans and receivables due from credit institutions and similar is presented in note 9.

The breakdown of outstanding amounts and impairment for credit losses by stage is presented in note 7.1.

5.5.3 Loans and advances due from customers at amortised cost

in millions of euros	31/12/2023	31/12/2022
Current accounts with overdrafts	**410.3**	**478.3**
Other facilities granted to customers	**11,646.7**	**10,949.9**
• short-term loans (1)	4,150.3	4,068.6
• equipment loans	3,802.9	3,454.7
• home loans	3,236.2	2,996.0
• export loans	40.7	57.6
• subordinated loans (2)	1.9	1.0
• other loans	414.7	371.9
Other loans and advances due from customers	**22.5**	**17.2**
Security deposits paid	**25.3**	**2.7**
GROSS LOANS AND ADVANCES DUE FROM CUSTOMERS	**12,104.8**	**11,448.0**
Impairment for expected credit losses	(307.5)	(350.9)
TOTAL	**11,797.3**	**11,097.1**

(1) the State-guaranteed loans (PGE) are included in short-term loans and amounted to €40.3 million at 31 December 2023, compared with €35.9 million at 31 December 2022.

(2) at 31 December 2023, €1.9 million in participating loans (ppr) were recorded.

Green financing outstandings are detailed in chapter 5.A "statement on non-financial performance",(note 2.1 entitled "supporting our customers by taking into account economic, social and environmental issues").

The fair value of loans and receivables is presented in note 9.

The breakdown of outstanding amounts and impairment for credit losses by stage is presented in note 7.1.

5.6 Reclassification of financial assets

Accounting principles

Reclassifications of financial assets under IFRS 9 are more limited than under IAS 39. It is no longer possible to reclassify a security at amortised cost in the case of simple market illiquidity. A reclassification is only possible where the management model has changed due to a strategic decision of the management. As a result, this scenario is very infrequent (for example: sale of a business segment resulting in winding up the assets concerned, restructuring of activity, etc.).

In this case, the reclassification is forward-looking and does not involve any redefinition affecting prior periods.

Banque Palatine did not reclassify any financial assets in 2023.

5.7 Accrual accounts and sundry assets

in millions of euros	31/12/2023	31/12/2022
Collection accounts	0.3	0.5
Prepaid expenses	3.1	4.3
Accrued income	28.6	18.7
Other accrual accounts	33.8	120.9
ACCRUAL ACCOUNTS - ASSETS	**65.8**	**144.4**
Settlement accounts receivable on securities transactions	0.0	0.0
Miscellaneous debtors	17.8	30.3
SUNDRY ASSETS	**17.8**	**30.3**
TOTAL ACCRUAL ACCOUNTS AND SUNDRY ASSETS	**83.6**	**174.8**

The “collection accounts” line mainly includes checks sent for collection (*via* the clearing house), as well as the expected daily receivables awaiting settlement.

“Other accrual accounts” mainly include pending transactions in the management modules.

5.8 Non-current assets held for sale and related liabilities

Accounting principles

In the case of a decision to sell non-current assets with a strong probability that the sale will occur within 12 months, the assets in question are isolated in the balance sheet in the line item “non-current assets held for sale”. Any liabilities that are linked to them are also presented separately in a dedicated item “liabilities linked to non-current assets held for sale”.

When they are classified in this category, the non-current assets are no longer amortised and are measured at the lower of their carrying amount or of their fair value less sales costs. Financial instruments are measured according to the principles of IFRS 9.

A non-current asset (or group of assets) is held for sale when its carrying amount is recovered through a sale transaction. This asset (or group of assets) must be available immediately for sale and it must be highly probable that the sale will occur within 12 months.

These assets do not apply to Banque Palatine.

5.9 Investment properties

Accounting principles

In accordance with IAS 40, investment property is property held to earn rentals or for capital appreciation, or both.

The accounting treatment of investment property is identical to that of property, plant and equipment for group entities, with the exception of certain insurance entities that recognise their buildings representing insurance investments at fair value with recognition of the change in income. Fair value is based on a multicriteria approach where rents are capitalised at market rates and compared with the transaction market.

The fair value of the group's investment property is reported on the basis of the results of regular appraisals, except in special cases significantly affecting the value of the property.

Leased property may have a residual value deducted from the depreciable base.

Gains or losses on the sale of investment property are recorded in the income statement under "net income or expenses from other activities", with the exception of insurance activities classified as "income from insurance activities".

	31/12/2023			31/12/2022		
	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
Property recognised at fair value	///	///	0.0	///	///	0.0
Property recognised at historical cost	0.0	0.0	0.0	0.1	(0.1)	0.0
TOTAL INVESTMENT PROPERTY	**0.0**	**0.0**	**0.0**	**0.1**	**(0.1)**	**0.0**

The fair value of investment property is classified in level 3 of the fair value hierarchy of IFRS 13.

5.10 Fixed assets

Accounting principles

This item includes operating property, plant and equipment, movable assets acquired with a view to an operating lease, and movable assets temporarily not rented under a finance lease. Real estate company (French sci) investments are treated as property, plant and equipment.

In accordance with IAS 16 and IAS 38, property, plant and equipment and intangible assets are recognised as assets only if they meet the following criteria:

- it is probable that the future economic benefits associated with the asset will flow to the group;

The cost of the asset can be measured reliably.

Property, plant and equipment and intangible assets used in operations are initially recognised at cost plus any directly attributable acquisition costs. Internally developed software that satisfies the criteria for recognition as a non-current asset is recognised at its production cost, which includes external charges and the payroll costs of employees directly assigned to the project.

The component-based approach is applied to all buildings.

Internally created software is recognised as an asset in the balance sheet under "intangible assets" for its direct development cost when the criteria for recognition of an asset as laid down by IAS 38 are met.

After initial recognition, non-current assets are measured at cost less any accumulated depreciation, amortisation and impairment. The depreciable amount of the asset takes account of its residual value where this is material and can be measured reliably.

Property, plant and equipment and intangible assets are depreciated or amortised in a manner reflecting the pattern in which the asset's expected economic benefits are consumed, which generally corresponds to the asset's useful life. Where an asset consists of a number of components that have different uses or economic benefits, each component is recognised separately and depreciated over a period that reflects the useful life of that component.

The following amortisation periods are being used:

- construction, major works: 15 to 50 years;
- plant and equipment: 20 years;
- fixtures and fittings: 10 years;
- furniture and special equipment: 5 to 10 years;
- computer equipment: 3 to 5 years;
- software: maximum 5 years.

For other categories of property, plant and equipment, the useful life is generally within a range of 5 to 10 years.

Non-current assets are tested for impairment when indications of impairment are identified at the reporting date. If so, the new recoverable amount of the asset is compared with the net carrying amount of the asset. In the event of impairment, an impairment loss is recognised in profit or loss.

This loss is reversed in the event of a change in the estimated recoverable amount or if there is no longer any evidence of impairment.

Assets under operating leases are presented on the assets side of the balance sheet as property, plant and equipment in the case of movable assets.

in millions of euros	31/12/2023			31/12/2022		
	Gross	Accumulated depreciation and impairment	Net	Gross	Accumulated depreciation and impairment	Net
PROPERTY, PLANT AND EQUIPMENT	**32.5**	**(17.8)**	**14.7**	**37.9**	**(23.3)**	**14.6**
• Real estate	3.8	(3.2)	0.7	7.9	(7.1)	0.8
• Movable assets	28.7	(14.6)	14.0	30.0	(16.2)	13.8
Property, plant and equipment given under operating leases	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Movable assets	0.0	0.0	0.0	0.0	0.0	0.0
Rights of use under lease agreements	**64.9**	**(23.8)**	**41.1**	**40.9**	**(18.7)**	**22.2**
On real estate properties	64.9	(23.8)	41.1	40.9	(18.7)	22.2
TOTAL PROPERTY, PLANT AND EQUIPMENT	**97.4**	**(41.6)**	**55.8**	**78.8**	**(42.0)**	**36.8**
INTANGIBLE ASSETS	**6.6**	**(2.5)**	**4.1**	**8.0**	**(3.9)**	**4.1**
• Leasehold rights	4.4	(0.3)	4.1	4.4	(0.3)	4.1
• Software	2.2	(2.2)	0.0	3.6	(3.6)	0.0
• Other intangible assets	0.0	(0.0)	0.0	0.0	(0.0)	0.0
TOTAL INTANGIBLE ASSETS	**6.6**	**(2.5)**	**4.1**	**8.0**	**(3.9)**	**4.1**

2023 was marked by the leasing of the Joya building for €10 million in December 2023 and the improvement of the reliability of the management data for the Spider/Tagetik tools following the works carried out for €12 million.

5.11 Debt securities

Accounting principles

Issues of debt securities (which are neither classified as financial liabilities at fair value through profit or loss nor as equity) are initially recognised at fair value less any transaction costs they are subsequently measured at amortised cost at each reporting date using the effective interest method.

These instruments are recognised under “amounts due to credit institutions”, “amounts due to customers” or “debt securities”.

Debt securities are classified based on the nature of the underlying, except for subordinated notes presented under “subordinated debt”.

Investments are recorded on the balance sheet on the settlement/delivery date.

The first-in, first-out (FIFO) method is applied to any partial disposals of investments, except in special cases.

A new category of liabilities eligible for the TLAC numerator (*Total Loss Absorbing Capacity Requirement*) was introduced by French law and is commonly referred to as “senior non-preferred”. These liabilities have an intermediate rank between equity and other debts known as “senior preferred”.

in millions of euros	31/12/2023	31/12/2022
Bonds	0.0	0.0
Interbank market instruments and negotiable debt securities	2,521.8	2,293.2
Other debt securities that are neither preferred nor subordinated	0.0	0.0
Non-preferred debt	0.0	0.0
TOTAL	**2,521.8**	**2,293.2**
Accrued interest	26.5	5.0
TOTAL DEBT SECURITIES	**2,548.3**	**2,298.2**

Green financing outstandings are detailed in chapter 5.a “statement on non-financial performance”, (note 2.1 entitled “supporting our customers by taking into account economic, social and environmental issues”).

The fair value of debt securities is disclosed in note 9.

5.12 Amounts due to credit institutions and similar items and to customers

Accounting principles

These liabilities, which are neither classified as financial liabilities evaluated at fair value through profit or loss, nor as equity are entered in the balance sheet are carried at amortised cost under “amounts due to credit institutions” or “amounts due to customers”.

These debt issues are initially recognised at fair value less transaction costs, and are measured at the balance sheet date at amortised cost using the EIR method.

These instruments are recognised under “amounts due to credit institutions”, “amounts due to customers” or “debt securities” (note 5.11).

Securities lending transactions are recognised on the settlement-delivery date.

For securities repurchase agreements, a financing commitment received is recognised between the transaction date and the settlement date when said transactions are recognised as “liabilities”.

The long-term refinancing transactions (tltro3) with the ECB were recognised at amortised cost in accordance with the rules of IFRS 9. Interest is recognised in the income statement using the effective interest rate method estimated on the basis of assumptions about the achievement of the loan production targets set by the ECB. As this is a variable rate of return, the effective interest rate applied VaRies from one period to another. Groupe BPCE achieved the loan production targets set by the ECB. Thus, the bonus of -0.50% was recognised in income over the 12-month period in question. On 28 October, the ECB announced a change in the tltro3 remuneration:

- between 23 June 2022 and 22 November 2022, the applicable rate is the ECB’s average deposit facility rate from the start date of the tltro3 until 22 November 2022;
- from 23 November, the applicable rate is the average ECB deposit facility rate applicable until the maturity date or the early redemption date of each outstanding TLTRO III operation.

5.12.1 Amounts due to credit institutions and similar items

in millions of euros	31/12/2023	31/12/2022
Demand accounts	15.2	102.9
Accrued interest	0.0	0.0
DEMAND ACCOUNTS TO CREDIT INSTITUTIONS AND SIMILAR	**15.2**	**102.9**
Term deposits and loans	2,334.2	1,653.1
Accrued interest	25.5	(20.2)
DEMAND ACCOUNTS TO CREDIT INSTITUTIONS AND SIMILAR	**2,359.7**	**1,632.8**
Guarantee deposits received	261.1	501.9
TOTAL DEBTS TO CREDIT INSTITUTIONS AND SIMILAR	**2,636.0**	**2,237.7**

The fair value of amounts due to credit institutions is presented in note 9.

The increase in transactions with the network in 2023 is linked to the optimisation of the circulation of regulatory liquidity within the group by the central body.

5.12.2 Amounts due to customers

in millions of euros	31/12/2023	31/12/2022
Current accounts in credit	**9,129.3**	**9,518.5**
Livret a savings accounts	660.0	540.6
Regulated home savings products	160.9	180.4
Other regulated savings accounts	620.8	735.6
Accrued interest	0.0	0.0
Regulated savings accounts	**1,441.7**	**1,456.6**
Demand accounts and loans	39.4	7.2
Term accounts and loans	776.6	348.9
Accrued interest	4.3	1.6
Other customer accounts	**820.3**	**357.7**
Guarantee deposits received	16.3	7.0
TOTAL AMOUNTS DUE TO CUSTOMERS	**11,407.6**	**11,339.8**

The fair value of loans and receivables is presented in note 9.

5.13 Accrual accounts and miscellaneous liabilities

in millions of euros	31/12/2023	31/12/2022
Collection accounts	8.3	9.5
Prepaid income	5.0	5.3
Accrued expenses	71.6	62.6
Other accrual accounts	40.9	42.3
ACCRUAL ACCOUNTS - LIABILITIES	**125.8**	**119.7**
Settlement accounts in credit on securities transactions	0.0	0.0
Sundry creditors	33.7	28.2
Rental liabilities	43.0	23.0
Other liabilities	**76.7**	**51.2**
TOTAL ACCRUAL ACCOUNTS AND OTHER LIABILITIES	**202.5**	**170.9**

The “collection accounts” line mainly includes transfers made (*via* the Clearing House), as well as deductions from promissory notes in the statement.

The “Lease liabilities” line increased by €10 million following the leasing of the Joya building.

5.14 Provisions

Accounting principles

Provisions other than those relating to employee benefit obligations and similar items, provisions for regulated home savings products, off-balance sheet commitments, and insurance policies mainly consist of provisions for restructuring, claims and litigation, fines and penalties, and tax risks (other than income tax).

Provisions are liabilities of an uncertain timing or amount, which can be estimated reliably. They reflect a present obligation (legal or constructive) as a result of a past event, in respect of which it is probable that an outflow of resources will be required to settle the obligation.

The amount recognised in provisions is the best estimate of the expenditure required to settle the present commitment at the end of the reporting period.

Provisions are discounted when the impact of discounting is material.

Changes in provisions are recognised in income on the line items corresponding to the nature of future expenditure.

Provisions for regulated home savings products

Regulated home savings accounts (*Comptes d’Épargne Logement* - CEL) and regulated home savings plans (*Plans d’Épargne Logement* - PEL) are retail products marketed in France governed by the 1965 law on home savings plans and accounts, and subsequent implementing decrees.

Regulated home savings products give rise to two types of commitments for the group:

- a commitment to grant a loan to the customer at a future date at a rate set at inception of the contract (for PEL products) or at a rate contingent on the savings phase (for CEL products);
- a commitment to pay interest on the savings at a future date at a rate set at inception of the contract for an indefinite period (for PEL products) or at a rate set on a semi-annual basis according to an indexation formula regulated by law (for CEL products).

Commitments with potentially adverse consequences for the group are measured for each generation of regulated home savings plans and for all regulated home savings accounts.

A provision is recognised for the associated risks by discounting future potential income from at-risk outstanding:

- at-risk savings correspond to the uncertain future level of savings for plans in existence at the date the provision is calculated. They are estimated on a statistical basis for each future period taking account of savers' historical patterns of behaviour and reflect the difference between the probable outstandings and the minimum expected savings;
- outstanding at-risk loans correspond to the outstanding loans already granted but not yet due at the calculation date plus statistically probable loans outstanding based on customers' historical patterns of behaviour as well as vested and projected rights from regulated home savings accounts and plans.

The commitments are estimated using the Monte Carlo method in order to reflect the uncertainty of future interest rate trends and their impact on customer behaviour models and at-risk outstandings. On this basis, a provision is made for the same generation of contracts in the event of a potentially unfavourable situation for the group, without compensation between generations.

The provision is recognised under liabilities on the balance sheet, and changes are recognised in interest income and expense.

Provisions are broken down in the table of changes below, with the exception of provisions for expected credit losses on financing and guarantee commitments, which are shown in note 7.

in millions of euros	01/01/2023	Increase	Use	Unused reversals	Other movements*	31/12/2023
Provisions for employee benefit obligations	13.6	1.3	0.0	(0.1)	(0.1)	14.7
Provisions for restructuring	5.0	0.0	0.0	(4.3)	0.0	0.7
Legal and tax risks	8.6	5.3	(0.1)	(3.2)	0.0	10.6
Loan and guarantee commitments	41.3	31.9	0.0	(26.2)	0.0	47.0
Provisions for regulated home savings products	2.6	0.0	0.0	(0.4)	0.0	2.2
Other operating provisions	4.0	2.5	0.0	(3.7)	0.0	2.8
TOTAL PROVISIONS	**75.2**	**41.0**	**(0.1)**	**(37.9)**	**(0.1)**	**78.0**

* *Other movements include the change in the revaluation difference on employee benefits (€3.2 million before tax) as well as the impacts relating to changes in scope and translation.*

5.14.1 Home loan and savings deposits collected

in millions of euros	31/12/2023	31/12/2022
Deposits held in home savings plans (PEL)		
• plans in place for less than 4 years	4.9	4.6
• plans in place for more than 4, but less than 10 years	57.3	71.5
• plans in place for more than 10 years	85.7	89.9
Deposits collected via home savings plans	**147.9**	**166.0**
Deposits collected via home savings accounts	**15.6**	**15.5**
TOTAL DEPOSITS COLLECTED VIA HOME SAVINGS PRODUCTS	**163.5**	**181.5**

5.14.2 Loans granted under home savings products

in millions of euros	31/12/2023	31/12/2022
Outstanding loans granted under regulated home savings plans (*Plans d'Épargne Logement* - PEL)	0.0	0.0
Outstanding loans granted under regulated home savings accounts (*Comptes d'Épargne Logement* - CEL)	0.1	0.0
TOTAL OUTSTANDING LOANS GRANTED FOR REGULATED HOME SAVINGS PRODUCTS	**0.1**	**0.0**

5.14.3 Provisions set aside for home savings products

	31/12/2023	31/12/2022
Provisions for PEL regulated home savings plans		
• plans in place for less than 4 years	0.0	0.0
• plans in place for more than 4, but less than 10 years	0.1	0.2
• plans in place for more than 10 years	1.7	2.0
Provisions for home savings plans	**1.8**	**2.3**
Provisions for home savings accounts	**0.4**	**0.3**
Provisions for PEL loans	0.0	0.0
Provisions for CEL loans	0.0	0.0
Provisions for home savings loans	**0.0**	**0.0**
TOTAL PROVISIONS FOR HOME SAVINGS PLANS	**2.2**	**2.6**

5.15 Subordinated debt

Accounting principles

Subordinated debt differs from other debt, receivables and bonds in that it is repaid only after all the senior and unsecured creditors, but before the repayment of participating loans and securities and deeply subordinated notes.

The subordinated debt that the issuer is obliged to repay is classified as debt and initially recognised at fair value less transaction costs and thereafter at amortised cost at the reporting date using the effective interest method.

in millions of euros	31/12/2023	31/12/2022
Subordinated debt designated at fair value (option)	0.0	0.0
DEBT SUBORDINATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0.0**	**0.0**
Term subordinated debt	340.0	225.0
SUBORDINATED DEBT AND SIMILAR ITEMS	**340.0**	**225.0**
Accrued interest	0.9	0.5
SUBORDINATED DEBT AT AMORTISED COST	**340.9**	**225.5**
TOTAL SUBORDINATED DEBT	**340.9**	**225.5**

The fair value of subordinated debt is presented in note 9.

Fixed-term subordinated debt mainly includes term subordinated loans with a corresponding entry to BPCE SA.

Changes in subordinated and similar debt over the year:

in millions of euros	01/01/2023	Issue	Reimbursement	Other movements	31/12/2023
DEBT SUBORDINATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Term subordinated debt	225.0	115.0	0.0	0.0	340.0
SUBORDINATED DEBT AT AMORTISED COST	**225.0**	**115.0**	**0.0**	**0.0**	**340.0**
SUBORDINATED DEBT AND SIMILAR ITEMS	**225.0**	**115.0**	**0.0**	**0.0**	**340.0**

Deeply subordinated securities classified as equity instruments are presented in note 5.16.2.

5.16 Ordinary shares and equity instruments issued

Accounting principles

Financial instruments issued by the group are classified as debt or equity instruments depending on whether or not the issuer has a contractual obligation to deliver cash or another financial asset to the holder of the instrument, or to exchange the instrument under conditions that are potentially unfavourable to the group. This obligation must arise from specific contractual terms and conditions, not merely economic constraints.

In addition, when an instrument is classified as equity:

- its remuneration impacts shareholders' equity. On the other hand, the tax impact on these distributions may be recognised, depending on the origin of the amounts, under consolidated reserves, gains and losses recognised directly under equity, or on the income statement, in accordance with the December 2017 amendment to IAS 12 applicable as of 1 January 2019. As such, when the distribution can be classified as dividends as defined by IFRS 9, the tax impact is recorded on the income statement. This provision applies to interest on issues of perpetual deeply subordinated notes considered dividends from an accounting perspective;
- the instrument cannot be an underlying eligible for hedge accounting;
- if the issue is in a foreign currency, the instrument is kept at its historical value resulting from its conversion to euros at its initial date of transfer to equity.

Lastly, when these instruments are issued by a subsidiary, they are included in "non-controlling interests". When their income is cumulative in nature, it is charged to "net income attributable to equity holders of the parent" and increases the income of "non-controlling interests". However, when their remuneration is not cumulative, it is drawn from retained earnings attributable to equity holders of the parent.

5.16.1 Shares

	31/12/2023			31/12/2022		
in millions of euros	Number	Par value	Share capital	Number	Par value	Share capital
Shares						
Opening value	34,440,134	20	688.8	34,440,134	20	688.8
Capital increase						
Capital reduction						
Other changes						
Closing balance	**34,440,134**	**20**	**688.8**	**34,440,134**	**20**	**688.8**

5.16.2 Perpetual deeply subordinated securities classified as shareholders' equity

							Par value In millions of euros	
Issuing entity	Issue date	Currency	Amount (in source currency)	Date of redemption option	Interest increase date	Rate	31/12/2023	31/12/2022
BPCE	28/03/2018	EUR	100 million	28/03/2049	28/03/2023*	6.7%	100	100
TOTAL							**100**	**100**

** Date of interest increase or of transition from fixed rate to variable rate.*

5.17 Non-controlling interests

Fully-consolidated investments are wholly owned by the consolidating entity. As a result, no share is attributable to non-controlling interests.

5.18 Change in gains and losses recognised directly in shareholders' equity

Accounting principles

If equity financial assets recognised in equity are sold, changes in fair value are not transferred to income. These are items that cannot be reclassified in income.

	2023 financial year			2022 financial year		
in millions of euros	Gross	Taxes	Net	Gross	Taxes	Net
Remeasurement (or actuarial gains and losses) in respect of defined- benefit plans	0.1	(0.0)	0.0	6.1	(1.6)	4.5
Other items recognised through equity of items that cannot be reclassified to net income	1.7	(0.5)	1.3	(0.1)	0.0	(0.1)
ITEMS NOT RECYCLABLE TO PROFIT OR LOSS	**1.8**	**(0.5)**	**1.3**	**6.0**	**(1.5)**	**4.4**
Remeasurement of financial assets at fair value through recyclable equity	26.2	(6.8)	19.5	(78.1)	20.1	(58.0)
ITEMS RECYCLABLE TO PROFIT OR LOSS	**26.2**	**(6.8)**	**19.5**	**(78.1)**	**20.1**	**(58.0)**
GAINS AND LOSSES RECOGNISED DIRECTLY IN SHAREHOLDERS' EQUITY (NET OF TAX)	**28.1**	**(7.3)**	**20.8**	**(72.2)**	**18.6**	**(53.6)**
Attributable to equity holders of the parent	28.1	(7.3)	20.8	(72.2)	18.6	(53.6)
Non-controlling interests	0.0	0.0	0.0	0.0	0.0	0.0

5.19 Offsetting of financial assets and liabilities

Accounting principles

Financial assets and liabilities under netting agreements may only be offset for accounting purposes if they meet the strict offsetting criteria set out in IAS 32.

In the event that the derivatives or outstanding OTC repurchase agreements covered by master agreements do not meet the net settlement criteria or if the simultaneous settlement of assets and liabilities cannot be demonstrated or if the right to offset can only be exercised in the event of the default, insolvency or bankruptcy of either party to the contract, accounting offsetting may not be carried out. Nevertheless, the effect of these conventions on the reduction of exposure is shown in the second table.

For these instruments, the "associated assets and financial instruments received as collateral" and "associated liabilities and financial instruments pledged as collateral" columns include:

- for pension transactions:
- loans or borrowings resulting from reverse repurchase agreements with the same counterparty, and securities pledged or received as collateral (at the fair value of said securities),
- margin calls in the form of securities (at the fair value of said securities);
- for derivatives, the fair values of the reverse transactions with the same counterparty, as well as margin calls in the form of securities.

Margin calls received or paid in cash are shown in the "margin calls received (cash collateral)" and "margin calls paid (cash collateral)" columns.

Pursuant to the IAS 32 rules on offsetting, the Palatine group does not offset financial assets and liabilities on the balance sheet.

5.19.1 Financial assets

Impacts of netting agreements not taken into account for accounting purposes on financial assets

	31/12/2023				31/12/2022			
in millions of euros	Net amount of financial assets presented on the balance sheet	Associated financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure	Net amount of financial assets presented on the balance sheet	Associated financial liabilities and financial instruments received as collateral	Margin calls received (cash collateral)	Net exposure
Derivatives	413.0	0.0	261.1	151.9	609.0	0.0	508.9	100.1
Repurchase agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0	0.0			0.0
TOTAL	**413.0**	**0.0**	**261.1**	**151.9**	**609.0**	**0.0**	**508.9**	**100.1**

Net exposure therefore does not reflect the accounting position, as it takes into account the reduction in exposure linked to agreements that do not meet the strict offsetting criteria under IAS 32.

5.19.2 Financial liabilities

Impact of netting agreements not taken into account for accounting purposes on financial liabilities

	31/12/2023				31/12/2022			
in millions of euros	Net amount of financial liabilities presented on the balance sheet	Associated financial assets and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure	Net amount of financial liabilities presented on the balance sheet	Associated financial assets and financial instruments given as collateral	Margin calls paid (cash collateral)	Net exposure
Derivatives	385.2	0.0	37.3	347.9	563.1	0.0	40.6	522.5
Repurchase agreements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	**385.2**	**0.0**	**37.3**	**347.9**	**563.1**	**0.0**	**40.6**	**522.5**

Net exposure therefore does not reflect the accounting position, as it takes into account the reduction in exposure linked to agreements that do not meet the strict offsetting criteria under IAS 32.

5.20 Transferred financial assets, other financial assets pledged as collateral and assets received as collateral that the entity may dispose of

Accounting principles

A financial asset (or group of similar financial assets) is derecognised when the contractual rights to the asset's future cash flows have expired or when such rights have been transferred to a third party, together with substantially all of the risks and rewards of ownership of the asset. In such cases, all the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

When a financial asset is derecognised, a gain or loss on disposal is recorded in the income statement reflecting the difference between the carrying amount of the asset and the consideration received.

In the event that the group has neither transferred nor retained substantially all of the risks and rewards, but has retained control of the asset, the asset continues to be recognised on the balance sheet to the extent to the group it has a continuing involvement in the asset.

In the event that the group has neither transferred nor retained substantially all of the risks and rewards and has not retained control of the asset, the asset is derecognised and all of the rights and obligations created or retained as a result of the transfer are recorded in a separate line under financial assets and liabilities.

If not all the conditions for derecognising a financial asset are met, the group leaves the asset on the balance sheet and records a liability representing the obligations arising when the asset is transferred.

A financial liability (or part of a financial liability) is derecognised only when it is extinguished, i.e. when its contractual obligations are discharged, cancelled or lapse.

Repurchase agreements

Securities sold under repurchase agreements are not derecognised in the vendor's accounts. A liability representing the commitment to return the funds received is identified and recognised under “securities sold under repurchase agreements”. This debt is a financial liability recorded at amortised cost or at fair value through profit or loss when said liability is part of a transaction management model.

The assets received are not recognised by the buyer, but a receivable is recorded by the vendor in the amount of the funds loaned. The amount disbursed in respect of the asset is recognised under “securities bought under repurchase agreements”. On subsequent reporting dates, the securities continue to be accounted for by the vendor in accordance with the rules applicable to the category in which they were initially classified. The receivable is valued according to the methods specific to its category: amortised cost if it has been classified under “loans and advances”, or fair value through profit or loss if it falls under a transaction management model.

Outright securities lending

Outright securities loaned under securities lending transactions are not derecognised by the vendor. They continue to be recognised in their original accounting category and are measured accordingly. The borrowed securities are not recognised by the borrower.

Transactions leading to substantial changes in financial assets

When an asset undergoes substantial changes (in particular following a renegotiation or a remodelling owing to financial difficulties) it is derecognised, to the extent that rights to initial cash flows have essentially expired. The group considers substantial changes have arisen, including:

- changes leading to a change of counterparty, especially where the new counterparty's creditworthiness differs significantly from that of the previous counterparty;
- changes with a view to switching from highly structured to basic indexing, insofar as both assets are not exposed to the same risks.

Transactions leading to substantial changes in financial liabilities

A substantial change in the terms of a borrowing should be recognised as the extinguishment of the former debt and its replacement with a new debt. The IFRS 9 amendment dated 12 October 2017 clarified the treatment under IFRS 9 of changes in liabilities recognised at amortised cost, in the event that the change does not result in derecognition: the gain or loss resulting from the difference between the original cash flows and the modified cash flows discounted at the original effective interest rate should be recorded in profit or loss. To assess the substantial nature of the change, IFRS 9 sets a threshold of 10% on the basis of discounted cash flows including any fees and expenses: if the difference is greater than or equal to 10%, all costs or expenses incurred are recognised in profit or loss when the debt is extinguished.

The group believes that other changes may be considered substantial, such as a change of issuer (even within the same group) or a change of currencies.

5.20.1 Financial assets transferred but not fully derecognised and other financial assets pledged as collateral

in millions of euros	Carrying amount					
	Loans of "dry" securities	Repurchase agreements	Assets transferred or pledged as collateral	Securitisation	31/12/2023	31/12/2022
Financial assets at fair value through profit or loss Held for trading	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss - optional	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss - non-standard	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss - non-trading	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through shareholders' equity	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets at amortised cost	0.0	0.0	461.9	0.0	461.9	0.0
TOTAL FINANCIAL ASSETS PLEDGED AS COLLATERAL	**0.0**	**0.0**	**461.9**	**0.0**	**461.9**	**0.0**
O/w financial assets transferred but not fully derecognised	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*

The Palatine group assigns receivables as collateral (articles L. 211-38 or L. 313-23 et seq. of the French monetary and financial code) as part of guaranteed refinancing, particularly with the central bank. This type of assignment by way of security involves the legal transfer of contractual rights, and therefore "transfer of assets" within the meaning of the amendment to IFRS 7. However, the group remains exposed to almost all risks and rewards, which means that receivables are kept on the balance sheet.

5.20.2 Fully derecognised financial assets for which the group retains an ongoing involvement

The Palatine group did not recognise assets received as collateral in connection with financial guarantee agreements plus a right of re-use.

5.21 Financial instruments subject to the benchmark index reform

Accounting principles

In accordance with the amendments to IFRS 9 and IAS 39 relating to the reform of reference rates (phase 1), until the uncertainties related to the reform are resolved, it is considered that:

- transactions designated as cash flow hedges may be considered as “highly probable”, as the hedged cash flows are not considered to be affected by the reform;
- prospective hedge effectiveness tests for fair value hedges and cash flow hedges are not called into question by the effects of the reform; hedge accounting can be continued if the retrospective tests go beyond the 80-125% limit during this transitional period, however the ineffectiveness of the hedging relationships will still have to be recognised in the income statement;
- the hedged risk component, when designated on the basis of a benchmark rate, is considered separately identifiable.

Groupe BPCE considers that all of its hedging contracts, which have a BOR or EONIA component, are affected by the reform, and can therefore benefit from these amendments wherever uncertainty exists regarding the contractual changes to be made as a result of the regulations, regarding the substitute index to be used or regarding the application period for provisional rates. Groupe BPCE has a very residual exposure to its derivative contracts and its loan and borrowing contracts at the us LIBOR rate.

The amendments of phase 2, post implementation of alternative rates, introduce a practical expedient, which consists in modifying the effective interest rate prospectively without impact on net income in the case where the changes in flows of financial instruments are exclusively related to the reform and make it possible to maintain an economic equivalence between the old flows and the new ones.

If these conditions are met, they also introduce flexibility in the eligibility criteria for hedge accounting in order to maintain the hedging relationships affected by the reform. These provisions concern in particular the impacts related to the redocumentation of hedges, portfolio hedging, the treatment of the oci reserve for CFH hedges, the identification of an identifiable risk component and retrospective effectiveness tests.

These amendments were applied by Groupe BPCE in advance in the financial statements at 31 December 2020 and will continue to apply mainly to USD LIBOR, which have not yet been remedied.

As a reminder, European union regulation no. 2016/1011 of 8 June 2016 on indices used as benchmarks (“benchmarks regulation” or “BMR”) sets out a common framework ensuring the accuracy and integrity of indices used as benchmarks for financial instruments and contracts, as well as indices measuring the performance of investment funds in the European union.

The BMR is designed to regulate the provision of benchmarks, the provision of underlying data for a benchmark and the use of benchmarks within the European union.

Under the BMR regulation, the EURIBOR, LIBOR and EONIA interest rate benchmarks have been declared as critical benchmarks.

The uncertainties related to the benchmark rate reform have been limited since January 2022, essentially, to the remediation of contracts prior to 31 December 2021 referencing USD LIBOR (for overnight maturities, one, three, six and twelve months). Since 1 January 2022, the use of the USD LIBOR index is no longer authorised for new contracts, with exceptions as defined by the supervisory authorities, the fallback clauses provided for by the ISDA having, in this case, been included the contracts concerned. The extension of the publication period of the USD LIBOR until 30 June 2023, decided by the financial conduct authority (FCA), the british regulator overseeing the ice benchmark administration (LIBOR administrator), must allow a gradual transition of the stock from contracts to alternative rates.

In the context of this reform, in the first half of 2018, Groupe BPCE set up a project structure tasked with anticipating the impacts associated with the benchmark reform, from a legal, commercial, financial, risk, system and accounting point of view.

During 2019, work focused on the reform of the EURIBOR, the transition from the EONLA to the €ster and the strengthening of contractual clauses regarding the termination of indices.

With regard to EURIBOR, the implementation of a new calculation methodology, recognised by the belgian regulator as being in compliance with the requirements of the benchmark regulation, aimed at switching to a so-called “hybrid” EURIBOR, was finalised in November 2019. Since then, the sustainability of the EURIBOR has not been called into question by its director, EMMI, nor by ESMA, which has been the index’s supervisor since 1 January 2022.

With regard to the gfs division, from 2020, a more operational phase, mainly targeting indices whose disappearance date was scheduled for 31 December 2021, began around the transition and reduction of exposures to these reference rates. This phase included the preparatory work for the use of the new indices and the implementation of new products indexed on these indices, the identification and implementation of stock remediation plans as well as active communication with the bank’s customers. The remediation process for contracts indexed to the EONIA and LIBORS (other than LIBOR USD for overnight, one, three, six and twelve-month maturities), the publication of which has not been ensured since January 2022, has been finalised.

From 2022, this more operational phase continues for USD LIBOR (overnight, one, three, six and twelve-month maturities). It must be recalled that the first half of 2022 was marked by the promulgation on 15 March 2022 of the consolidated appropriations act 2022, providing provisions aimed at minimising the legal, operational and economic risks associated with the transition from USD LIBOR to an alternative benchmark rate, for contracts governed by us law. On 16 December 2022, the fed supplemented this text with the adoption of a final regulation stipulating, in particular, that the USD LIBOR will be replaced by a rate based on the SOFR to which will be added the spread determined by Bloomberg on 5 March 2021, following the announcements made by the Financial Conduct Authority (FCA) on the future termination and loss of representativeness of LIBOR rates. On 3 April 2023, the *Financial Conduct Authority* (FCA) announced its decision to require the publication by the administrator of LIBOR, from 3 July 2023 until 30 September 2024, of a synthetic USD LIBOR index for the one-, three- and six-month maturities. The use of this synthetic index would only target contracts for which the remediation has not yet been completed by 30 June 2023.

Due to the advanced stage of the market discussions on the replacement of the USD LIBOR, the launch of the remediation process for contracts indexed to the USD LIBOR began in 2022 for financing products and issues (mainly: finalisation of the analysis of existing fallback clauses, definition of the remediation strategy and launch of remediation campaigns) and continued throughout 2023.

As at 31 December 2023:

Gfs has almost completed its legal migration of contracts on interest rate indices that have stopped or ceased to be representative. The remainder of contracts not migrated to the new indices corresponds mainly to contracts indexed to the USD LIBOR that were still in the process of renegotiation at 31 December and to which the synthetic LIBOR published by the ice benchmark administration applies since 3 July 2023. The latter will be used until the completion of the remediation of the contracts and at the latest on 30 September 2024, the date of cessation of the index. More specifically:

- the remediation process has been fully finalised on issues;
- for financing, contracts not yet remedied (approximately 7% of contracts that were to be remediated), or no later than 30 September 2024 (end date of publication of the synthetic index) for the remainder correspond mainly to syndicated financing;
- most derivative contracts indexed to USD LIBOR and traded with clearing houses migrated to the SOFR during the first half of 2023 through the conversion processes provided for by the clearing houses. Other derivative contracts were remedied on 3 July 2023 thanks to the implementation of the fallback clause resulting from the ISDA protocol to which gfs and some of its counterparties have adhered;
- residual derivative contracts, not yet remedied, represented around thirty transactions at 31 December 2023.

With regard to retail banking customer loans, the remediation of commercial transactions has been finalised overall, with the exception of transactions in USD 3M LIBOR, which switched to synthetic USD LIBOR with a maturity greater than December 2023. On the other network LIBOR transactions, international LIBOR USD/GBP transactions to professionals and corporates were remedied. In the institutional markets of the Caisses d'Epargne, there are still a very limited number of transactions in USD 3M LIBOR, which have switched to us synthetic LIBOR and will be remedied or terminated by 30 September 2024.

The transition to benchmark rates exposes Groupe BPCE to various risks, in particular:

- the risk associated with the management of the change which, in the event of asymmetric information and treatment of customers, could lead to disputes with them.
- regulatory risk linked to non-compliant use of reference rates, excluding exceptions authorised by the authorities;
- the legal risk associated with the negotiation and documentation of the transition to the new indices for the stock of existing transactions;
- the operational risks related to the ability to execute new transactions referencing the new rates and to the remediation of the stock of transactions.
- the potential financial risk, which would be reflected in a financial loss resulting from the remediation of the stock;
- the valuation risks related to price volatility and basis risk resulting from the transition to the alternative benchmark rates.

At December 31, 2023, as Groupe BPCE had almost completed its project to transition to the new benchmark rates, Groupe BPCE's exposure to the associated risks was significantly reduced.

NOTE 6 Commitments

Accounting principles

Commitments are characterised by the existence of a contractual obligation and are irrevocable.

The commitments that feature in this item should not qualify as financial instruments falling within the scope of IFRS 9 in terms of classification and measurement. However, the financing and guarantee commitments given are subject to the IFRS 9 depreciation rules as presented in note 7.

The effects of the rights and obligations of these commitments are subject to the fulfilment of subsequent conditions or transactions. These commitments break down into:

- financing commitments (confirmed credit line or refinancing agreement);
- guarantee commitments (signed commitments or assets received as collateral).

The amounts disclosed correspond to the nominal value of the commitments given.

6.1 Financing commitments

in millions of euros	31/12/2023	31/12/2022
Financing commitments given to:		
• credit institutions	2.1	0.0
• from customers	2,294.8	2,089.3
Confirmed credit lines	2,247.7	2,057.2
Other commitments	47.1	32.0
TOTAL FINANCING COMMITMENTS GIVEN	**2,296.9**	**2,089.3**
Financing commitments received:		
• from credit institutions	0.0	304.7
• from customers	0.0	0.0
TOTAL FINANCING COMMITMENTS RECEIVED	**0.0**	**304.7**

6.2 guarantee commitments

In millions of euros	31/12/2023	31/12/2022
Guarantee commitments given:		
• to credit institutions	87.2	78.7
• to customers	1,258.5	1,302.6
TOTAL GUARANTEE COMMITMENTS GIVEN	**1,345.7**	**1,381.3**
Guarantee commitments received:		
• from credit institutions	408.0	216.7
• from customers*	1,655.4	1,795.4
TOTAL GUARANTEE COMMITMENTS RECEIVED	**2,063.4**	**2,012.1**

** The loans guaranteed by the French state (SGL) are not included in the amount of customer guarantees given in the table above.*

Guarantee commitments are signed commitments as well as assets received as collateral such as collateral other than those related to the financial assets received as collateral and available to the entity.

NOTE 7 RISK EXPOSURES

The risk exposures are addressed below and are represented according to their nature: credit risk, market risk, global interest rate risk, exchange rate risk and liquidity risk.

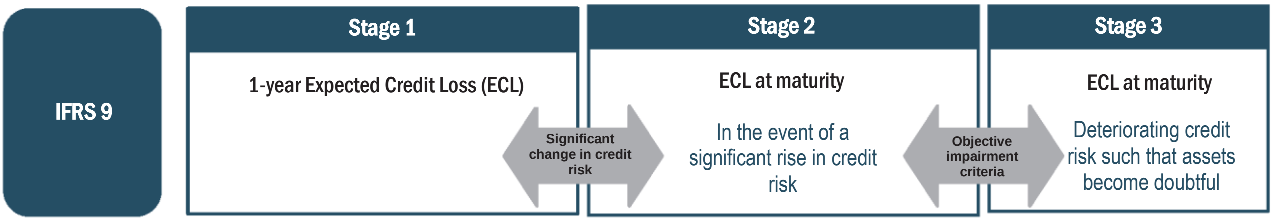
Information on capital management and regulatory ratios is presented in the “risk management” section.

Information on the impact and consideration of climate risks on credit risk management is presented in chapter 4 “risk management - climate risks”.

7.1 Credit risk

Overview

Credit risk is the risk that a party to a financial instrument will default on one of its obligations and thereby cause the other party to incur a financial loss.



Certain disclosures relating to risk management required by IFRS 7 are also provided in the risk management report. These include:

- the breakdown of gross exposure by category and by approach with distinction of credit risk and counterparty risk;
- the breakdown of the gross exposures by geographic zone;
- the concentration of the credit risk by borrower (BPCE14);
- the credit quality of the renegotiated exposures (CQ1);
- the performing and non-performing exposures and the corresponding provisions (CR1);
- the quality of the performing and non-performing exposures by number of days past due (CQ3);
- the quality of the exposures by geographical area (CQ4);
- the credit quality of the loans and advances by business line (CQ5);
- the breakdown of the guarantees received by type on the financial instruments (CR3).

This information forms an integral part of the financial statements audited by the statutory auditors.

7.1.1 COST OF credit risk

Accounting principles

The cost of risk relates to debt instruments classified as financial assets at amortised cost or financial assets at fair value through recyclable equity as well as to financing commitments and financial guarantee contracts not recognised at fair value through profit or loss. It also relates to receivables arising from lease agreements, trade receivables and contract assets.

This item thus covers the net cost of impairments and provisions made for credit risk.

Credit losses related to other types of instruments (derivatives or securities recognised at fair value through option) recorded after default by credit institutions are also included in this item.

Unrecoverable loans not covered by impairments are receivables that have acquired a definitive loss status prior to being the object of a provision in stage 3.

Cost of credit risk for the period

in millions of euros	2023 financial year	2022 financial year
Net impairment losses and provisions	(32.8)	(55.8)
Recoveries of bad debts written off	1.6	0.8
Unrecoverable loans and receivables not covered by impairment losses	(1.9)	(1.3)
TOTAL COST OF CREDIT RISK	**(33.1)**	**(56.2)**

Cost of credit risk for the period by type of asset and status

in millions of euros	2023 financial year	2022 financial year
Cash placed with central banks///cash deposits within central banks	0.0	0.0
Financial assets at fair value through profit or loss	0.0	0.0
Financial assets at fair value through shareholders' equity	(11.5)	(0.1)
Financial assets at amortised cost	(17.1)	(55.5)
O/w loans and receivables	*(9.5)*	*(51.1)*
O/w debt securities	*(7.6)*	*(4.3)*
Other assets	1.2	(2.7)
Financing and guarantee commitments	(5.6)	2.1
Effects of guarantees not taken into account in impairment	0.0	0.0
TOTAL COST OF CREDIT RISK	**(33.1)**	**(56.2)**
Of which stage 1	*(14.5)*	*0.8*
Of which stage 2	*22.4*	*10.1*
Of which stage 3	*(41.0)*	*(45.3)*

7.1.2 Change in gross carrying amounts and expected credit losses of financial assets and commitments

Accounting principles

Expected credit losses are represented by impairment losses on assets at amortised cost and in fair value through recyclable equity, and provisions for financing and guarantee commitments.

From the date of initial recognition, the financial instruments concerned (see 7.1.1) are subject to impairment or a provision for expected credit losses (ECL).

Where there is no objective evidence of individual losses by financial instruments, the expected impairments or provisions for credit losses are measured on the basis of historical loss information and reasonable and justifiable forecasts of discounted future cash flows.

Financial instruments are divided into three categories (stages) according to the deterioration of credit risk observed since their initial recognition. Each loan category corresponds to a specific credit risk measurement method:

Stage 1 (S1):

- these are performing loans for which there has been no significant increase in credit risk since the initial recognition of the financial instrument or certain assets for which the standard makes it possible to assume that they have a low credit risk at the reporting date;
- an impairment or provision for credit risk corresponds to the credit losses expected at one year;
- interest income is recognised in income according to the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 2 (S2):

- performing loans where a significant increase in credit risk has been observed since the initial recognition of the financial instrument are transferred to this category;
- the impairment or provision for credit risk will then be calculated on the basis of expected credit losses over the residual life of the financial instrument (expected credit losses at maturity);
- interest income is recognised in income, as is this case for stage 1 loans, according to the effective interest method applied to the gross carrying amount of the instrument before impairment.

Stage 3 (S3):

- these are loans where there is objective evidence of impairment in relation to an event that characterises a proven credit risk and occurs after the initial recognition of the instrument concerned.

  This category includes receivables for which an event of default has been identified as defined in article 178 of European regulation no 575/2013 of 26 June 2013 on prudential requirements applicable to credit institutions. Default situations are now identified for loans with significant arrears (introduction of a relative threshold and an absolute threshold to be applied to arrears) and the criteria for returning loans to sound status have been clarified with the imposition of a probationary period and the introduction of explicit criteria for classifying restructured loans as in default;
- the impairment or provision for credit risk is calculated for the expected credit losses over the remaining useful life of the financial instrument (expected credit losses at maturity) on the basis of the recoverable amount of the loan, i.e. the discounted value of estimated recoverable future cash flows;
- interest income is recognised as income according to the effective interest method applied to the carrying amount of the instrument after impairment;
- financial assets acquired or created and impaired for credit risk on initial recognition, where the entity does not expect to recover all the contractual cash flows (Purchased or Originated Credit Impaired or POCI), also come under stage 3. These assets can be transferred to stage 2 in the event of an improvement of the credit risk.

For receivables resulting from operating leases or finance leases which fall under IFRS 16, the group has decided not to retain the option of applying the simplified method proposed by IFRS 9 § 5.5.15.

The methodological changes made during the period and presented below constitute a change in estimate that has an impact on the income statement.

Methodology for measuring the deterioration of credit risk and expected credit losses

The principles for measuring the deterioration of credit risk and expected credit losses which are applicable to the vast majority of group exposures are described below. Only some portfolios of group institutions - corresponding to a limited volume of exposures - cannot be treated according to the methods described below and may be subject to *ad hoc* measurement techniques.

Significant increase in credit risk

The significant increase in credit risk is assessed on an individual basis taking into account all reasonable and justifiable information and comparing the risk of default on the financial instrument at the reporting date with the risk of default on the financial instrument on the date of initial recognition. A counterparty-by-counterparty approach (with application of the contagion principle to all existing outstandings on the counterparty in question) is possible, particularly with regard to the watch list qualitative criterion.

In accordance with IFRS 9, an exposure to a counterparty whose credit risk has deteriorated significantly (Stage 2) and which has just been originated will be classified as Stage 1.

The assessment of deterioration is based on a comparison of ratings on the reporting date. The same principles as those determining the entry into Stage 2 are applied to improve the significant deterioration in credit risk.

Moreover, according to the standard, there is a refutable presumption of a significant increase in the credit risk associated with a financial asset since its initial recognition where contractual payments are delayed by over 30 days.

In the majority of cases, the degree of risk degradation makes it possible to record a degradation to Stage 2 before the transaction is impaired individually (Stage 3).

The evaluation of the significant increase in credit risk is carried out on the level of each instrument, on the basis of indicators and thresholds which vary depending on the nature of the exposure and the type of counterparty.

For the individual customers, professionals, SMES, Public Sector and Social Housing Portfolios: since the first half of 2022 and the implementation of the ECB's recommendations as part of the *deep dive* mission, the significant deterioration in credit risk has resulted in a significantly increased severity of the transition to H2, in particular for contracts with high ratings at origination.

More specifically, the measurement of the significant increase in credit risk is based on the following criteria:

<table>
<tr><th>Origin rating</th><th>Individual customers</th><th>Professionals</th><th>SMES, public sector and social housing</th></tr>
<tr><td>3 to 11
(AA to BB+)</td><td>3 notches</td><td rowspan="3">3 notches</td><td rowspan="2">3 notches</td></tr>
<tr><td>12
(BB)</td><td rowspan="2">2 notches</td></tr>
<tr><td>13 (BB-)</td><td>2 notches</td></tr>
<tr><td>14 to 15
(B to B)</td><td rowspan="2">1 notch</td><td>2 notches</td><td rowspan="2">1 notch</td></tr>
<tr><td>16 (B-)</td><td>1 notch</td></tr>
<tr><td>17
(CCC to C)</td><td colspan="3">Sensitive in stage 2</td></tr>
</table>

The additional qualitative criteria make it possible to classify as Stage 2 all contracts with arrears of more than 30 days (unless the presumption of arrears of 30 days is refuted), as a sensitive note, in situations of restructuring or in the presence of financial difficulties if the criteria for downgrading to stage 3 are not met.

For the Large Corporates, Banks and Sovereign portfolios: the quantitative criterion is based on the level of Variation of the rating since initial recognition. The same qualitative criteria apply to individuals, professionals and small and medium-sized enterprises, and to contracts registered on the watch list, as well as additional criteria based on changes in the level of country risk.

The deterioration thresholds for the **Large Corporates And Banks portfolios** are as follows:

Origin rating	Significant deterioration
1 to 7 (AAA to A-)	3 notches
8 to 10 (BBB+ to BBB-)	2 notches
11 to 21 (BB+ to C)	1 notch

For Sovereigns: the downgrading thresholds on the eight-point rating scale are as follows:

Origin rating	Significant deterioration
1	6 notches
2	5 notches
3	4 notches
4	3 notches
5	2 notches
6	1 notch
7	S2 directly (except if newly originated contract)
8	S2 directly (except if newly originated contract)

For Specialised Finance: the criteria applied vary according to the characteristics of the exposures and the corresponding rating system. Exposures rated under the mechanism dedicated to large exposures are treated in the same way as large corporates; the other exposures are treated like small and medium enterprises.

For all of these portfolios, the ratings on which the measurement of the risk degradation is based correspond to ratings from internal systems, when these are available, as well as to external ratings, notably in the absence of internal rating.

The standard makes it possible to consider that the credit risk of a financial instrument has not increased significantly since initial recognition if the risk is considered low at the reporting date. This provision is applied to debt securities rated investment grade and managed as part of Groupe BPCE's liquidity reserve, as defined by Basel III regulations, as well as debt securities classified as financial investments for insurance activities. The “Investment grade” rating corresponds to ratings with a rating equal to or higher than BBB- or its equivalent by Standards and Poor's, Moody's or Fitch.

In accordance with IFRS 9, the recognition of guarantees and collateral does not affect the assessment of the significant increase in credit risk: this is based on changes in the credit risk on the debtor without taking into account guarantees.

In order to assess the significant increase in credit risk, the group provides a process based on two levels of analysis:

- a first level depends on the rules and criteria defined by the group that apply to its institutions (known as the “central model”);
- a second level linked to the appraisal, i.e. expert opinion in respect of the forward looking local, of the risk borne by each institution on its portfolios that may lead to the adjustment of the criteria defined by the downgrading group to Stage 2 (portfolio or sub-portfolio switching to ECL at maturity). These criteria are adapted to the current macroeconomic context at each reporting date.

Impairment for expected credit losses

Expected credit losses are defined as being an estimate of credit losses (i.e. the current value of any cash flow shortfall) weighted on the basis of the probability of such losses occurring during the expected useful life of the financial instruments. They care calculated individually for each case of exposure.

In practice, for financial instruments classified as Stage 1 or Stage 2, the expected credit losses are calculated as the result of several parameters:

- expected cash flows over the life of the financial instrument, discounted to the valuation date - these flows are determined according to the characteristics of the contract, and its effective interest rate and particularly for property loans, the expected level of early repayment on the contract;
- loss given default (LGD);
- probability of default (PD), in the coming year in the case of stage 1 financial instruments, and up to the maturity of the contract in the case of stage 2 financial instruments.

The methodology developed relies on the existing concepts and devices used notably for the internal models developed in the framework of the calculation of regulatory capital requirements (Basel rules) and on the projection models used initially in the context of stress tests. Specific adjustments are made to comply with the specificities of IFRS 9:

- the goal of the IFRS 9 parameters is to estimate as accurately as possible the expected credit losses within an accounting provisioning framework, while the prudential parameters are prudently scaled within a regulatory framework. A number of the prudential margins applied to the prudential parameters are consequently restated;
- the IFRS 9 parameters must make it possible to estimate the expected credit losses up to the maturity of the contract, while the prudential parameters are defined in order to estimate expected losses over a one-year period. The one-year parameters are projected across long-term periods;
- the IFRS 9 parameters must take into account the anticipated economic climate over the projected period (forward-looking), while the prudential parameters correspond to average cycle estimates (for the pd) or low cycle estimates (for the LGD and expected flows over the useful life of the financial instrument). The PD and LGD prudential parameters are therefore also adjusted according to these forecasts on the economic climate.

The methods used to measure expected credit losses take into account collateral and other credit enhancements that are part of the contractual terms and that the entity does not recognise separately. The estimate of the expected cash flow shortfalls of a secured financial instrument reflects the amount and timing of recovery of collateral, if such collateral is considered to be part of the contractual terms of the secured instrument.

The IFRS 9 parameter validation system is fully integrated into the model validation system already in place within the group. The validation of the models therefore follows a review process involving an independent internal model validation unit, the review of this work at the group model committee and the adoption of any recommendations issued by the validation unit.

Inclusion of forward-looking information

Prospective macroeconomic data (forward looking) are taken into account in a methodological framework applicable at two levels:

- at group level, in determining a shared framework for taking into account the forward looking in the projection of PD and LGD parameters over the amortisation period of operations within the central model.
- at the level of each entity, with regard to its own portfolios.

The amount of expected credit losses is calculated on the basis of an average of the ECLs per scenario weighted by the probability of occurrence of these scenarios, taking into account past events, current circumstances and reasonable and justifiable forecasts of economic conditions.

Groupe BPCE includes all forward-looking information both when estimating the significant increase in credit risk and when measuring the expected credit losses. To do this, Groupe BPCE uses the projections of macroeconomic variables used to define its budget process, which is considered to be the most likely, framed by optimistic and pessimistic scenarios in order to define alternative trajectories.

With regard to the determination of the significant increase in credit risk, beyond the rules based on the comparison of risk parameters between the initial recognition date and the reporting date, it is supplemented by the consideration of forward-looking information such as sectoral or geographical macroeconomic parameters.

With regard to the measurement of the expected credit losses, the group has chosen to use three macroeconomic scenarios, which are detailed in the paragraph below.

Methodology for calculating expected losses under the central model

The parameters used to measure the expected credit losses are adjusted to the economic environment *via* the definition of three economic scenarios (central/pessimistic/optimistic) defined over a three-year horizon.

The definition and review of these scenarios follows the same organisation and governance as that defined for the budget process, with a quarterly review of their relevance since the covid-19 crisis, which may lead to a revision of macroeconomic projections in the event of a significant deviation of the situation observed, based on proposals from economic research and validation by the Executive management committee.

The probabilities of the central scenario occurrence and its limits are reviewed quarterly by the group's watch list and provisions committee. The parameters thus defined make it possible to evaluate the expected credit losses of all exposures, whether they belong to a scope certified through the internal method or one treated as standard for the calculation of risk-weighted assets.

The variables defined in the central scenario and its limits allow the distortion of the PD and LGD parameters and the calculation of an expected credit loss for each of the economic scenarios. The forecasts of the parameters over periods greater than three years are based on the principle of a gradual return to their long-term average. These economic scenarios are associated with probabilities of occurrence, ultimately allowing the calculation of a probable average loss used as the IFRS 9 impairment amount.

For the 31 December 2023 closing:

The scenario used by the group is that developed in July 2023. It corresponds to consensus forecasts for the main economic variables impacting the calculation of expected credit losses. In France, growth will be weak in 2023 and 2024 before returning to levels higher than the long-term average. With regard to inflation and rates, the central assumption is that inflation will remain high in 2023 before receding in 2024 (but still above the ECB's target). The target would be reached from 2025. This change is a determining factor in the ECB's key interest rates, with a downward movement expected from the end of 2024.

Although of a slightly different magnitude, the same trend would be observed in the us, with sluggish growth in 2023 and especially 2024, before a rebound in 2025-2026. Here again, 2023 inflation is expected to remain at a high level before a decline in the following years. The rate cut cycle is likely to be faster in the us than in the eurozone.

Compared to the previous one, the central scenario mainly shows a delay in the start of the rate-cutting cycle in the eurozone.

The slight changes in the central scenario since the last closing date have not led to an in-depth revision of the pessimistic and optimistic limits, which remain unchanged.

Consequently:

- the pessimistic scenario is based on a scenario of sustained inflation and recession, corresponding to one of the adverse scenarios of the 2023 internal stress campaign.
- conversely, the optimistic scenario corresponds to a gradual return of inflation to more normal levels and a more vigorous recovery in activity.

Following the conclusive *backtesting* work, the margins for uncertainty concerning the group's *retail* and *non-retail* portfolios were gradually withdrawn during 2023. These margins had been put in place in the models for calculating expected credit losses in anticipation of the work to improve these models. As this work has been completed, these margins can now be withdrawn.

This withdrawal represents a reversal of €7.2 million for the 31 December 2023 closing.

In addition, the group supplements and adapts this approach taking into account the specificities of certain scopes. Each scenario is weighted according to its proximity to the market consensus (consensus forecast) on the main economic variables of each significant scope or market of the group.

The projections are based on the main macroeconomic variables: GDP, the unemployment rate, and ten-year interest rates on French sovereign debt and real estate.

The macroeconomic variables for the France zone are as follows:

As at 31 December 2023:

	Pessimistic 2023			
	GDP	Unemployment	Housing price index	10-year rate 10-year rate
2023	0.10%	7.90%	(3.00%)	3.93%
2024	- 1.50%	8.50%	(5.50%)	4.89%
2025	- 0.75%	9.50%	(9.00%)	4.70%

	Central 2023			
	GDP	Unemployment	Housing price index	10-year rate 10-year rate
2023	0.60%	7.40%	(2.50%)	3.03%
2024	0.90%	7.50%	(4.00%)	3.09%
2025	1.60%	6.93%	(3.00%)	3.19%

	Optimistic 2023			
	GDP	Unemployment	Housing price index	10-year rate 10-year rate
2023	0.90%	7.03%	(2.13%)	2.36%
2024	2.70%	6.75%	(2.88%)	1.74%
2025	3.36%	5.00%	1.50%	2.05%

As at 31 December 2022:

	Pessimistic 2022			
	GDP	Unemployment	Housing price index	10-year rate 10-year rate
2022	1.80%	7.60%	4.00%	3.42%
2023	- 0.70%	8.20%	(5.00%)	4.31%
2024	0.30%	9.30%	(6.00%)	5.42%

	Central 2022			
	GDP	Unemployment	Housing price index	10-year rate 10-year rate
2022	2.50%	7.20%	5.00%	2.65%
2023	0.60%	7.40%	(2.50%)	2.77%
2024	1.10%	7.30%	(3.00%)	2.86%

	Optimistic 2022			
	GDP	Unemployment	Housing price index	10-year rate 10-year rate
2022	3.00%	7.00%	6.00%	2.27%
2023	1.50%	6.80%	2.00%	2.00%
2024	1.70%	5.80%	2.50%	1.58%

Scenario weighting at 31 December 2023

Expected credit losses are calculated by assigning a weighting to each of the limits determined according to the proximity of the forecasters' consensus with each of the central, pessimistic and optimistic limits on the GDP growth variable.

Thus, the weightings retained for France are as follows:

- central scenario: 50% at 31 December 2023 compared to 45% at 31 December 2022;
- pessimistic scenario: 20% at 31 December 2023 compared to 35% at 31 December 2022;
- optimistic scenario: 30% at 31 December 2023 compared to 20% at 31 December 2022;

Environmental risks are not taken into account in the central models at this stage. However, they are recorded at the institution level (see below).

Expected credit losses in addition to the central model

Additional provisions have been recorded by the institutions to cover the specific risks of their portfolios, in addition to the provisions described above and calculated by the group's tools. These provisions were mainly allocated in 2020 and 2021 for the impacts of the covid-19 crisis. In 2022 and 2023, they were supplemented by additional documented provisions for the sectors most likely to be affected by the deterioration in the macroeconomic environment (rising inflation, soaring energy prices, shortages, etc.). At 31 December 2023, these provisions mainly concern structured financing, professional real estate (offices, retail) and SCPIS.

In this context, the group continued to strengthen the identification and monitoring of the most impacted sectors. The sectoral monitoring approach is reflected in a classification according to their level of risk of economic sectors and sub-sectors established centrally by Groupe BPCE's risk management department, updated regularly and communicated to all of the group's institutions.

Analysis of the sensitivity of ECL amounts

The sensitivity of expected credit losses for instruments classified as S1 and S2 for Banque Palatine linked to the probability of occurrence of the 100% pessimistic scenario would result in the recognition of an additional provision of 17.53 million euros. Conversely, the 100% probability of occurrence of the optimistic scenario would result in a reversal of ECL of €11.46 million. Lastly, the 100% probability of occurrence of the central scenario would result in a reversal of ECL of €0.13 million.

Provisions relating to statuses 1 and 2 totalled €98.3 million at 31 December 2023, compared with €106.3 million at 31 December 2022.

Measurement of loans falling under stage 3

Financial assets for which there is an objective indication of loss related to an event that characterises a known counterparty risk and that occurs after their initial recognition are considered to be in stage 3. The criteria for identifying assets are aligned with the definition of default as defined in article 178 of European regulation no. 575/2013 of 26 June 2013 on the prudential requirements applicable to credit institutions in line with the guidelines of the EBA (EBA/GL/2016/07) on the application of the definition of default and delegated regulation no. 2018/1845 of the European central bank on the threshold for assessing the importance of arrears on credit obligations.

Loans and advances are considered as impaired and falling under Stage 3 if the two following conditions are met:

- There are objective indications of impairment on an individual basis or on a portfolio basis: these are “trigger events” or “loss events” that characterise a counterparty risk and occur after the initial recognition of the loans concerned. The following, in particular, constitute an objective indication of impairment:
  - the occurrence of arrears for at least three consecutive months for which the amount is higher than the absolute thresholds (€100 for a retail exposure, otherwise €500) and the relative threshold of 1% of the counterparty's exposures,
  - or the restructuring of loans in the event of achievement of certain criteria or, independently of any arrears, the observation of financial difficulties of the counterparty leading to the conclusion that all or part of the sums due will not be recovered. Note that the restructured outstandings are classified in stage 3 when the loss is greater than 1% of the difference between the net present value before restructuring and the net present value after restructuring;
- these events are likely to result in incurred credit losses, in other words, expected credit losses for which the probability of occurrence has become certain.

The Stage 3 classification is maintained for a probationary period of three months after all the indicators of default mentioned above have disappeared. The probationary period in Stage 3 is extended to one year for restructured contracts that have been transferred to Stage 3.

When leaving Stage 3, Groupe BPCE does not apply an additional probationary period for classification as Stage 2 prior to any transfer to stage 1 (if the asset in question meets the conditions for classification).

Debt securities such as bonds or securities resulting from securitisation (ABS, CMBS, RMBS, *cash* CDO) are considered impaired and fall under Stage 3 when there is a proven counterparty risk.

The group uses the same indicators of impairment for stage 3 debt securities as those used for individually assessing the incurred impairment risk on loans and advances, irrespective of the portfolio to which the debt securities are ultimately allocated. In the case of undated deeply subordinated notes (TSSDIS) that meet the definition of debt instruments under IAS 32, particular attention is also paid when the issuer may, under certain conditions, not pay the coupon or extend the issue beyond the scheduled redemption date.

Impairment losses for expected credit losses on financial assets in stage 3 are determined as the difference between the amortised cost and the recoverable amount of the receivable, i.e. the present value of the estimated recoverable future cash flows, whether these cash flows arise from the counterparty's activity or from the possible activation of guarantees (if these guarantees are considered to be part of the contractual terms of the guaranteed instrument). For short-term assets (maturity of less than one year), there is no discounting of future cash flows. The impairment is calculated globally without distinction between interest and capital. Expected credit losses arising from off-balance sheet commitments in stage 3 are taken into account through provisions recognised on the liability side of the balance sheet. It is calculated on the basis of the maturity schedules using collection histories for each category of loan.

For the purposes of the measurement of expected credit losses, estimates of expected cash flow shortfalls take into account assets pledged as collateral and other credit enhancements that form an integral part of the instrument’s contractual terms and conditions and which the entity does not recognise separately.

Expected credit losses comprise impairment losses on assets at amortised cost and in fair value through equity, and provisions for financing and guarantee commitments

For debt instruments recognised on the balance sheet under financial assets at amortised cost, the impairments recorded correct the original item of the asset presented in the balance sheet for its net value (regardless of the asset’s stage: S1, S2 or S3 or POCI). Impairment charges and reversals are recognised in the income statement under “Cost of credit risk”.

For debt instruments recognised in the balance sheet as financial assets at fair value through equity, impairment losses are recognised as balance sheet liabilities at the level of recyclable equity, as the counterpart of the “Cost of credit risk” item in the income statement (regardless of the asset’s stage: S1, S2 or S3 or POCI).

For financing and financial guarantee commitments given, provisions are recorded under “Provisions” on the liabilities side of the balance sheet (regardless of the stage of the commitment given: S1, S2 or S3 or POCI). Provision charges and reversals are recognised in the income statement under “cost of credit risk”.

7.1.2.1 Change in s1 and s2 credit losses

S1 & S2 credit losses

in millions of euros	31/12/2023	31/12/2022
Central model	77.56	94.97
Post-model adjustments		
Additions to the central model	20.72	11.29
TOTAL EXPECTED CREDIT LOSSES S1/S2	**98.28**	**106.26**

7.1.2.2 Change in the gross carrying amount and credit losses on financial assets through equity

in millions of euros	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		Total	
	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2022	**735.5**	**(0.0)**	**5.1**	**(0.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**740.6**	**(0.1)**
Production and acquisition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(186.9)	0.0	(5.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(192.0)	0.0
Impairment (write-off)	0.0	0.0	0.0	0.0	(10.6)	10.6	0.0	0.0	0.0	0.0	(10.6)	10.6
Transfers of financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• transfers to s1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• transfers to s2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• transfers to s3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements*	17.6	(0.0)	0.0	0.1	10.6	(10.6)	0.0	0.0	0.0	0.0	28.2	(10.5)
BALANCE AT 31/12/2023	**566.2**	**(0.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**566.2**	**(0.0)**

** O/w amortisation of receivables, change in credit risk parameters, exchange rate fluctuations and changes related to changes in scope.*

7.1.2.3 Change in the gross carrying amount and credit losses on debt securities at amortised cost

in millions of euros	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		Total	
	Gross carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	To be hidden if empty	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2022	**443.7**	**(0.8)**	**5.5**	**(0.1)**	**21.9**	**(18.6)**	**0.0**	**0.0**	**1.6**	**(1.5)**	**472.7**	**(21.0)**
Production and acquisition	33.2	(1.9)	0.0	0.0	///	///	0.0	0.0	0.0	0.0	33.2	(1.9)
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(24.5)	0.0	(5.2)	0.0	(1.6)	1.5	0.0	0.0	0.0	0.0	(31.3)	1.5
Impairment (write-off)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification of financial assets	(23.0)	0.1	11.7	(0.3)	11.3	(4.5)	0.0	0.0	0.0	0.0	0.0	(4.7)
• transfers to s1	0.0	0.0	0.0	0.0	0.0	0.0	///	///	///	///	0.0	0.0
• transfers to s2	(11.7)	0.0	11.7	(0.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(0.2)
• transfers to s3	(11.3)	0.1	0.0	0.0	11.3	(4.5)	0.0	0.0	0.0	0.0	0.0	(4.5)
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements*	2.6	2.3	0.9	0.1	1.3	(2.6)	0.0	0.0	0.0	0.0	4.9	(0.1)
BALANCE AT 31/12/2023	**432.2**	**(0.3)**	**12.9**	**(0.3)**	**32.8**	**(24.2)**	**0.0**	**0.0**	**1.6**	**(1.5)**	**479.5**	**(26.3)**

** O/w amortisation of receivables, change in credit risk parameters, exchange rate fluctuations and changes related to changes in scope.*

7.1.2.4 Change in the gross carrying amount and credit losses on loans and receivables to credit institutions at amortised cost

The loans and receivables to credit institutions registered in stage 1 include, in particular, funds centralised with Caisse des dépôts et consignations, i.e. €541.9 million at 31 December 2023, compared with €477.5 million at 31 December 2022.

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		Total	
in millions of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2022	**4,781.0**	**0.0**	**1.6**	**(0.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**4,782.6**	**(0.0)**
Production and acquisition	1,881.2	0.0	0.0	0.0	///	///	0.0	0.0	0.0	0.0	1,881.2	0.0
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(1,187.9)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(1,187.9)	0.0
Impairment (write-off)	///	///	///	///	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers of financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• Transfers to S1	0.0	0.0	0.0	0.0	0.0	0.0	///	///	///	///	0.0	0.0
• Transfers to S2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
• Transfers to S3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements*	(150.7)	0.0	(0.2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(150.9)	0.0
BALANCE AT 31/12/2023	**5,323.6**	**0.0**	**1.4**	**(0.0)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5,325.0**	**(0.0)**

** O/w amortisation of receivables, change in credit risk parameters, exchange rate fluctuations and changes related to changes in scope.*

7.1.2.5 change in the gross carrying amount and credit losses on loans and receivables to customers at amortised cost

Financial instruments are divided into three categories (stages) according to the deterioration of credit risk observed since their initial recognition. This deterioration is measured on the basis of the rating at the closing date.

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		Total	
in millions of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit
BALANCE AT 31/12/2022	**9,373.9**	**(31.3)**	**1,484.5**	**(62.5)**	**545.7**	**(252.4)**	**0.0**	**0.0**	**43.9**	**(4.7)**	**11,448.0**	**(350.9)**
Production and acquisition	2,017.2	(13.1)	0.0	0.0	///	///	0.0	0.0	2.3	0.0	2 019,5	(13.1)
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(976.3)	6.9	(136.5)	4.8	(114.8)	36.8	(0.0)	0.0	(13.2)	3.2	(1,240.8)	51.7
Impairment (write-off)	///	///	///	///	(48.5)	48.4	0.0	0.0	0.0	0.0	(48.5)	48.4
Reclassification of financial assets	(291.4)	2.4	193.5	(0.4)	98.0	(23.2)	5.1	(0.1)	(5.1)	1.8	0.0	(19.4)
• Transfers to S1	452.1	(1.6)	(449.3)	17.9	(2.8)	0.9	///	///	///	///	0.0	17.1
• Transfers to S2	(664.3)	3.7	690.2	(23.0)	(26.0)	4.6	9.0	(0.1)	(9.0)	2.3	0.0	(12.5)
• Transfers to S3	(79.3)	0.3	(47.4)	4.8	126.7	(28.7)	(3.9)	0.0	3.9	(0.4)	0.0	(24.0)
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements*	74.7	(11.5)	(162.3)	15.5	10.4	(24.5)	(5.0)	0.1	8.9	(3.8)	(73.3)	(24.2)
BALANCE AT 31/12/2023	**10,198.0**	**(46.6)**	**1,379.2**	**(42.5)**	**490.7**	**(214.9)**	**0.0**	**0.0**	**36.8**	**(3.5)**	**12,104.8**	**(307.5)**

** O/w amortisation of receivables, change in credit risk parameters, exchange rate fluctuations and changes related to changes in scope.*

7.1.2.6 Change in the gross carrying amount and credit losses on financing commitments given

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		Total	
in millions of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2022	**1,992.5**	**(3.7)**	**89.7**	**(4.2)**	**7.1**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,089.3**	**(7.9)**
Production and acquisition	1,100.6	(2.6)	0.0	0.0	///	///	0.0	0.0	0.0	0.0	1,100.6	(2.6)
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(813.5)	1.7	(26.4)	0.3	(4.2)	0.0	0.0	0.0	0.0	0.0	(844.1)	2.0
Impairment (write-off)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Transfers of financial assets	(85.2)	0.2	85.6	(0.8)	(0.4)	0.0	0.0	0.0	0.0	0.0	0.0	(0.5)
• Transfers to S1	26.0	(0.1)	(25.2)	0.5	(0.9)	0.0	///	///	///	///	0.0	0.4
• transfers to S2	(110.5)	0.3	111.0	(1.2)	(0.5)	0.0	0.0	0.0	0.0	0.0	0.0	(0.9)
• Transfers to S3	(0.7)	0.0	(0.3)	0.0	1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements*	(70.5)	2.0	6.5	0.5	15.0	(0.0)	0.0	0.0	0.0	0.0	(48.9)	2.5
BALANCE AT 31/12/2023	**2,124.0**	**(3.8)**	**155.3**	**(1.8)**	**17.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**2,296.9**	**(5.6)**

** O/w amortisation of receivables, change in market risk parameters and changes related to changes in scope.*

7.1.2.7 Change in the gross carrying amount and credit losses on guarantee commitments given

	Stage 1		Stage 2		Stage 3		Assets impaired on origination or acquisition (S2 POCI)		Assets impaired on origination or acquisition (S3 POCI)		Total	
In millions of euros	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses	Carrying amount	Impairment for expected credit losses
BALANCE AT 31/12/2022	**1,219.0**	**(1.9)**	**130.2**	**(1.5)**	**32.1**	**(34.1)**	**0.0**	**0.0**	**0.0**	**0.0**	**1,381.3**	**(37.5)**
Production and acquisition	561.3	(0.6)	0.0	0.0	///	///	0.0	0.0	0.6	0.0	561.9	(0.6)
Changes in contractual flows that do not result in derecognition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Derecognition (repayments, disposals and write-offs)	(494.3)	0.6	(35.7)	0.5	(9.7)	4.6	0.0	0.0	(0.0)	0.0	(539.7)	5.7
Impairment (write-off)	///	///	///	///	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Reclassification of financial assets	(40.6)	(0.0)	21.1	0.2	19.5	(4.8)	0.0	0.0	0.0	0.0	0.0	(4.7)
• Transfers to S1	38.7	(0.1)	(36.1)	0.8	(2.5)	0.3	///	///	///	///	0.0	1.1
• Transfers to S2	(64.7)	0.1	66.6	(0.8)	(2.0)	0.1	0.0	0.0	0.0	0.0	0.0	(0.6)
• Transfers to S3	(14.6)	0.0	(9.4)	0.1	24.0	(5.3)	0.0	0.0	0.0	0.0	0.0	(5.2)
Model changes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other movements*	(59.1)	0.1	1.3	0.6	0.1	(7.9)	0.0	0.0	0.0	(0.3)	(57.8)	(6.8)
BALANCE AT 31/12/2023	**1,186.3**	**(1.5)**	**116.8**	**(1.4)**	**42.0**	**(38.1)**	**0.0**	**0.0**	**0.6**	**(0.3)**	**1,345.7**	**(40.7)**

** o/w amortisation of receivables, change in credit risk parameters, exchange rate fluctuations and changes related to changes in scope.*

7.1.3 Credit risk measurement and management

Credit risk arises whenever a counterparty is unable to meet its payment obligations and may result from a reduction in credit quality, or even default by the counterparty.

Commitments exposed to credit risk consist of existing or potential receivables and particularly loans, debt securities, equities, performance swaps, performance bonds, or confirmed or undrawn facilities.

Credit risk management procedures and assessment methods, risk concentration, the quality of performing financial assets, and the analysis and breakdown of outstandings are described in the risk management report.

7.1.4 Guarantees received on instruments impaired under IFRS 9

The table below shows the exposure of all of the Palatine group's financial assets to credit risk and counterparty risk. The credit risk and counterparty risk exposure are calculated on the basis of the carrying amount of the financial assets without taking into account the impact of any unrecognised netting or collateral agreements.

in millions of euros	Maximum exposure to risk(2)	Impairment	Maximum exposure net of impairment(3)	Guarantees
Class of impaired financial instruments (S3)				
Debt securities at amortised cost	34.5	(25.7)	8.8	0.0
Loans and receivables due from credit institutions at amortised cost	0.0	0.0	0.0	0.0
Loans and advances to customers at amortised cost	527.5	(218.3)	309.2	175.3
Debt securities - fair value through recyclable equity	0.0	0.0	0.0	0.0
Loans and receivables due from credit institutions- JVOCI R	0.0	0.0	0.0	0.0
Loans and advances to customers at amortised cost- JVOCI R	0.0	0.0	0.0	0.0
Financing commitments	17.5	0.0	17.5	0.0
Guarantee commitments	42.6	(38.4)	4.2	0.0
TOTAL IMPAIRED FINANCIAL INSTRUMENTS (S3) (1)	**622.1**	**(282.5)**	**339.6**	**175.3**

(1) Assets impaired after origination/acquisition (Stage 3) or upon origination/acquisition (POCI).
(2) Gross carrying amount.
(3) Gross carrying amount.

7.1.5 Guarantees received on instruments not subject to IFRS 9 impairment rules

in millions of euros	Maximum exposure to risk*	Guarantees
Financial assets at fair value through profit or loss		
Debt securities	18.8	0.0
Loans	0.0	0.0
Trading derivatives	406.3	0.0
TOTAL	**425.1**	**0.0**

** Balance sheet carrying amount.*

7.1.6 Credit risk reduction mechanism: assets obtained by taking possession of collateral

The Palatine Group did not obtain any assets by taking possession of collateral.

7.1.7 Financial assets amended since the start of the year, whose impairment was calculated on the basis of expected credit losses at maturity at the start of the period

Accounting principles

Amended contracts are renegotiated, restructured or adjusted financial assets, whether or not in view of financial difficulties, which do not give rise to derecognition because the amendments made are not significant.

A profit or loss is recognised under “cost of credit risk” in the income statement in the event of an amendment.

The gross carrying amount of the financial asset shall be recalculated so that it is equal to the discounted value of the renegotiated or amended contractual cash flows at the original effective interest rate.

Certain financial assets whose impairment was calculated on the basis of lifetime expected credit losses have been modified since the beginning of the year. However, these financial assets are insignificant with regard to the entity's balance sheet and income statement.

7.1.8 Financial assets amended since their initial recognition, whose impairment was calculated on the basis of expected credit losses at maturity, and whose impairment was remeasured on the basis of expected credit losses at one year since the start of the period

Certain financial assets, whose impairment was calculated on the basis of expected credit losses at maturity, were amended since their initial recognition and their impairment was remeasured on the basis of expected credit losses at one year since the start of the period due to an improvement of their credit risk. However, these financial assets are insignificant with regard to the entity's balance sheet.

7.1.9 Restructured loans

Adjustment in view of financial difficulties

In millions of euros	31/12/2023 Loans and advances	31/12/2023 Off-balance sheet commitments	31/12/2023 Total	31/12/2022 Loans and advances	31/12/2022 Off-balance sheet commitments	31/12/2022 Total
Impaired restructured loans	92.9	0.1	93.0	105.4	0.0	105.4
Performing restructured loans	48.3	0.0	48.3	50.2	1.1	51.3
TOTAL RESTRUCTURED LOANS	**141.2**	**0.1**	**141.3**	**155.6**	**1.1**	**156.7**
Impairment	**(27.0)**	**0.0**	**(27.0)**	**(35.1)**	**0.0**	**(35.1)**
Guarantees received	**77.7**	**0.1**	**77.8**	**73.0**	**0.0**	**73.0**

Analysis of gross loans

In millions of euros	31/12/2023 Loans and advances	31/12/2023 Off-balance sheet commitments	31/12/2023 Total	31/12/2022 Loans and advances	31/12/2022 Off-balance sheet commitments	31/12/2022 Total
Adjustments: amendments to the terms and conditions	133.2	0.1	133.3	151.4	0.0	151.4
Adjustments: refinancing	8.0	0.0	8.0	4.3	1.1	5.4
TOTAL RESTRUCTURED LOANS	**141.2**	**0.1**	**141.3**	**155.6**	**1.1**	**156.7**

Counterparty region

In millions of euros	31/12/2023 Loans and advances	31/12/2023 Off-balance sheet commitments	31/12/2023 Total	31/12/2022 Loans and advances	31/12/2022 Off-balance sheet commitments	31/12/2022 Total
France	136.5	0.1	136.6	153.3	1.1	154.4
Other countries	4.7	0.0	4.7	2.3	(0.0)	2.3
TOTAL RESTRUCTURED LOANS	**141.2**	**0.1**	**141.3**	**155.6**	**1.1**	**156.7**

7.1.10 Assets reclassified as losses during the reporting period and still subject to implementation measures

Does not apply to the Banque Palatine Group.

7.1.11 Breakdown by risk category of financial instruments subject to calculation of expected credit losses pursuant to IFRS 9

Does not apply to the Banque Palatine Group.

7.1.12 Financial assets acquired or created and impaired for credit risk on initial recognition (POCI)

in millions of euros	Total undiscounted amount of expected credit losses at initial recognition of POCI contracts originated or acquired during the period
Financial instrument class	
Debt securities at amortised cost	1.6
Loans and receivables due from credit institutions at amortised cost	
Loans and advances to customers at amortised cost	36.8
Debt securities - fair value through recyclable equity	
Loans and advances to credit institutions - fair value through recyclable equity	
Loans and advances to customers - fair value through recyclable equity	
Financing commitments	
Guarantee commitments	0.6
TOTAL	**39.0**

7.2 Market risk

Market risk reflects the risk of a financial loss as a result of market trends, such as:

- interest rates: interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market rates of interest;
- exchange rates;
- prices: price risk is the risk of a potential loss resulting from changes in market prices, irrespective of whether these are caused by factors specific to the instrument or its issuer, or by factors affecting all instruments traded on the market. Variable-income securities, equity derivatives and commodity derivatives are exposed to this type of risk; and
- more generally, any market parameter involved in the measurement of portfolios.

Systems for the measurement and monitoring of market risks are presented in the risk management report.

The information on the management of market risks required by IFRS 7, presented in the risk management report, breaks down as follows:

- the market risk measurement and monitoring framework;
- arrangements for monitoring market risks;
- banking law regarding the separation and regulation of banking activities and the Volcker rule;
- second-level controls for market risks;
- the work done in 2023.

7.3 Overall interest rate risk and foreign exchange risk

Interest rate risk is the risk that unfavourable changes in interest rates will adversely impact the group's annual results and net asset value. Exchange rate risk is the risk of losses resulting from changes in exchange rates.

The management of the overall interest rate risk and the management of the foreign exchange risk are provided in the risk management report.

7.4 Liquidity risk

Liquidity risk is the risk that the group will be unable to honour its obligations or make repayments as they fall due.

The refinancing procedures and liquidity risk management arrangements are disclosed in the risk management report.

The disclosures relating to the management of liquidity risk required by IFRS 7 are set out in the risk management report - Liquidity risk, exchange rate risk.

The table below shows the amounts by contractual maturity date:

Financial instruments at fair value through profit or loss in the trading book, variable-income available-for-sale financial assets, non-performing loans, hedging derivatives and revaluation differences on interest rate-hedged portfolios are recorded in the "Not determined" column. These financial instruments are:

- either held for sale or redeemed prior to their contractual maturity;
- or held for sale or redeemed at an indeterminable date (particularly where they have no contractual maturity);
- or measured on the balance sheet for an amount impacted by remeasurement effects.

Accrued interest not yet due is shown in the "less than 1 month" column.

The amounts shown are contractual amounts excluding projected interest.

in millions of euros	Less than 1 month	1 month to 3 months	3 months to 1 year	1 year to 5 years	Over 5 years	Not determined	Total at 31 December 2023
Cash, central banks	5.2	0.0	0.0	0.0	0.0	0.0	5.2
Financial assets at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	428.4	428.4
Financial assets at fair value through shareholders' equity	9.9	0.0	0.0	327.3	229.0	8.4	574.5
Hedging derivatives	0.0	0.0	0.0	0.0	0.0	6.7	6.7
Securities at amortised cost	2.4	5.0	10.2	265.4	162.8	7.5	453.3
Loans and receivables due from credit institutions	2,933.3	785.0	547.1	600.0	459.6	0.0	5,325.0
Loans and advances due from customers	1,685.5	547.9	1,255.2	4,410.4	3,675.9	222.4	11,797.3
Remeasurement gains and losses on interest rate risk-hedged portfolios	0.0	0.0	0.0	0.0	0.0	(3.6)	(3.6)
FINANCIAL ASSETS BY MATURITY	**4,636.3**	**1,337.9**	**1,812.5**	**5,603.2**	**4,527.3**	**669.7**	**18,586.8**
Central banks	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilities at fair value through profit or loss	0.0	0.0	0.0	0.0	0.0	380.5	380.5
Hedging derivatives	0.0	0.0	0.0	0.0	0.0	4.7	4.7
Debt securities	415.1	410.2	1,608.3	78.2	35.9	0.7	2,548.3
Amounts due to credit institutions	400.9	870.2	442.9	815.2	9.8	97.1	2,636.0
Amounts due to customers	10,808.8	162.4	238.2	197.3	1.0	0.0	11,407.6
Subordinated debt	0.9	0.0	0.0	200.0	140.0	0.0	340.9
Remeasurement gains and losses on interest rate risk- hedged portfolios	0.0	0.0	0.0	0.0	0.0	0.0	0.0
FINANCIAL LIABILITIES BY MATURITY	**11,625.6**	**1,442.8**	**2,289.3**	**1,290.6**	**186.7**	**483.0**	**17,318.0**
Financing commitments given to credit institutions	2.1	0.0	0.0	0.0	0.0	0.0	2.1
Financing commitments given to customers	1,014.1	25.2	131.5	1,122.6	1.4	0.0	2,294.8
TOTAL FINANCING COMMITMENTS BY MATURITY	**1,016.2**	**25.2**	**131.5**	**1,122.6**	**1.4**	**0.0**	**2,296.9**
Guarantee commitments in favour of credit institutions	0.0	0.7	86.6	0.0	0.0	0.0	87.2
Guarantee commitments given to customers	21.0	12.2	116.2	220.1	889.0	0.0	1,258.5
TOTAL GUARANTEE COMMITMENTS GIVEN	**21.0**	**12.8**	**202.8**	**220.1**	**889.0**	**0.0**	**1,345.7**

NOTE 8 Employee benefits

Accounting principles

Employee benefits are classified in four categories:

- **short-term employee benefits**, such as salaries, paid annual leave, bonuses, incentive schemes and profit-sharing which are expected to be settled within twelve months of the end of the period and relating to said period, are recognised as expenses;

  Following the ruling of the Court of cassation of 13 September 2023 allowing employees to acquire paid leave entitlements during their sick leave, regardless of the origin of the illness or the duration of the sick leave, and pending the legislative clarifications that will be made accordingly, Groupe BPCE has decided to set aside a provision for the impact of this decision as soon as this ruling is made.

- **post-employment benefits** for retired employees break down into two categories: defined-contribution plans and defined-benefit plans.

  Defined-contribution plans such as the French national plans are those for which the group's obligations are limited only to the payment of a contribution and do not include any employer obligation regarding a benefit level. Contributions paid under these plans are recognised as expenses for the year.

  Post-employment defined-benefit plans refer to plans for which the Group has committed to providing an amount or level of benefits.

  A provision is made for defined-benefit plans, which is determined on the basis of an actuarial valuation of the commitment taking into account demographic and financial assumptions. When these plans are financed by external funds that meet the definition of plan assets, the provision is reduced by the fair value of said assets.

  The cost of defined benefit plans recognised as expenses for the period includes: the cost of services rendered (representative of the rights acquired by the beneficiaries during the period), the cost of past service (revaluation difference of the actuarial debt following an amendment or reduction of the plan), the net financial cost (accretion effect of the commitment net of the interest income generated by the hedging assets) and the effect of plan liquidations.

  Actuarial debt remeasurement differences related to changes in demographic and financial assumptions and to experience adjustments are recorded in gains and losses recognised directly in non-recyclable equity in net income;

- **Other long-term benefits** include benefits paid to active employees and payable more than twelve months after the end of the period. They notably include long-service awards.

  They are measured using an actuarial method identical to that used for defined-benefit post-employment benefits. The way they are recognised differs for actuarial debt remeasurement differences, which are recognised as expenses;

- **Termination benefits** are granted to employees on termination of their employment contract prior to their retirement date, whether as a result of redundancy or a decision by an employee to terminate a contract in exchange for a severance payment. A provision is made for them. Termination benefits not expected to be settled within the 12 months of the reporting date are discounted.

8.1 Personnel expenses

Payroll costs include all personnel costs and related social and tax charges.

in millions of euros	2023 financial year	2022 financial year
Wages and salaries	(75.6)	(77.3)
Defined-contribution and defined-benefit plan expenses	(9.0)	(7.2)
Other tax and Social security charges	(38.6)	(37.5)
Profit-sharing and incentive plans	(18.8)	(9.0)
TOTAL PERSONNEL EXPENSES	**(142.0)**	**(131.0)**

The group's average headcount during the year, broken down by professional category, was as follows: 822 managers and 276 non-managers, representing a total of 1,098 employees.

8.2 Employee benefits

The Palatine Group grants its staff a variety of employee benefits:

- retirement and similar schemes: pensions and other post-employment benefits;
- other: benefits such as long-service awards and other long-term employee benefits

8.2.1 Analysis of employee-related assets and liabilities recorded on the balance sheet

	Post-employment benefits under defined-benefit plans		Other long-term benefits			
In millions of euros	**Supplementary pension benefits and other**	**Termination benefits**	**Long-service awards**	**Other benefits**	**31/12/2023**	**31/12/2022**
Actuarial liabilities	0.3	15.0	3.0	7.9	26.3	25.1
Fair value of plan assets		(11.6)			(11.6)	(11.5)
Fair value of reimbursement rights						
Asset cap effect						
NET AMOUNT REPORTED ON THE BALANCE SHEET	**0.3**	**3.4**	**3.0**	**7.9**	**14.7**	**13.6**
Employee benefits, liabilities	0.3	3.4	3.0	7.9	14.7	13.6
Employee benefits, assets						

** Presented on the assets side of the balance sheet under "accruals and sundry assets".*

The actuarial liability is representative of the commitment granted by the Group to the beneficiaries. It is assessed by independent actuaries using the projected unit credit method, taking into account demographic and financial assumptions that are reviewed periodically and at least once a year.

When these plans are financed by hedging assets that meet the definition of plan assets, the provision corresponds to the actuarial liability reduced by the fair value of said assets.

Hedging assets that do not meet the definition of plan assets are recognised as assets.

8.2.2 Change in amounts recognised in the balance sheet

Change in actuarial liabilities

	Post-employment benefits under defined-benefit plans		Other long-term benefits			
in millions of euros	**Supplementary pension benefits and other**	**Termination benefits**	**Long-service awards**	**Other benefits**	**2023 financial year**	**2022 financial year**
Actuarial liabilities at start of year		**14.0**	**3.0**	**7.8**	**25.1**	**32.1**
Service cost		0.9	0.2		1.2	1.7
Service cost		(0.1)			(0.1)	(0.6)
Interest cost		0.1	0.1		0.2	0.2
Benefits paid		(0.3)	(0.1)		(0.5)	(1.3)
Other items recognised in the income statement		0.4	(0.2)	0.1	0.4	(0.5)
Remeasurement differences - Demographic assumptions		(0.3)			(0.3)	(0.3)
Remeasurement differences - Financial assumptions		0.9			0.9	(4.8)
Remeasurement differences - Experience effects		(0.9)			(0.9)	(1.3)
Other changes		0.4			0.4	
ACTUARIAL LIABILITIES AT THE END OF THE PERIOD		**15.0**	**3.0**	**7.9**	**26.3**	**25.1**

The pension reform in France (Law 2023-270 of 14 April 2023 amending the financing of social security for 2023 and implementing decrees 2023-435 and 2023-436 of 3 June 2023) was taken into account for the valuation of the actuarial debt at 31 December 2023. The impact of this reform is not significant. Considered as a plan change recognised in past service cost, the impact is therefore recognised in profit or loss.

Change in hedging assets

in millions of euros	Post-employment benefits under defined-benefit plans: Supplementary pension benefits and other	Post-employment benefits under defined-benefit plans: Termination benefits	Other long-term benefits: Long-service awards	Other long-term benefits: Other benefits	2023 financial year	2022 financial year
FAIR VALUE OF ASSETS AT THE BEGINNING OF THE PERIOD		**11.5**			**11.5**	**11.7**
Finance income						
Contributions received						
Benefits paid						
Other		0.4			0.4	0.1
Changes recognised in profit or loss		**0.4**			**0.4**	**0.1**
Revaluation adjustments - return on plan assets		(0.3)			(0.3)	(0.3)
Changes recognised directly in other comprehensive income that will not be reclassified to profit or loss		**(0.3)**			**(0.3)**	**(0.3)**
Translation adjustments						
Other						
FAIR VALUE OF ASSETS AT END OF PERIOD		**11.6**			**11.6**	**11.5**

The benefits paid in cash to beneficiaries claiming their rights will extinguish the amount provisioned for this purpose accordingly. €0.3 million of these were deducted from plan assets.

The financial income on plan assets is calculated using the same rate as that used to discount the commitments. The difference between the actual return at the closing date and the financial income thus determined constitutes a revaluation difference recorded for post-employment benefits in other comprehensive income that will not be reclassified to profit or loss.

8.2.3 Cost of defined-benefit plans and other long-term employee benefits

Expenses for defined-benefit plans and other long-term employee benefits

The various components of the expense recognised in respect of defined-benefit plans and other long-term employee benefits are recognised under “Payroll costs”.

In millions of euros	Post-employment benefits under defined-benefit plans	Other long-term benefits	2023 financial year	2022 financial year
Service cost	(0.8)	(0.2)	(1.0)	1.1
Net financial cost	(0.1)	(0.1)	(0.2)	0.2
Other (including income ceiling)		0.1	0.1	(0.5)
Expenses for the reporting period	**(0.9)**	**(0.2)**	**(1.1)**	**0.8**
Benefits paid	0.3	0.1	0.4	(1.4)
Contributions received				
Change in provisions following payments	**0.3**	**0.1**	**0.4**	**(1.4)**
TOTAL	**(0.6)**	**(0.1)**	**(0.7)**	**(0.6)**

Gains and losses recognised directly in equity of defined-benefit plans

in millions of euros	Supplementary pension benefits and other	Termination benefits	2023 financial year	2022 financial year
Cumulative remeasurement gains and losses at start of period		**2.5**	**2.5**	
Remeasurement gains and losses in reporting period		(0.1)	(0.1)	(6.0)
CUMULATIVE REMEASUREMENT DIFFERENCES AT THE END OF THE PERIOD		**1.5**	**1.5**	**1.0**

8.2.4 Other information

Main actuarial assumptions

	31/12/2023	31/12/2022
	CGP-CE	CGP-CE
Discount rate	2.28%	1.81%
Inflation rate	2.40%	2.40%
Life tables used	Tgh05-tgf05	Tgh05-tgf05

The retirement age was calculated for each employee based on the number of quarters needed to claim a full-rate basic pension and the assumption of a start-of-career age of 23 for managerial-grade and 20 for non-managerial employees.

These calculations also take into account the effects of the most recent pension reform - the increase in the contribution period equal to one quarter every three years from 2020, leading to a total contribution period of 43 years by 2035 (excluding the effect of The Fillon act of August 2003).

Sensitivity of actuarial liabilities to changes in key assumptions

At 31 December 2023, a +/- 0.5% change in the discount rate and the inflation rate would have the following impact on the actuarial liabilities:

	31/12/2023		
in millions of euros	Termination benefits	Long-service awards	Supplementary pension benefits and other
Discount rate	3.09%	1.51%	2.95%
Central scenario	3.2	3.0	0.3
0.5% increase	3.0	2.6	0.3
0.5% decrease	3.4	3.2	0.3

NOTE 9 Fair value of financial assets and liabilities

Overview

The purpose of this note is to present the principles used to measure the fair value of financial instruments as defined by IFRS 13 "fair value measurement" and to specify certain valuation methods used by Groupe BPCE entities to determine the fair value of their financial instruments.

Financial assets and liabilities are measured on the balance sheet either at fair value or at amortised cost. An indication of the fair value of the items measured at amortised cost is however presented in the appendix.

For instruments traded in an active market subject to quoted prices, the fair value is equal to the quoted price, which corresponds to level 1 in the hierarchy of fair value levels.

For other types of financial instruments, which are not quoted on an active market, including loans, borrowings and derivatives traded on over-the-counter markets, the fair value is determined using valuation techniques favouring market models and observable data, which corresponds to level 2 in the hierarchy of fair value levels. Otherwise, in the case where internal data or proprietary models are used (level 3 fair value), independent controls are put in place to validate the valuation.

Fair value measurement

General principles

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The group measures the fair value of an asset or liability using assumptions that market participants would use to set the price of the asset or liability. These assumptions include in particular for derivatives an assessment of counterparty risk (or CVA - credit Variation adjustment) and of the risk of non-performance (or DVA - debit valuation adjustment). These valuation adjustments are measured using market parameters.

In addition, the values of derivatives that are traded with a counterparty belonging to Groupe BPCE's share support mechanism (see note 1.2) are not subject to the CVA or DVA calculations in the group's financial statements.

Fair value upon initial recognition

For the majority of transactions concluded by the group, the price of negotiation of trades (i.e. the value of the consideration paid or received) provides the best estimate of the fair value of the transactions at the initial recognition date. If this is not the case, the group adjusts the trade price. The recognition of this adjustment is described in the paragraph "Recognition of the margin generated at inception (Day one profit)".

Fair value hierarchy

Level 1 fair value and active market concept

For financial instruments, prices quoted in an active market ("level 1 input") represent the most reliable evidence of fair value. They should be used without adjustment to measure fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume.
A decline in the level of market activity may be evidenced by indicators including:

- a significant decline in the primary market for the financial asset or liability (or for similar assets or liabilities);
- a significant decline in transaction volumes;
- price quotations are not updated very frequently;
- there is significant dispersion in prices available over time between the various market participants;
- there is a loss of correlation with indices that previously displayed a high level of correlation with the fair value of the asset or liability;
- there is a significant increase in prices or implied liquidity risk premiums, yields or performance indicators (such as delinquency rates and loss severities) when compared with the group's estimate of expected cash flows, taking into account all available market data about credit and other non-performance risk for the asset or liability;
- there is a very wide bid-ask spread.

<u>Instruments measured using (unadjusted) prices quoted in an active market (level 1)</u>

These are mainly equities, government or corporate bonds, certain derivatives traded in organised markets (e.g. plain vanilla options on CAC 40 or Eurostoxx indices).

In addition, the fair value of mutual funds is considered as being level 1 if net asset value is calculated on a daily basis and if this represents a value at which an order can be placed.

Level 2 fair value

Where there is no quotation in an active market, fair value may be measured using appropriate methodology, in line with the generally accepted measurement methods in the financial markets, based on inputs observable in the markets ("Level 2 fair value").

If the asset or liability has a specific (contractual) term, a level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include the following:

- quoted prices for similar assets or liabilities in active markets or markets that are not active;
- inputs other than quoted prices that are observable for the asset or liability, for example:
  - interest rates and yield curves observable at commonly quoted intervals,
  - Implied volatilities,
  - credit spreads;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means ("market-corroborated inputs").

Instruments measured using recognised models and underpinned by directly or indirectly observable inputs (level 2)

- level 2 derivative instruments

The following items will be classified in this category:

  - standard interest rate or CMS swaps ;
  - forward rate agreements (FRA);
  - standard swaptions;
  - standard caps and floors;
  - forward purchases and sales of liquid currencies;
  - currency swaps and options on liquid currencies;
  - liquid credit derivatives on a single name issuer or on the Itraax or Iboxx indices, etc.

- level 2 non-derivatives

Certain hybrid and/or long-maturity financial instruments are measured using a recognised model on the basis of market inputs derived from observable data such as yield curves, implied volatility layers of options, market consensus data or active over-the-counter markets.

For all such instruments, inputs were demonstrated to be observable. From a methodology perspective, observability is based on four inseparable criteria:

  - inputs come from external sources *(via* a recognised contributor);
  - the input is supplied periodically;
  - the input is representative of recent transactions;
  - the input's characteristics are identical to those of the transaction.

The margin generated when these instruments begin trading is immediately recognised in income.

Those instruments classified in level 2 include:

  - securities not listed on an active market whose fair value is determined on the basis of observable market data (for example: use of market data from comparable listed companies or earnings multiple method);
  - shares in UCITS, the net asset value of which is not calculated and published on a daily basis, but are subject to regular reporting or offer observable data from recent transactions.

Level 3 fair value

Lastly, if there are not sufficient observable inputs available in the markets, fair value may be measured using a method based on internal models ("level 3 fair value") using unobservable inputs. The model adopted must be calibrated by reconciling its results with recent transaction prices.

Over-the-counter instruments measured using infrequent models or using unobservable inputs to a great extent (level 3)

When the measurements obtained are not supported by observable inputs or models recognised as market standards, the measurement obtained will be considered as unobservable.

Instruments measured using specific models or using unobservable parameters include:

- unlisted equities, generally investments in unconsolidated investments;
- Certain UCITS when the net asset value is an indicative value (in the event of illiquidity, in the event of liquidation, etc.) And where there are no prices to support this value;
- FCPRS (venture capital funds): net asset value is frequently indicative as it is rarely possible to exit;
- multi-underlying equity structured products, options on funds, hybrid interest-rate products, securitisation swaps, structured credit derivatives, option-based interest-rate products;
- securitisation tranches for which no prices are quoted in an active market. These instruments are frequently measured based on contributors' prices (structurers, for example).

Transfers between levels of the fair value hierarchy

Information on transfers between fair value levels is provided in note 5.5.3. The amounts given in this note were calculated at the date of the last valuation prior to the change in the level of the fair value hierarchy.

Recognition of margin generated at inception *(day one profit)*

At 31 December 2023, the Palatine group had no *day one profit* “to be spread out”.

Special cases

Fair value of financial instruments recognised at amortised cost (securities)

For financial instruments not measured at fair value on the balance sheet, fair value calculations are disclosed for information purposes and should be interpreted as estimates.

In most cases, the values indicated are not likely to be realised and, generally speaking, are not actually realised.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used for the purpose of overseeing commercial banking activities, for which the management model is mainly based on collection of contractual cash flows.

Consequently, the following simplified assumptions were used:

The carrying amount of assets and liabilities is deemed to be their fair value in certain cases.

These include:

- short-term financial assets and liabilities (with an initial term of one year or less) insofar as their sensitivity to interest rate risk and credit risk is not material during the period,
- liabilities due on demand,
- floating-rate loans and borrowings,
- transactions in a regulated market (particularly regulated savings products), the prices of which are set by the public authorities;

Fair value of the customer loan portfolio

The fair value of the interbank loans is determined using internal valuation models that discount the future cash flows of principal and interest over the remaining term to maturity. Except in specific circumstances, only the interest rate component is remeasured, as the credit margin is established at the outset and not subsequently remeasured. Prepayment options are factored into the model via an adjustment to loan repayment schedules;

Fair value of interbank loans

The fair value of the interbank loans is determined using internal valuation models that discount the future cash flows of principal and interest over the remaining term to maturity.

The interest rate component is remeasured, as is the credit risk component (where it is an observable piece of data used by the customer relationship managers or market participants). Failing that, the credit risk component is established at the outset and not subsequently remeasured, as with loans to customers. Prepayment options are factored into the model via an adjustment to loan repayment schedules;

Fair value of liabilities

The fair value of the debts owed to credit institutions and customers with a term of over one year is deemed to be equal to the present value of future cash flows discounted at the interest rate observed at the reporting date. The own credit spread is generally not taken into account.

9.1 Fair value of financial assets and liabilities

9.1.1 Fair value hierarchy of financial assets and liabilities

The following statement provides a breakdown of financial instruments by type of price and valuation model:

	31/12/2023			
in millions of euros	Listing on an active market (1)	Valuation techniques using observable data (level 2)	Valuation techniques using unobservable data (level 3)	Total
Financial assets				
Equity instruments	**3.3**	**0.0**	**0.0**	**3.3**
Shares and other equity securities	3.3	0.0	0.0	3.3
Derivatives	**0.0**	**57.9**	**0.9**	**58.8**
• Interest-rate derivatives	0.0	35.3	0.0	35.3
• Currency derivatives	0.0	22.6	0.9	23.5
Other				
Financial assets at fair value through profit or loss - held for trading*	**3.3**	**57.9**	**0.9**	**62.2**
Derivatives	**0.0**	**346.7**	**0.8**	**347.5**
• Interest-rate derivatives	0.0	345.2	0.8	346.0
• Equity derivatives	0.0	0.0	0.0	0.0
• Currency derivatives	0.0	1.5	0.0	1.5
• Credit derivatives	0.0	0.0	0.0	0.0
• Other derivatives	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss - economic hedging	**0.0**	**346.7**	**0.8**	**347.5**
Debt instruments	**0.0**	**17.0**	**1.8**	**18.8**
Debt securities	0.0	17.0	1.8	18.8
Financial assets at fair value through profit or loss - non-standard	**0.0**	**17.0**	**1.8**	**18.8**
Equity instruments	**0.0**	**0.0**	**0.0**	**0.0**
Shares and other equity securities	0.0	0.0	0.0	0.0
Financial assets at fair value through profit or loss - non-trading	**0.0**	**0.0**	**0.0**	**0.0**
Debt instruments	**566.2**	**0.0**	**0.0**	**566.2**
Debt securities	566.2	0.0	0.0	566.2
Equity instruments	**0.0**	**7.0**	**1.3**	**8.4**
Shares and other equity securities	0.0	7.0	1.3	8.4
Financial assets at fair value through shareholders' equity	**566.2**	**7.0**	**1.3**	**574.5**
Interest-rate derivatives	0.0	6.7	0.0	6.7
Hedging derivatives	**0.0**	**6.7**	**0.0**	**6.7**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**569.5**	**435.3**	**4.8**	**1,009.6**

** Excluding economic hedging.*

in millions of euros	Listing on an active market (1)	Valuation techniques using observable data (level 2)	Valuation techniques using unobservable data (level 3)	Total
Financial liabilities				
Derivatives	**0.0**	**75.9**	**1.5**	**77.4**
• Interest-rate derivatives	0.0	48.7	0.6	49.3
• Currency derivatives	0.0	27.3	0.8	28.1
Other financial liabilities	**0.0**	**0.0**	**0.0**	**0.0**
Financial liabilities at fair value through profit or loss - held for trading*	**0.0**	**75.9**	**1.5**	**77.4**
Derivatives	**0.0**	**301.2**	**1.9**	**303.1**
• Interest-rate derivatives	0.0	299.5	1.9	301.5
• Currency derivatives	0.0	1.7	0.0	1.7
• Other derivatives	0.0	0.0	0.0	0.0
Financial liabilities at fair value through profit or loss - economic hedge	**0.0**	**301.2**	**1.9**	**303.1**
• Interest-rate derivatives	0.0	4.7	0.0	4.7
Hedging derivatives	**0.0**	**4.7**	**0.0**	**4.7**
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE	0.0	381.8	3.4	385.2

** Excluding economic hedging.*

9.1.2 Analysis of financial assets and liabilities classified in level 3 of the fair value hierarchy

At 31/12/2023

in millions of euros	31/12/2022	Gains and losses recognised during the period			Management events during the period		Transfers of the period			31/12/2023
		In the income statement (2)								
		On transactions still outstanding at the reporting date	On transactions no longer in the balance sheet at the reporting date	In equity	Purchases /issues	Sales/redemptions	To another accounting category	From and to another level	Other changes	
FINANCIAL ASSETS										
Derivatives	**0.3**	**1.0**	**(0.1)**	**0.0**	**0.0**	**(0.3)**	**0.0**	**0.1**	**(0.0)**	**0.9**
• Interest-rate derivatives	0.5	0.0	(0.2)	0.0	0.0	(0.3)	0.0	0.0	(0.0)	0.0
• Currency derivatives	(0.2)	1.0	0.0	0.0	0.0	(0.0)	0.0	0.1	0.0	0.9
Financial assets at fair value through profit or loss										
Held for trading (1)	**0.3**	**1.0**	**(0.1)**	**0.0**	**0.0**	**(0.3)**	**0.0**	**0.1**	**0.0**	**0.9**
Derivatives	**9.3**	**0.2**	**0.0**	**0.0**	**0.0**	**(0.8)**	**0.0**	**(7.9)**	**0.0**	**0.8**
Interest-rate derivatives	9.3	0.2	0.0	0.0	0.0	(0.8)	0.0	(7.9)	0.0	0.8
Financial assets at fair value through profit or loss										
Economic hedging	**9.3**	**0.2**	**0.0**	**0.0**	**0.0**	**(0.8)**	**0.0**	**(7.9)**	**0.0**	**0.8**
Debt instruments	**1.3**	**0.4**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.8**
Debt securities	1.3	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.8
Financial assets at fair value through profit or loss - non-standard	**1.3**	**0.4**	**0.0**	**0.0**	**0.0**	**(0.0)**	**0.0**	**0.0**	**0.0**	**1.8**
Equity instruments	**1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**
Shares and other equity securities	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.3
Financial assets at fair value through shareholders' equity	**1.3**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**

(1) excluding technical hedging.
(2) the main impacts recognized in the income statement are mentioned in note 4.3.

in millions of euros	31/12/2022	Gains and losses recognised during the period – In the income statement (2) – On transactions still outstanding at the reporting date	Gains and losses recognised during the period – In the income statement (2) – On transactions no longer in the balance sheet at the reporting date	Gains and losses recognised during the period – In equity	Management events during the period – Purchases/ issues	Management events during the period – Sales/redemptions	Transfers of the period – To another accounting category	Transfers of the period – From and to another level	Other changes	31/12/2023
FINANCIAL LIABILITIES										
Derivatives	**6.8**	**(1.6)**	**(4.8)**	**0.0**	**1.3**	**0.8**	**0.0**	**(1.0)**	**0.0**	**1.5**
• Interest-rate derivatives	7.2	(2.7)	(4.8)	0.0	1.3	0.8	0.0	(1.2)	0.0	0.6
• Currency derivatives	(0.4)	1.1	0.0	0.0	0.0	(0.0)	0.0	0.2	0.0	0.8
Financial liabilities at fair value through profit or loss - held for trading(1)	**6.8**	**(1.6)**	**(4.8)**	**0.0**	**1.3**	**0.8**	**0.0**	**(1.0)**	**0.0**	**1.5**
Derivatives	**7.5**	**1.3**	**0.0**	**0.0**	**0.0**	**(0.8)**	**0.0**	**(6.1)**	**0.0**	**1.9**
Interest-rate derivatives	7.5	1.3	0.0	0.0	0.0	(0.8)	0.0	(6.1)	0.0	1.9
Financial liabilities at fair value through profit or loss - economic hedge	**7.5**	**1.3**	**0.0**	**0.0**	**0.0**	**(0.8)**	**0.0**	**(6.1)**	**0.0**	**1.9**

(1) excluding technical hedging.

(2) the main impacts recognized in the income statement are mentioned in note 4.3.

At 31 December 2022

in millions of euros	31/12/2021	Gains and losses recognised during the period – In the income statement (2) – On transactions still outstanding at the reporting date	Gains and losses recognised during the period – In the income statement (2) – On transactions no longer in the balance sheet at the reporting date	Gains and losses recognised during the period – In equity	Management events during the period – Purchases/ issues	Management events during the period – Sales/redemptions	Transfers of the period – To another accounting category	Transfers of the period – From and to another level	Other changes	31/12/2022
FINANCIAL ASSETS										
Derivatives	**3.2**	**(1.6)**	**0.3**	**0.0**	**0.8**	**(0.1)**	**(2.3)**	**0.0**	**0.0**	**0.3**
• Interest-rate derivatives	3.1	0.0	(0.2)	0.0	0.0	(0.1)	(2.3)	0.0	0.0	0.5
• Currency derivatives	0.1	(1.6)	0.5	0.0	0.8	0.0	0.0	0.0	0.0	(0.2)
Financial assets at fair value through profit or loss - held for trading (1)	**3.2**	**(1.6)**	**0.3**	**0.0**	**0.8**	**(0.1)**	**(2.3)**	**0.0**	**0.0**	**0.3**
Derivatives	**0.5**	**9.1**	**0.2**	**0.0**	**0.0**	**(0.2)**	**(0.3)**	**0.0**	**0.0**	**9.3**
Interest-rate derivatives	0.5	9.1	0.2	0.0	0.0	(0.2)	(0.3)	0.0	0.0	9.3
Financial assets at fair value through profit or loss - economic hedging	**0.5**	**9.1**	**0.2**	**0.0**	**0.0**	**(0.2)**	**(0.3)**	**0.0**	**0.0**	**9.3**
Debt instruments	**2.2**	**0.0**	**0.1**	**0.0**	**0.0**	**(0.9)**	**0.0**	**0.0**	**0.0**	**1.3**
Debt securities	2.2	0.0	0.1	0.0	0.0	(0.9)	0.0	0.0	0.0	1.3
Financial assets at fair value through profit or loss - non-standard	**2.2**	**0.0**	**0.1**	**0.0**	**0.0**	**(0.9)**	**0.0**	**0.0**	**0.0**	**1.3**
Equity instruments	**1.9**	**0.0**	**0.0**	**(0.6)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**
Shares and other equity securities	1.9	0.0	0.0	(0.6)	0.0	0.0	0.0	0.0	0.0	1.3
Financial assets at fair value through shareholders' equity	**1.9**	**0.0**	**0.0**	**(0.6)**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**1.3**

(1) excluding technical hedging.
(2) the main impacts recognized in the income statement are mentioned in note 4.3.

in millions of euros	31/12/2021	Gains and losses recognised during the period – In the income statement (2) – On transactions still outstanding at the reporting date	Gains and losses recognised during the period – In the income statement (2) – On transactions no longer in the balance sheet at the reporting date	Gains and losses recognised during the period – In equity	Management events during the period – Purchases/issues	Management events during the period – Sales/redemptions	Transfers of the period – To another accounting category	Transfers of the period – From and to another level	Other changes	31/12/2022
FINANCIAL LIABILITIES										
Debt securities	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Derivatives	**(0.1)**	**6.5**	**0.6**	**0.0**	**2.0**	**0.2**	**(2.3)**	**0.0**	**0.0**	**6.8**
• Interest-rate derivatives	0.0	8.3	0.0	0.0	1.1	0.2	(2.3)	0.0	0.0	7.2
• Currency derivatives	(0.1)	(1.8)	0.6	0.0	0.9	0.0	0.0	0.0	0.0	(0.4)
Financial liabilities at fair value through profit or loss - held for trading(1)	**(0.1)**	**6.5**	**0.6**	**0.0**	**2.0**	**0.2**	**(2.3)**	**0.0**	**0.0**	**6.8**
Derivatives	**0.0**	**7.8**	**0.2**	**0.0**	**0.0**	**(0.2)**	**(0.3)**	**0.0**	**0.0**	**7.5**
Interest-rate derivatives	0.0	7.8	0.2	0.0	0.0	(0.2)	(0.3)	0.0	0.0	7.5
Financial liabilities at fair value through profit or loss - economic hedge	**0.0**	**7.8**	**0.2**	**0.0**	**0.0**	**(0.2)**	**(0.3)**	**0.0**	**0.0**	**7.5**

(1) excluding technical hedging.
(2) the main impacts recognized in the income statement are mentioned in note 4.3.

9.1.3 Analysis of transfers between levels of the fair value hierarchy

The amount of transfers shown in this table is that of the last valuation prior to the change in level.

	2023 financial year						
	From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros	To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS							
Derivatives		**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**
Currency derivatives		0.0	0.0	0.0	0.1	0.0	0.0
Other							
Financial assets at fair value through profit or loss - held for trading*		**0.0**	**0.0**	**0.0**	**0.1**	**0.0**	**0.0**
Derivatives		**0.0**	**0.0**	**0.0**	**1.4**	**0.0**	**9.3**
Interest-rate derivatives		0.0	0.0	0.0	1.4	0.0	9.3
Financial assets at fair value through profit or loss - economic hedging		**0.0**	**0.0**	**0.0**	**1.4**	**0.0**	**9.3**

** Excluding economic hedging.*

	2023 financial year						
	From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros	To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL LIABILITIES							
Derivatives		**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**1.2**
• Interest-rate derivatives		0.0	0.0	0.0	0.0	0.0	1.2
• Currency derivatives		0.0	0.0	0.0	0.2	0.0	0.0
Financial liabilities at fair value through profit or loss - held for trading*		**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**1.2**
Derivatives		**0.0**	**0.0**	**0.0**	**1.4**	**0.0**	**7.5**
Interest-rate derivatives		0.0	0.0	0.0	1.4	0.0	7.5
Financial liabilities at fair value through profit or loss - economic hedge		**0.0**	**0.0**	**0.0**	**1.4**	**0.0**	**7.5**

** Excluding economic hedging.*

The amount of transfers shown in this table is that of the last valuation prior to the change in level.

	2022 financial year						
	From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros	To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL ASSETS							
Debt instruments		**10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Debt securities		10.0	0.0	0.0	0.0	0.0	0.0
Financial assets at fair value through shareholders' equity		**10.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Currency derivatives		0.0	0.0	0.0	0.2	0.0	0.0
HEDGING DERIVATIVES		**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**0.0**

	2022 financial year						
	From	Level 1	Level 1	Level 2	Level 2	Level 3	Level 3
in millions of euros	To	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
FINANCIAL LIABILITIES							
Debt securities		**0**	**0**	**0**	**0**	**0**	**0**
Derivatives		**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**0.0**
Currency derivatives		0.0	0.0	0.0	0.2	0.0	0.0
Other financial liabilities		**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - HELD FOR TRADING		**0.0**	**0.0**	**0.0**	**0.2**	**0.0**	**0.0**

9.1.4 Sensitivity of level 3 fair value to changes in principal assumptions

Financial instruments measured at level 3 fair value mainly concern investments in unconsolidated subsidiaries and related certificates.

9.2 Fair value of financial assets and liabilities at amortised cost

For financial instruments not measured at fair value on the balance sheet, fair value calculations are disclosed for information purposes and should be interpreted as estimates.

In most cases, the values indicated are not likely to be realised and, generally speaking, are not actually realised.

These fair values are thus only calculated for information purposes in the notes to the financial statements. They are not indicators used in the interest of overseeing retail banking activities, for which the management model is mainly based on collection of the expected cash flows.

The simplified assumptions used to measure the fair value of instruments at amortised cost are presented in note 9.1.

	31/12/2023				31/12/2022			
in millions of euros	Fair value	Level 1	Level 2	Level 3	Fair value	Level 1	Level 2	Level 3
FINANCIAL ASSETS AT AMORTISED COST	**17,023.4**	**334.4**	**16,433.0**	**256.0**	**16,033.7**	**296.9**	**15,346.6**	**390.2**
Loans and receivables due from credit institutions	5,255.1	0.0	5,255.1	0.0	4,783.5	0.0	4,658.0	125.5
Loans and advances due from customers	11,330.5	0.0	11,161.7	168.8	10,829.6	0.0	10,658.9	170.7
Debt securities	437.8	334.4	16.2	87.2	420.6	296.9	29.7	94.0
FINANCIAL LIABILITIES AT AMORTISED COST	**16,869.6**	**0.0**	**16,312.5**	**557.1**	**15,994.3**	**0.0**	**14,385.3**	**1,607.9**
Amounts due to credit institutions	2,638.2	0.0	2,094.6	543.5	2,138.7	0.0	624.6	1,514.1
Amounts due to customers	11,367.8	0.0	11,367.8	0.0	11,339.8	0.0	11,338.8	0.0
Debt securities	2,498.7	0.0	2,485.1	13.6	2,290.3	0.0	2,196.5	93.8
Subordinated debt	365.0	0.0	365.0	0.0	225.5	0.0	225.5	0.0

NOTE 10 Taxes

10.1 Income tax

Accounting principles

Income tax includes all domestic and foreign taxes due on the basis of the taxable income. Income tax also includes tax such as withholding tax which is payable by a subsidiary, an associate partner or a joint venture on its own dividend payments to the entity submitting the financial statements. The CVAE charge (contribution on corporate added value) is not retained as an income tax.

Income tax comprises:

- firstly, all current taxes, which means the tax due (recoverable) for the taxable income (tax losses) for a given period. These are calculated on the basis of the tax results recorded for each period by a consolidated tax entity in application of the tax rules and rates in force established by the tax authorities and on the basis of which the tax is to be paid (recovered);
- secondly, deferred tax (note 10.2).

When it is possible that the group's tax position will not be accepted by the tax authorities, this situation is reflected in the accounts when current tax (due or recoverable) and deferred tax (assets or liabilities) are recorded.

As IAS 12 "income tax" does not provide any particular precision on the way tax implications relating to the uncertain nature of the tax must be taken into consideration in the accounting, the IFRIC 23 interpretation "uncertainties relating to tax treatment" adopted by the European commission on 23 October 2018 and mandatory from 1 January 2019 has specified the treatment to be used.

This interpretation clarifies the recognition and measurement of current and deferred tax where there is uncertainty about the tax treatment applied. If there is doubt surrounding the acceptance of the tax treatment by the tax authorities under the tax legislation, the tax treatment is therefore an uncertain tax treatment. If it is likely that the tax authorities will not accept the tax treatment applied, IFRIC 23 states that the amount of uncertainty to be reflected in the financial statements must be determined using the method providing the best possible prediction of the outcome of such uncertainty.

To determine this amount, two methods may be used: the most probable amount method, or the expected value method (i.e. the weighted average of the various possible scenarios). IFRIC 23 also calls for a follow-up of the evaluation of tax uncertainties.

The group presents any uncertainties relating to the tax treatment of income tax financial statements, when it deems it likely that the tax authorities will not accept them. To ascertain whether a tax position is uncertain, and assess its effect on the taxation amount, the group assumes that the tax authorities will review all reported amounts, with access to all available information. It bases its judgement on administrative documentation, French case law, as well as any corrections made by the authorities for similar tax uncertainties. The group reviews its estimate of the amount it expects to pay to or recover from the tax authorities in relation to any tax uncertainties in the event of any changes in the relevant facts and circumstances, which may result from (but which are not limited to) changes in tax laws, a statute of limitations, audit findings, and action taken by the tax authorities.

When it is probable that the competent tax authorities will call into question the methods used, these uncertainties are reflected in tax income and expenses by offsetting a provision for tax risks presented in tax liabilities.

Groupe BPCE is subject to accounting audits covering previous fiscal years. Rectified points for which the group disagrees are contested on a reasoned basis and, in application of the above, a provision is recognised in the amount of the estimated risk.

Tax uncertainty is recorded depending on whether it relates to current or deferred tax under balance sheet items "Deferred tax assets", "Current tax assets", "Deferred tax liabilities" and "Current tax liabilities".

in millions of euros	2023 financial year	2022 financial year
Current taxes	(51.4)	(4.9)
Deferred taxes	16.9	(15.7)
INCOME TAX	**(34.4)**	**(20.6)**

Reconciliation between the tax charge in the financial statements and the theoretical tax charge

	2023 financial year		2022 financial year	
	In millions of euros	Tax rate	In millions of euros	Tax rate
Net income attributable to equity holders of the parent	100.7		57.9	
Changes in the value of goodwill	0.0		0.0	
Non-controlling interests	0.0		0.0	
Share in net income of associates	(0.3)		(0.2)	
Taxes	34.4		20.6	
Income before tax and changes in the value of goodwill (A)	**134.8**		**78.3**	
Standard tax rate in France (B)		**25.83%**		**25.83%**
Theoretical tax expense/(income) at the tax rate applicable in France (A*B)	**(34.8)**		**(20.2)**	
Change in unrecognised deferred taxes	0.0		0.0	
Impact of permanent differences	0.6		(1.1)	
Reduced tax rate and exempt activities	0.0		0.0	
Difference in tax rates on income taxed abroad	0.0		0.0	
Tax on prior periods, tax credits and other taxes	0.1		0.6	
Impact of tax rate changes	0.0		0.0	
Other items	(0.3)		0.1	
TAX EXPENSE/(PROFIT) RECOGNISED	**(34.4)**		**(20.6)**	
EFFECTIVE TAX RATE (INCOME TAX EXPENSE AS A PERCENTAGE OF TAXABLE INCOME)		**25.52%**		**26.31%**

10.2 Deferred taxes

Accounting principles

Deferred tax assets and liabilities are recognised when temporary differences arise between the carrying amount of assets and liabilities at the reporting date and their tax base, the tax is expected to be recovered or settled.

Deferred tax assets and liabilities are measured at the tax rates and based on the tax rules in force and that are expected to apply to the period when the asset is recovered or realised.

Deferred tax liabilities and assets are offset at the level of each tax entity. The tax entity may either be a single entity or a tax consolidation group. Deferred tax assets are recognised only if it is probable that the entity concerned can recover them over a given period.

Deferred tax assets and liabilities are recognised as a tax profit or expense in the income statement, except for those relating to:

- remeasurement gains and losses on post-employment benefits;
- unrealised gains and losses on financial assets at fair value through equity;
- changes in the fair value of derivatives used as cash flow hedges;
- for which the corresponding deferred tax assets and liabilities are recognised as gains and losses recognised directly in equity.

Deferred tax assets and liabilities are not discounted to their present value.

On 23 may 2023, the international accounting standards board (IASB), which is responsible for preparing international accounting standards (IFRS), published the final version of the amendment to IAS 12 on the recognition of taxes. It deals with the specific point of the expected accounting impacts of the application of the entry into force of the OECD's so-called "Pillar 2" tax rules aimed at introducing a minimum global corporate tax rate set at 15%. The proposed amendments to the standard aim to exempt the recognition of deferred taxes associated with this additional tax, with the corresponding disclosures in the notes to the financial statements. This text applies to the annual financial statements prepared as of 1 January 2023, i.e. for Groupe BPCE, to the consolidated financial statements prepared as of 31 December 2023.

Groupe BPCE has set up a project structure to monitor the various associated regulations and ensure compliance with pillar 2 rules and the additional information requirements introduced by these amendments to IAS 12. At this stage of the project, it appears that the number of jurisdictions that would be affected by the application of a *top-up tax* should be limited and the financial stakes immaterial. Given the immaterial nature of its potential exposure, the group will not publish exposure data for this additional tax under this decree.

Deferred tax assets and liabilities on temporary differences arise from the recognition of the items listed in the statement below (positive figures indicate deferred tax assets, while negative figures in brackets represent deferred tax liabilities):

in millions of euros	31/12/2023	31/12/2022
Deferred taxes resulting from accounting-tax timing differences	**24.3**	**19.7**
Provisions for employee benefit obligations	0.7	0.5
Provisions for regulated home savings products	0.6	0.7
Provisions on a portfolio basis	9.8	11.6
Other non-deductible provisions	3.0	2.4
Deferred tax on tax loss carryforwards	0.0	0.0
Unrecognised deferred taxes	0.0	0.0
Other temporary differences	10.3	4.6
Deferred taxes on unrealised reserves	**(0.6)**	**(0.9)**
Financial assets at fair value through OCI NR*	0.0	0.5
Financial assets at fair value through OCI R*	(1.0)	(1.9)
Cash flow hedge	0.0	0.0
Actuarial gains and losses on employee commitments	0.4	0.5
Own credit risk	0.0	0.0
Unrecognised deferred taxes	0.0	0.0
Deferred income taxes	**8.5**	**3.8**
NET DEFERRED TAXES	**32.3**	**22.6**
Recognised		
• as an asset	32.3	22.6
• as a liability	0.0	0.0

* *Deferred taxes associated with these instruments are presented net of deferred taxes corresponding to the cancellation of provisions for impairment under French GAAP.*

Deferred tax assets are only recognised at the reporting date if it is probable that the tax entity in question will recover the tax savings over a given period. Groupe BPCE applies the following principles:

- the tax business plans are based on the strategic plan (4 years) with a longer-term projection;
- for the sake of prudence, the maximum period used to capitalise a net deferred tax asset is 10 years.

These savings will be achieved by offsetting tax differences and loss carryforwards against future taxable profits estimated within this horizon.

At 31 December 2023, deductible temporary differences, tax losses and unused tax credits for which no deferred tax asset has been recognised in the balance sheet amounted to 0.

NOTE 11 Other information

11.1 Segment reporting

In line with the standards adopted by Groupe BPCE, the Palatine group presents information for the following three segments:

- retail banking;
- asset management;
- other activities.

The "retail banking" segment encompasses all the activities of the "Banque Palatine" entity.

The "Asset management" segment encompasses all the activities of the "Palatine asset management" subsidiary.

These two segments are complemented by the "other activities" segment encompassing Ariès Assurances and the share in the income of associates (Conservateur Finance).

The geographic analysis of segment results is based on the location where business activities are accounted for, with the Palatine group's net banking income deriving in full from France.

	Retail banking		Asset management		Other activities		Total group	
in millions of euros	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022	31/12/2023	31/12/2022
Net banking income	366.3	331.2	17.1	14.8	0.8	0.6	384.2	346.6
Operating expenses	(213.3)	(208.0)	(9.8)	(8.5)	(0.5)	(0.4)	(223.6)	(216.9)
Gross operating income	**153.0**	**123.2**	**7.3**	**6.3**	**0.3**	**0.2**	**160.7**	**129.7**
Cost/income ratio	58.2%	62.8%	57.2%	57.4%	57.4%	66.7%	58.2%	62.6%
Cost of risk	(33.1)	(56.2)	0.0	0.0	0.0	0.0	(33.1)	(56.2)
Share in net income of associates	0.0	0.0	0.0	0.0	0.3	0.3	0.3	0.3
Net gains or losses on other assets	7.2	4.7	0.0	0.0	0.0	0.0	7.2	4.7
Changes in the value of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income before tax	**127.2**	**71.7**	**7.3**	**6.3**	**0.7**	**0.5**	**135.2**	**78.5**
Income tax	(32.1)	(19.0)	(2.2)	(1.6)	(0.1)	(0.1)	(34.4)	(20.7)
Non-controlling interests (minority interests)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
NET INCOME (GROUP SHARE)	**95.1**	**52.7**	**5.1**	**4.7**	**0.6**	**0.4**	**100.7**	**57.8**
Total assets	**18,749.2**	**17,941.8**	**22.5**	**19.3**	**19.8**	**3.6**	**18,791.6**	**17,964.7**

11.2 Information on leases

11.2.1 Leasing transactions as lessor

Accounting principles

Leases are analysed according to their substance and financial reality and are classified as either operating lease or finance lease transactions.

Finance lease contracts

A finance lease contract is defined as a lease that transfers virtually all the risks and benefits inherent in the ownership of the underlying asset to the lessee.

IFRS 16 on leases contains in particular five examples of situations that, individually or collectively, distinguish a finance lease from a simple operating lease:

- the lease transfers the ownership of the underlying asset to the lessee at the end of the term of the lease;
- the lease gives the lessee the option of purchasing the underlying asset at a price that should be sufficiently lower than its fair value at the date the option is exercised so that, from the start of the lease, one can reasonably assume the option will be exercised;
- the term of the lease covers most of the economic useful life of the underlying asset, even if there is no transfer of ownership;

- At the start of the lease, the current value of the lease payments amounts to at least most of the fair value of the underlying asset;
- the leased assets are of such a specific nature that only the lessee can use them without major changes.

In addition, IFRS 16 also describes three indicators of situations that, individually or collectively, may lead to a finance lease classification:

- if the lessee can terminate the lease, the losses suffered by the lessor relating to the termination are borne by the lessee;
- the gains or losses resulting from the change in the fair value of the residual value are borne by the lessee;
- the lessee has the option of extending the lease at a rent substantially below market price.

At the start of the lease, the assets covered by a finance lease are recorded in the lessor's balance sheet in the form of a receivable equal in value to the net investment in the lease. The net investment corresponds to the discounted value at the implied contract rate of all rate payments to be received from the lessee, plus any unguaranteed residual value of the underlying asset owed to the lessor. The rent payments used to value the net investment include more specifically the fixed payments, after deduction of lease incentives to be paid and the payment rent which VaRies on the basis of an index or a rate.

In accordance with IFRS 16, unguaranteed residual values are subject to regular review. A reduction in the estimated unguaranteed residual value leads to the modification of the profile for the allocation of income over the entire term of the lease. In this case, a new depreciation plan is drawn up and a charge recorded in order to correct the figure for financial income already recorded.

Potential impairments on the basis of the counterparty risk of receivables relating to finance lease contracts are calculated in accordance with IFRS 9 and using the method adopted for financial assets at amortised cost (note 5.5). Their impact on the income statement is shown as the "cost of credit risk".

Income from finance leases are retained as financial income recognised in the income statement under "interest and similar income". This financial income is recognised on the basis of the implicit interest rate (IIR), which reflects a constant periodic rate of return on the lessor's net investment outstandings. The IIR is the discount rate that makes it possible to make equal:

- the net investment; and
- the starting value of the asset (starting fair value plus starting direct costs comprised of the costs incurred specifically by the lessor in order to set up a lease).

Operating lease contracts

If a contract is not identified as a finance lease it is classified as an operating lease.

Assets under operating leases are presented as property, plant and equipment and intangible assets in the case of movable assets and as investment property when they are buildings. Rents from operating leases are recognised on a straight-line basis over the term of the lease under "income and expense from other activities".

The Palatine group does not enter into leasing transactions as lessor.

11.2.2 Leasing transactions as lessee

Accounting principles

IFRS 16 applies to leases which, whatever the legal term used, comply with the definition of a lease as established by the standard. This involves identifying an asset and the lessee's control of the right to use said asset. Control is established where the lessee holds the following two rights throughout the entire term of use:

- The right to obtain almost all of the economic benefits generated by the use of the asset;
- the right to determine the use made of the asset.

The existence of an identified asset is in particular subject to the absence, for the lessor, of substantial rights regarding the substitution of the leased asset, this condition being assessed with regard to those facts and circumstances in existence at the start of the contract. The lessor's option to replace a leased asset without restriction means that the contract is not a lease, the subject thereof being then the provision of a capacity and not of an asset.

The asset may comprise one part of a larger asset, such as one floor of a building. In contrast, a part of an asset which is not physically separate within a complex without any precise pre-defined location does not constitute an identified asset.

Except for certain exemptions stipulated by the standard, IFRS 16 requires the tenant to recognise leases in the balance sheet in the form of the right to use the asset leased presented as an asset, among the property, plant and equipment, and a rental liability, among miscellaneous liabilities.

As of the date of the initial statement of accounts, no deferred taxation has been recorded as the value of the assets is equal to the value of the liabilities. Any temporary subsequent net differences resulting from fluctuations in the amounts recorded on the basis of user rights and leasehold liabilities shall lead to the recording of deferred tax.

The leasehold liabilities are assessed on the date on which the lease comes into force, using the discounted value of all payments due to the lessor over the entire term of the lease and which have not already been paid.

These payments include rent which is fixed or fixed in substance, variable rent based on an index or a rate applied on the basis of the latest applicable index or rate, any potential guarantees of residual value as well as, if applicable, all amounts to be paid to the lessor on the basis of the options which are reasonably certain to be exercised.

The rent payments retained to calculate the rental liability exclude any variable payments not based on an index or a rate, tax such as vat, whether recoverable or not, and French council tax equivalent.

The right of use is recognised as an asset on the date on which the lease comes into force for an amount equal to the rental liabilities at this date, adjusted on the basis of any payments made to the lessor before or on this date and therefore not included in the valuation of the rental liabilities, after deduction of the promotional benefits received. If applicable, this amount is adjusted by the initial direct costs to the lessee and an estimate of the cost of removals and redecoration to the extent required by the terms and conditions of the lease, where the exit of the resource is probable and can be determined on a sufficiently reliable basis.

The right of use will be amortised on a straight-line basis and the lease liability actuarially by using, as the discount rate, the lessees' incremental borrowing rate mid-lease.

The value of the rental liabilities is subsequently re-adjusted to include Variations in the indices or rates used to index the rent. As this adjustment has the right of use as its counterparty, there is no impact on the income statement.

For entities which form part of the financial solidarity mechanism which pools their re-financing from group cash resources, this rate is calculated on a group level and, if applicable, adjusted in the currency applicable to the lessee.

The term of the lease corresponds to the period during which termination is not possible during which the lessee has the right to use the underlying asset plus, if applicable, any periods covered by extension options which the lessee is reasonably certain to exercise and any periods covered by termination options which the lessee is reasonably certain not to exercise.

For French leases known as “3/6/9”, the term retained is in general 9 years. The reasonable certainty regarding the exercise or not of the options relating to the term of the lease is assessed on the basis of the real estate management strategy defined by the group institutions.

At the end of the lease, the contract can no longer be enforced, lessee and lessor having each the right to terminate the lease without permission from the other party and with exposure to a negligible fine only.

The term of contracts not renewed or terminated at this term, known as “tacit extensions”, is determined on the basis of an expert judgment as to the prospects for holding these contracts and failing that in the absence of *ad hoc* information over a reasonable period of three years.

For leases recorded in the balance sheet, the expense related to the lease liability is included in the interest margin under net banking income while the amortisation expense of the right of use is recognised as amortisation of property, plant and equipment within gross operating income.

Leases not recorded on the balance sheet, together with variable payments excluded from the calculation of rental liabilities, are presented as charges for the period within the general operating charges.

Impact on leases on the income statement - lessee

in millions of euros	31/12/2023	31/12/2022
CHARGES ON LEASING OPERATIONS	**(8.3)**	**(7.1)**
Interest due on rental liabilities	(0.6)	(0.2)
Amortisation charge for rights of use	(6.5)	(5.7)
Variable rent payments not included in the valuation of the rental liabilities	0.0	0.0
Rental expenses on the basis of short-term leases	(1.2)	(1.2)
Rental expenses related to low-value assets*	0.0	0.0
SUB-LEASING INCOME - OPERATING LEASES	**0.0**	**0.0**

** Related to leases not recognised in the balance sheet*

Timetable for rental liabilities

in millions of euros	31/12/2023	31/12/2022
Non-discounted future payments	**43.0**	**23.0**
• Less than one year	5.1	6.1
• From one to five years	20.6	12.7
• More than five years	17.3	4.2

Minimum future payments relating to leases which are binding for the group but for which the underlying assets are not yet available are not recorded on the balance sheet in accordance with IFRS 16 before the date of their delivery.

11.3 Related party transactions

The parties related to the Palatine group are the consolidated companies, including equity-accounted companies, BPCE, it centres and the group's main senior executives.

11.3.1 Transactions with consolidated companies

All intercompany transactions entered into in the period and balances outstanding at the end of the period with fully consolidated companies are eliminated in full on consolidation.

In these circumstances, transactions with related parties include reciprocal transactions with:

- Banque Palatine's parent-company, that is the BPCE central body;
- entities over which the Palatine Group exercises significant influence and are recognised using the equity method (associates).

	31/12/2023		31/12/2022	
in millions of euros	BPCE	Associates	BPCE	Associates
Loans	4,589.1	0.0	4,208.3	0.0
Other financial assets	0.0	0.0	0.0	0.0
Other assets	0.0	0.0	0.0	0.0
TOTAL ASSETS WITH RELATED ENTITIES	**4,589.1**	**0.0**	**4,208.3**	**0.0**
Liabilities	2,645.9	1.3	1,820.5	1.2
Other financial liabilities	0.0	0.0	0.0	0.0
Other liabilities	0.0	0.0	0.0	0.0
TOTAL LIABILITIES TO RELATED ENTITIES	**2,645.9**	**1.3**	**1,820.5**	**1.2**
Interest and similar income and expenses	55.8	0.0	10.6	0.0
Fees and commission	0.0	0.0	0.0	0.0
Net income from financial transactions	0.0	0.0	0.0	0.0
Net income from other activities	0.0	0.0	0.0	0.0
TOTAL NET REVENUE BEFORE TAX GENERATED WITH RELATED ENTITIES	**55.8**	**0.0**	**10.6**	**0.0**
Commitments given	0.0	0.0	0.0	0.0
Commitments received	0.0	0.0	0.0	0.0
Commitments on forward financial instruments	0.0	0.0	0.0	0.0
TOTAL COMMITMENTS WITH RELATED ENTITIES	**0.0**	**0.0**	**0.0**	**0.0**

A list of fully consolidated subsidiaries is presented in note 12 - scope of consolidation.

11.3.2 Transactions with senior executives

The main senior executives are the members of Banque Palatine’s Executive management committee and Board of directors.

Short-term employee benefits

The short-term benefits paid to senior executives amounted to €1.2 million in 2023 (compared to €1 million in 2022).

They include remuneration and benefits paid to corporate officers (basic remuneration, remuneration paid in respect of office, benefits in kind, variable portion and directors’ fees).

Post-employment benefits, long-term employee benefits and termination benefits

For corporate officers who do not have an employment contract, no provision has been recognised.

Other transactions with corporate officers:

in millions of euros	31/12/2023	31/12/2022
Overall amount of the loans granted	0.0	0.0
Overall amount of the pledges granted	0.0	0.0

11.4 Partnership and associates

Accounting principles

See note 3.

11.4.1 Shares in equity-consolidated companies

11.4.1.1 Partnerships and other associates

The main group investments accounted for by the equity method relate to the following joint ventures and associates::

in millions of euros	31/12/2023	31/12/2022
Conservateur Finance	3.7	4.7
Financial companies	**3.7**	**4.7**
TOTAL INVESTMENTS IN EQUITY-CONSOLIDATED COMPANIES	**3.7**	**4.7**

11.4.1.2 Financial data of the main partnerships and associates

The summarised financial data for significant joint ventures and/or companies under significant influence are as follows and are prepared on the basis of the latest available data published by the entities concerned:

	Associates	
	Conservateur Finance	
in millions of euros	31/12/2023	31/12/2022
DIVIDENDS RECEIVED	**0.0**	**0.0**
MAIN AGGREGATES		
Total assets	27.9	22.1
Total debt	**8.7**	**4.9**
Income statement		
Operating income or NBI	18.6	18.4
Income tax	0.7	0.4
Net income	1.9	1.2
RECONCILIATION WITH THE CARRYING AMOUNT OF THE EQUITY- CONSOLIDATED COMPANIES		
Equity of associates	18.7	23.5
Percentage interest	20.00%	20.00%
VALUE OF SHARES IN EQUITY-CONSOLIDATED COMPANIES	**3.7**	**4.7**

11.4.1.3 Nature and extent of significant restrictions

The Palatine group did not face any major restrictions on interests held in associates and joint ventures.

11.4.2 Share in net income of associates

in millions of euros	2023 financial year	2022 financial year
Conservateur Finance	0.3	0.2
Financial companies	**0.3**	**0.2**
TOTAL INVESTMENTS IN EQUITY-CONSOLIDATED COMPANIES	**0.3**	**0.2**

11.5 Interests in unconsolidated structured entities

11.5.1 Nature of interests in unconsolidated structured entities

An unconsolidated structured entity is a structured entity that is not controlled and is therefore not fully consolidated. As a result, interests held in a joint venture or associate classified as a structured entity fall within the scope of this note.

The same applies to controlled structured entities and not fully consolidated for threshold reasons.

This includes all structured entities in which the Palatine group holds an interest and acts in one or more of the following roles:

- originator/structurer/arranger;
- placing agent;
- manager; or
- any other role that has a major impact on the structuring or management of the transaction (example: granting of financing, guarantees or structuring derivatives, tax investor, significant investor, etc.).

An interest in a structured entity refers to contractual and non-contractual involvement that exposes the Palatine group to a risk of Variability of returns from the performance of the other entity. An interest in another entity can be evidenced by, but is not limited to, the holding of equity or debt instruments as well as other forms of involvement such as the provision of funding, liquidity support, credit enhancement, collateral or structured derivatives.

In note 11.3, the Palatine group reports all transactions recorded on its balance sheet in respect of risks associated with interests held in structured entities included in the above scope.

Structured entities with which the group has dealings may be grouped into four families: entities involved in asset management, securitisation vehicles, entities created as part of structured financing and entities created for other types of transactions.

Asset management

The management of financial assets (also known as portfolio management or Asset Management) consists of managing the capital or funds entrusted by investors by investing in equities, bonds, cash SICAVs, hedge funds, etc.

The asset management line of business using structured entities is represented by collective management or fund management. It encompasses collective investment vehicles within the meaning of the French monetary and financial code (other than securitisation vehicles) as well as equivalent bodies governed by foreign law. These notably include entities such as UCITS, real estate funds and private equity funds.

Securitisation

Securitisation transactions generally consist of structured entities ring-fencing assets or derivatives representing credit risk.

These entities serve to diversify the underlying credit risks and to split them into various levels of subordination (tranches), in most cases to sell them to investors seeking a certain level of return, according to the degree of risk accepted.

These vehicles' assets and the liabilities they issue are rated by the rating agencies, which monitor the level of risk associated with each tranche of risk sold in relation to the rating they are given.

The securitisation approaches used, involving structured entities, are as follows:

- transactions in which the group (or a subsidiary) sells on its own behalf to a dedicated vehicle, in cash or synthetic form, the credit risk associated with one of its asset portfolios;
- securitisation transactions on behalf of third parties. These transactions consist of housing assets belonging to another company in a dedicated structure (generally a special purpose entity - SPE). The SPE issues shares that may, in certain cases, be subscribed for directly by investors or by a multi-seller conduit, which refinances the acquisition of these shares through the issue of short-term notes (commercial paper).

Structured (asset) financing

Structured financing is a term encompassing the range of activities and products set up to provide financing to economic participants, while reducing risks through the use of complex structures. This concerns the financing of movable assets (related to aeronautical, maritime or land transport, telecommunication, etc.) And fixed assets and the acquisition of targeted companies (LBO financing).

The group may be required to create a structured entity in which a specific financing transaction is held on behalf of a client. This involves contractual and structural organisation. The specificities of these financing arrangements are linked to risk management, with recourse to notions such as limited recourse or waiver of recourse, conventional and/or structural subordination and the use of dedicated legal vehicles to in particular bear a single leasing agreement which is representative of the financing granted.

Other activities

This includes all the remaining activities.

11.5.2 Nature of risks relating to interests held in unconsolidated structured entities

Assets and liabilities recognised in the group's various balance sheet accounts in respect of interests held in unconsolidated structured entities help to determine the risks associated with these entities.

The values recorded in this respect on the assets side of the balance sheet, together with financing and guarantee commitments given, less guarantee commitments received and the provisions recorded on the liabilities side, are used to assess maximum exposure to the risk of loss. Note that the maximum exposure to risk of loss does not take into account financial liabilities at fair value through profit or loss. This exposure is limited, in the particular case of options derivatives, to the sale of options.

The item "notional amount of derivatives" corresponds to the notional amount of options sold to structured entities.

The aggregated data is presented below by type of activity.

AT 31/12/2023

Excluding investments in insurance activities in millions of euros	Securitisation	Asset management	Structured financing	Other activities
Financial assets at fair value through profit or loss	**0.0**	**1.0**	**0.0**	**0.0**
Financial assets at fair value through profit or loss - non-standard	0.0	1.0	0.0	0.0
TOTAL ASSETS	**0.0**	**1.0**	**0.0**	**0.0**
Maximum exposure to the risk of loss	**0.0**	**1.0**	**0.0**	**0.0**
Size of structured entities	**0.0**	**740.5**	**0.0**	**0.0**

At 31 December 2022

Excluding investments in insurance activities in millions of euros	Securitisation	Asset management	Structured financing	Other activities
Financial assets at fair value through profit or loss	**0.0**	**6.4**	**0.0**	**0.0**
Financial assets at fair value through profit or loss - non-standard	0.0	6.4	0.0	0.0
TOTAL ASSETS	**0.0**	**6.4**	**0.0**	**0.0**
Maximum exposure to the risk of loss	**0.0**	**6.4**	**0.0**	**0.0**
Size of structured entities	**0**	**781.6**	**0**	**0**

11.5.3 Income and carrying amount of assets transferred to sponsored unconsolidated structured entities

A structured entity is sponsored by a group entity when the following two indicators are both satisfied:

- it is involved in setting up and structuring the structured entity;
- it contributes to the entity's success by transferring assets to it or by managing the relevant activities.

When the group entity's role is confined to acting as an advisor, arranger, custodian or placement agent, the structured entity is not considered to be sponsored.

The Palatine Group is not a sponsor of structured entities.

11.6 Statutory auditors' fees

	Statutory auditors responsible for auditing the financial statements of BPCE								Other statutory auditors' networks;			
	Pwc				Deloitte							
	Amount		%		Amount		%		KPMG audit		Total	
Amount in thousands of euros*	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Role of certification of financial statements	218.00	227.00	97%	97%	132.0	144.0	89%	58%	0.0	19.0	350.0	390.0
Services other than the certification of the financial statements	**6.00**	**7.00**	**3%**	**3%**	**16.0**	**105.0**	**11%**	**42%**	**0.0**	**4.0**	**22.0**	**116.0**
TOTAL	**224.00**	**234.00**	**100%**	**100%**	**148.0**	**249.0**	**100%**	**100%**	**0.0**	**23.0**	**372.0**	**506.0**
O/w fees paid to the entity carrying the statutory auditor mandate for consolidating entities for the certification of the financial statements	*218.00*	*227.00*			*132.0*	*144.0*			*0.0*	*19.0*	*350.0*	*390.0*
O/w fees paid to the entity carrying the statutory auditor mandate for consolidating entities for services other than the certification of the financial statements	*6.00*	*7.00*			*16.0*	*105.0*			*0.0*	*4.0*	*22.0*	*116.0*
Change (in %)				**-4%**				**-41%**		**-100%**		**-26%**

** The amounts relate to services shown in the income statement for the financial year including, in particular, non-recoverable vat.*

The total amount of Deloitte's fees included in the profit and loss account for the year was €148 thousand, of which €132 thousand related to the certification of the 2023 financial statements, €6 thousand related to the production of the FRU certificate for 2023 and €10 thousand related to services other than the certification of the financial statements - authorised by regulations - (SACC1.).

The total fees of PricewaterhouseCoopers appearing in the parent company income statement for the financial year amounted to €224 thousand, including €218 thousand for the audit of the financial statements for the 2023 financial year, and €5 thousand for services other than the certification of the financial statements - authorised by the regulations - (SACC1)) and €1 thousand for services other than the certification of the financial statements - subject to individual authorisation - (other SACCS).

NOTE 12 Details of the scope of consolidation

12.1 Scope of consolidation at 31 December 2023

Entities whose contribution to the consolidated financial statements is not significant are not eligible to enter the scope of consolidation. For entities that meet the definition of financial sector entities of EU regulation no. 575/2013 of the European parliament and council of 26 June 2013 (the "CRR"), the accounting consolidation thresholds are aligned, from 31 December 2017, to those selected for the prudential scope of consolidation. Article 19 of the CRR refers to a €10 million threshold of total balance sheet and off-balance sheet items.

For entities in the non-financial sector, materiality is assessed at the level of the consolidated entities. According to the principle of ascending significance, any entity included in a lower-level scope is included in higher-level consolidation scopes, even if it is not significant for them.

For each of the entities in the scope of consolidation, the percentage interest is indicated. The percentage interest expresses the share of capital held by the group, directly and indirectly, in the companies in the scope of consolidation. The percentage of interest makes it possible to determine the group's share of the net assets of the company held.

	31/12/2023				
	Country of incorporation or residence	Consolidation method	Changes in scope compared with 31 December 2020	Percentage control	Percentage of interest
Banque Palatine	**France**	**Full consolidation**			**Consolidating entity**
Palatine asset management	France	Full consolidation	-	100.0%	100.0%
Ariès Assurances	France	Full consolidation	-	100.0%	100.0%
Conservateur Finance	France	Equity method	-	20.0%	20.0%

12.2 Non-consolidated companies at 31 December 2023

Regulation no. 2016-09 of 2 December 2016 of the French accounting standards authority (Autorité des Normes Comptables - ANC) requires companies to prepare their consolidated financial statements in accordance with international standards as adopted by the European union to publish additional information relating to companies not included in their scope of consolidation, as well as securities of a significant nature.

The companies not consolidated comprise:

- on the one hand, significant investments which are not covered in the scope of consolidation; and
- on the other hand, companies excluded from the scope of consolidation because the stake therein is not significant.

The following companies were excluded from the scope of consolidation because the stake therein is not significant; in each case, the capital held by the group, directly and indirectly, is indicated:

Companies	Location	Stake	Reason for non-consolidation
GIE GDS GESTION DELEGUEE SOCIALE	France	99.50%	Not significant
STE IMMOBILIERE D'INVESTISSEMENT	France	99.98%	Not significant

3

STATUTORY AUDITORS' REPORTS

1	Statutory auditors' report on the annual financial statements	210
2	Statutory auditors' special report on regulated agreements	214
3	Statutory auditors’ report on the consolidated financial statements	217

1 Statutory auditors' report on the annual financial statements

Year ended 31 December 2023

To the general meeting,

Opinion

Pursuant to the mission entrusted to us by your general meeting, we conducted an audit of the annual financial statements of Banque Palatine SA for the year ended 31 December 2023, as appended to this report.

In our opinion, the annual financial statements give a true and fair view of the assets and liabilities and of the financial position of the company, and of the results of its operations for the year ended, in accordance with French accounting principles.

The above opinion is consistent with the content of our report to the Audit committee.

Basis of opinion

Audit standards

We carried out our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are explained in the section on “auditor's responsibilities for the audit of the parent-company financial statements” of this report.

Independence

We conducted our audit in accordance with the applicable standards of independence, as stipulated by the French commercial code and by the professional code of conduct of French statutory auditors, between 1 January 2022 and the date of issue of our report. In particular, we did not provide any services prohibited under article 5, paragraph 1 of EU regulation no. 537/2014.

Justification of our assessments - key audit points

In application of the provisions of articles L. 823-9 and R. 823-7 of the French commercial code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatements which, in our professional judgement, were the most significant for the audit of the consolidated financial statements for the year, as well as the responses we have provided to these risks.

These assessments are made in the context of the audit of the annual financial statements taken as a whole and the formation of our opinion expressed above. We have no comment to make on the items of the annual financial statements taken in isolation.

Credit risk – individual impairment and provisions on customer loans classed as doubtful

Risk identified	Our response
Banque Palatine is exposed to credit risk and to counterparty risk. The bank constitutes impairments and provisions to cover these risks of losses resulting from the inability of its customers to meet their financial commitments. In particular, these impairments and provisions are recognised as doubtful loans outstanding. Outstanding loans and commitments bearing a proven counterparty risk are subject to impairments determined mainly on an individual basis. These impairments are assessed by your bank's management according to the estimated future recoverable flows, taking into account the guarantees available on each of the loans concerned. Given the importance of judgement in determining these impairments and provisions, we believed that the estimate of expected losses on doubtful loans and commitments was a key point of our audit. We considered that the assessment of the adequacy of the level of credit risk coverage by provisions and the level of the associated cost of risk constituted an area of special attention for the 2023 financial year. At 31 December 2023, outstanding customer loans amounted to €11,859.9 million, and gross doubtful assets to €529.2 million. The impairments and provisions made to cover customer credit risks classified as doubtful amounted to €220.6 million. For further details on accounting principles and exposures, see notes 3.9 and 4.2 to the annual financial statements.	We examined the system set up by the risk management department to classify loans (stage 3 or not) and to assess the amount of expected or established losses on these receivables. We tested the controls implemented by the management to identify doubtful loans and to assess the likelihood of recovery and impairment. We also took note of the main conclusions by the specialised committees responsible for monitoring these loans. For impairment: • we checked the impairment calculations on a portfolio basis; • furthermore, we carried out control tests on the system for identifying and monitoring doubtful and disputed counterparties, on the credit review process and on the guarantee appraisal system; • on the basis of a sample of credit files compiled statistically and according to expert opinion, we reviewed the level of impairment retained by the bank via contradictory analyses of impairment amounts; • we also took note of the main conclusions by the specialised committees responsible for monitoring these loans and checked, on a sample of cases, that they were correctly included in the estimated impairments; We also ensured that the information presented in the notes was appropriate.

Specific verifications

We also performed, in accordance with the professional standards applicable in France, the specific checks required by law and regulations.

Disclosures in the management report and other documents sent to shareholders concerning the financial position and the parent-company financial statements

We have no matters to report as to the fair presentation and the consistency with the annual financial statements of the information given in the Board of directors' management report and in the other documents on the financial position and annual financial statements sent to shareholders, with the exception of the observation made above.

The fair presentation and consistency with the annual financial statements of the information relating to payment terms mentioned in article D.441-6 of the French commercial code call for the following observation:

As indicated in the management report, this information does not include banking and related transactions, as your company considers that they do not fall within the scope of the information to be produced.

Board of directors' report on corporate governance

We certify that the Board of directors' report on corporate governance contains the information required by articles L.225-37-4-4 and L.22--10-10 of the French commercial code.

Other verifications or information required by law and regulations

Presentation format of the annual financial statements included in the annual financial report

In accordance with the professional standards pertaining to the statutory auditors' work on annual and consolidated financial statements presented in the single European electronic reporting format, we have also verified the compliance with this format, as defined by EU delegated regulation no. 2019/815 of 17 December 2018, in the presentation of the consolidated financial statements intended to be included in the annual financial report mentioned in paragraph i of article L. 451-1-2 of the French monetary and financial code, prepared under the responsibility of the chief executive officer.

Based on our work, we conclude that the presentation of the annual financial statements included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

Appointment of statutory auditors

We were appointed as statutory auditors of the company Banque Palatine SA by the shareholders at the general meetings of 12 April 2001, in the case of PricewaterhouseCoopers Audit, and of 29 September 2022 in the case of Deloitte et Associés.

At 31 December 2023, PricewaterhouseCoopers Audit had conducted its duties for 23 years without interruption and Deloitte et Associés was in its 2nd year.

Responsibilities of the management and those charged with corporate governance in relation to the annual financial statements

Management is responsible for preparing annual financial statements that present a true and fair view in accordance with French accounting principles and for establishing such internal controls as it deems necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the management is responsible for assessing the company's ability to continue as a going concern, for presenting in these statements, as applicable, the required information and

Applying the going concern accounting policy, unless it is planned to liquidate the company or cease its activity.

It is the responsibility of the Audit committee to monitor the process for preparing financial information and the effectiveness of the internal control and risk management systems, as well as any internal audit, regarding the procedures used to prepare and process accounting and financial information.

The annual financial statements were approved by the Board of directors.

Responsibilities of the statutory auditors in relation to the audit of the parent-company financial statements

Audit objectives and procedures

It is our responsibility to draw up a report on the annual financial statements. Our objective is to obtain reasonable assurance that the annual financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in article L. 821-55 of the French commercial code, our audit mission does not require us to guarantee the viability or quality of the management of your company.

The professional standards applicable in France require that statutory auditors exercise professional judgement throughout the audit. In addition:

- we identify and assess the risks of material misstatement in the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- we evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management in the annual financial statements;
- we assess the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Such conclusions are based on evidence collected up to the date of the report. However, events or conditions arising after this date may threaten the company's continuity as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are missing or inadequate, to issue a certificate with reserves or to refuse certification;
- we assess the overall presentation and content of the annual financial statements and whether the statements give a true and fair view of the underlying transactions and events.

Report to the Audit committee

We present to the Audit committee a report which covers among other matters the audit scope and the programme of work undertaken as well as the conclusions based on this work. We also draw attention, where necessary, to any significant weaknesses identified in internal control as regards the procedures used to prepare and process accounting and financial information.

The items covered in the report to the Audit committee include the risks of material misstatements that we judge to be the most significant for the audit of the financial statements for the year and which therefore constitute one of the key audit matters, which we are obliged to describe in this report.

We also present to the Audit committee the declaration required by article 6 of EU regulation no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as set out notably in articles L. 821-27 to L. 821-34 of the French commercial code and in the French statutory auditors' professional code of conduct. Where applicable, we discuss with the Audit committee any risks to our independence and any safeguards applied.

Done in Neuilly-sur-Seine and Paris-la Défense, 23 April 2024

The statutory auditors

PricewaterhouseCoopers	Deloitte et Associés
Aurora Prandi	Marjorie Blanc Lourme
Partner	Partner

2 Statutory auditors' special report on regulated agreements

General meeting held to approve the financial statements for the year ended 31 December 2023

To the general meeting of Banque Palatine

In our capacity as statutory auditors of your company, we hereby present our report on the regulated agreements.

It is our responsibility to inform you, on the basis of the information provided to us, of the characteristics, the essential terms and the justifications of the agreements about which we have been informed or that we have discovered during our audit, without commenting on their usefulness or merit or ascertaining the existence of other such agreements. It is your responsibility, under the terms of article R. 225-31 of the French commercial code, to assess the benefits resulting from these agreements prior to their approval.

In addition, we are required to inform you, in accordance with article R. 225-31 of the French commercial code, of the execution, during the past year, of the agreements already approved by the general meeting.

We have carried out the work we considered necessary to comply with the professional guidelines issued by the French national auditing body (Compagnie nationale des commissaires aux comptes) relating to this type of assignment.

Our work consisted of verifying that the information provided to us is consistent with the underlying documents from which it was extracted.

Agreements subject to the general meeting's approval

We hereby inform you that we have not been informed of any agreement authorised and entered into during the past year to be submitted for the general meeting's approval pursuant to the provisions of article 225-38 of the French commercial code.

Agreements already approved by the general meeting

Agreements approved in previous financial years, the execution of which continued during the past financial year

Pursuant to article R. 225-30 of the French commercial code, we have been informed that the execution of the following agreements, already approved by the general meeting in previous years, continued during the past year.

Agreements with shareholders and their subsidiaries

Invoicing agreement between Banque Palatine and BPCE of 5 March 2012

Person concerned

BPCE: majority shareholder of Banque Palatine

Terms and conditions

Authorisation of the supervisory board on 17 February 2012

Financial impact on the financial year: expense of €2,642,000 excl. tax

Agreements with senior executives

Retirement benefit

Person concerned

Chief executive officer

Deputy chief executive officer

Terms and conditions

For the chief executive officer: authorisation of the Board of directors on 10 December 2021

For the deputy chief executive officer: authorisation of the Board of directors on 8 February 2018

Financial impact on the financial year: none

No employment contract or suspended employment contract - unemployment insurance

Person concerned

Chief executive officer

Deputy chief executive officer

Terms and conditions

For the chief executive officer: authorisation of the Board of directors on 10 December 2021 (no effect)

For the deputy chief executive officer: authorisation of the Board of directors on 8 February 2018

Financial impact on the financial year: none

Arrangements under which remuneration is maintained for 12 months in the event of temporary inability to work

Person concerned

Chief executive officer

Deputy chief executive officer

Terms and conditions

For the chief executive officer: authorisation of the Board of directors on

10/12/2021

For the deputy chief executive officer: authorisation of the Board of directors on 8 February 2018

Financial impact on the financial year: none

Supplementary pension plan for the chief executive officer and the deputy chief executive officer

Person concerned

Chief executive officer

Deputy chief executive officer

Terms and conditions

For the chief executive officer: authorisation of the Board of directors on 10 December 2021

For the deputy chief executive officer: authorisation of the Board of directors on 8 February 2018 for the deputy chief executive officer

The chief executive officer and deputy chief executive officer of Banque Palatine were also eligible, subject to the same conditions as Banque Palatine's employees, for the defined-contribution pension plan applicable to senior executives (Klésia). This scheme, which was modified following the merger of AGIRC and ARRCO on 1 January 2019, is funded by a contribution of:

- tranche A remuneration: 10.16% (7.62% payable by Banque Palatine and 2.54% payable by the chief executive officer or the deputy chief executive officer)
- tranche B remuneration: 9.45% (7.09% payable by Banque Palatine and 2.36% payable by the chief executive officer or the deputy chief executive officer)

For 2023, the amount of Klésia employer contributions paid by Banque Palatine for the benefit of the chief executive officer and the deputy chief executive officer was as follows:

- for the chief executive officer: €12,705.36

For the deputy chief executive officer: €12,705.36

Increase in the fixed remuneration of the deputy chief executive officer

Person concerned

Deputy chief executive officer

Terms and conditions

Authorisation of the Board of directors on 10 December 2021

Financial impact on the financial year: none

Departure benefit for forced termination of the chief executive officer’s term of office

Person concerned

Chief executive officer

Terms and conditions

Authorisation of the Board of directors on 10 December 2021

Financial impact on the financial year: none

Supplementary pension plan for the chief executive officer (article 82)

Person concerned

Chief executive officer

Terms and conditions

Authorisation of the Board of directors on 10 December 2021

Financial impact on the financial year: none

Affiliation to supplementary social protection schemes (BPCE Mutuelle mutual health insurance and AG2R supplementary pension plan)

Person concerned

Chief executive officer

Deputy chief executive officer

Terms and conditions

For the chief executive officer: authorisation of the Board of directors on 10 December 2021

For the deputy chief executive officer: in terms of his/her employment contract

Financial impact on the financial year: none

Done in Neuilly-sur-Seine and Paris-la Défense, 23 April 2024

The statutory auditors

PricewaterhouseCoopers Audit	**Deloitte et Associés**
Aurora Prandi	Marjorie Blanc-Lourme
Partner	Partner

3 Statutory auditors' report on the consolidated financial statements

Year ended 31 December 2023

To the general meeting,

Opinion

Pursuant to the mission entrusted to us by your general meeting, we conducted an audit of the consolidated financial statements of Banque Palatine SA for the year ended on 31 December 2023, as appended to this report.

In our opinion, the consolidated financial statements give a true and fair view of the operating results for the year ended and of the financial position, assets and liabilities of the companies and entities included in the consolidated group in accordance with IFRS standards as adopted in the European union.

The above opinion is consistent with the content of our report to the Audit committee.

Basis of opinion

Audit standards

We carried out our audit in accordance with the professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our responsibilities under these standards are explained in the section on "auditor's responsibilities for the audit of the consolidated financial statements" in this report.

Independence

We conducted our audit in accordance with the applicable standards of independence, as stipulated by the French commercial code and by the professional code of conduct of French statutory auditors, between 1 January 2023 and the date of issue of our report. In particular, we did not provide any services prohibited under article 5, paragraph 1 of EU regulation no. 537/2014.

Justification of our assessments - key audit points

In application of the provisions of articles L. 823-9 and R. 823-7 of the French commercial code relating to the justification of our assessments, we bring to your attention the key points of the audit relating to the risks of material misstatements which, in our professional judgement, were the most significant for the audit of the consolidated financial statements for the year, as well as the responses we have provided to these risks.

These assessments are made in the context of the audit of the consolidated financial statements taken as a whole and the formation of our opinion expressed above. We have no comment to make on the items of the consolidated financial statements taken in isolation.

Credit risk – individual impairment and provisions on customer loans with status 3

Risk identified	Our response
The Banque Palatine group is exposed to credit and counterparty risks. The Banque Palatine group constitutes impairments and provisions to cover these risks of losses arising from the inability of its customers to meet their financial commitments primarily on non-performing loans (stage 3). Impairment of loans presenting actual counterparty risk (stage 3) is determined on an individual or collective basis. These individual impairment charges are assessed by the management according to estimates of the recoverable future cash flows taking the available guarantees into account or using IFRS 9 parameters for collective impairments. The assessment of the impairments and provisions requires judgment to be exercised to classify exposures (stage 3) and/or to estimate the recoverable future cash flows or recovery times. Given the importance of judgement in determining these impairments and provisions, we believed that the estimate of expected losses on doubtful loans and commitments was a key point of our audit. We considered that the assessment of the adequacy of the level of credit risk coverage by provisions and the level of the associated cost of risk constituted an area of special attention for the 2023 financial year. At 31 December 2023, outstanding customer loans amounted to €11,797.3 million of which €490.7 million of stage 3 receivables and €36.8 million of assets impaired on origination or acquisition (S3 POCI). The impairments recorded on loans and other receivables outstanding amounted to €214.9 million for stage 3 and to €3.5 million for stage 3 POCI. For further details on accounting principles and exposures, see notes 5.5.3 and 7.1 to the financial statements.	We examined the system set up by the risk management department to classify loans (stage 3 or not) and to assess the amount of expected or established losses on these receivables. We tested the controls implemented by the management to identify these loans and to assess the likelihood of recovery and impairment. For impairment: • we checked the impairment calculations on a portfolio basis; • furthermore, we carried out control tests on the system for identifying and monitoring doubtful and disputed counterparties, on the credit review process and on the guarantee appraisal system; • on the basis of a sample of credit files compiled statistically and according to expert opinion, we reviewed the level of impairment retained by the bank via contradictory analyses of impairment amounts; • we also took note of the main conclusions by the specialised committees responsible for monitoring these loans and checked, on a sample of cases, that they were correctly included in the estimated impairments; We also ensured that the information presented in the notes was appropriate.

Specific verifications

In accordance with the professional standards applicable in France, we also performed the specific verifications required by law and regulations on the information relating to the group, provided in the Board of directors' management report.

We have no comments to report with respect to the fairness of its presentation and consistency with the consolidated financial statements.

Other verifications or information required by law and regulations

Presentation format of the consolidated financial statements included in the annual financial report

In accordance with the professional standards pertaining to the statutory auditors' work on annual and consolidated financial statements presented in the single European electronic reporting format, we have also verified the compliance with this format, as defined by EU delegated regulation no. 2019-815 of 17 December 2018, in the presentation of the consolidated financial statements included in the annual financial report mentioned in paragraph I of article L. 451-1-2 of the French monetary and financial code, prepared under the responsibility of the chief executive officer. With regard to consolidated financial statements, our procedures include verifying that the mark-up of these financial statements complies with the format defined by the aforementioned regulation.

Based on our work, we conclude that the presentation of the consolidated financial statements i included in the annual financial report complies, in all material respects, with the single European electronic reporting format.

Due to the technical limitations inherent in the macro-tagging of consolidated financial statements using the single European electronic reporting format, the content of certain tags in the notes to the financial statements may not be reproduced in the same way as the consolidated financial statements attached to this report.

Appointment of statutory auditors

We were appointed as statutory auditors of the company Banque Palatine SA by the shareholders at the general meetings of 12 April 2001, in the case of PricewaterhouseCoopers Audit, and of 29 September 2022 in the case of Deloitte et Associés.

At 31 December 2023, PricewaterhouseCoopers Audit had conducted its duties for 23 years without interruption and Deloitte et Associés was in its 2nd year.

Responsibilities of the management and those charged with corporate governance in relation to the consolidated financial statements

It is the management's responsibility to prepare the consolidated financial statements in accordance with IFRS as adopted by the eu and to put in place the internal controls it deems necessary to ensure the consolidated financial statements are free of material misstatement, whether as a result of fraud or error.

In preparing the consolidated financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is a plan either to liquidate the company or to cease its operations.

It is the responsibility of the Audit committee to monitor the process for preparing financial information and the effectiveness of the internal control and risk management systems, as well as any internal audit, regarding the procedures used to prepare and process accounting and financial information.

The consolidated financial statements were approved by the Board of directors.

Responsibilities of the statutory auditors in relation to the audit of the consolidated financial statements

Audit objectives and procedures

It is our responsibility to draw up a report on the consolidated financial statements. Our objective is to obtain reasonable assurance that the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or cumulatively, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As stated in article L. 821-55 of the French commercial code, our audit mission does not require us to guarantee the viability or quality of the management of your company.

The professional standards applicable in France require that statutory auditors exercise professional judgement throughout the audit.

In addition:

- we identify and assess the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control;
- we evaluate the appropriateness of the accounting policies used and the reasonableness of the accounting estimates and related disclosures made by management in the consolidated financial statements;
- we assess the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. Such conclusions are based on evidence collected up to the date of the report. However, events or conditions arising after this date may threaten the company's continuity as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the information provided in the consolidated financial statements or, if such information is missing or inadequate, to issue a certificate with reserves or to refuse certification;
- we evaluate the overall presentation and content of the consolidated financial statements and whether the consolidated financial statements give a true and fair view of the underlying transactions and events;
- as regards the financial information of persons or entities included in the scope of consolidation, we collect information that we consider a sufficient and appropriate basis for our opinion on the consolidated financial statements. As statutory auditor, we are responsible for the management, supervision and conduct of the audit of the consolidated financial statements and for reporting our opinion on these financial statements.

Report to the Audit committee

We present to the Audit committee a report which covers among other matters the audit scope and the programme of work undertaken as well as the conclusions based on this work. We also draw attention, where necessary, to any significant weaknesses identified in internal control as regards the procedures used to prepare and process accounting and financial information.

The items covered in the report to the Audit committee include the risks of material misstatement that we judge to be the most significant for the audit of the consolidated financial statements for the year and which constitute one of the key audit matters, which we are obliged to describe in this report.

We also present to the Audit committee the declaration required by article 6 of EU regulation no. 537-2014 confirming our independence, within the meaning of the rules applicable in France as set out notably in articles L. 821-27 to L. 821-34 of the French commercial code and in the French statutory auditors' professional code of conduct. Where applicable, we discuss with the Audit committee any risks to our independence and any safeguards applied.

Done in Neuilly-sur-Seine and Paris-la Défense, 23 April 2024

The statutory auditors

PricewaterhouseCoopers	**Deloitte et Associés**
Aurora Prandi	Marjorie Blanc Lourme
Partner	Partner

2023 RISK MANAGEMENT

4

	Key figures at 31 December 2023	222
1	Risk factors for Groupe BPCE including Banque Palatine	223
2	Governance and risk management system	235
3	Capital management and equity adequacy	241
4	Credit and counterparty risks	247
5	Market risk	261
6	Structural balance sheet risks	264
7	Operational risk	267
8	Legal risks	269
9	Non-compliance risks	271
10	Business continuity	275
11	Information systems security	277
12	Climate risks	279
13	Emerging risks	282

Key figures at 31 December 2023

in %	31/12/2023	31/12/2022
Tier 1 ratio	10.05%	10.02%
CET1 ratio	9.12%	9.03%
Total capital adequacy ratio	12.27%	11.64%

Supplemental indicators

in millions of euros	31/12/2023	31/12/2022
Total assets	18,766.4	17,964.8
Customer loans	11,797.3	11,097.1

IFRS cost of risk

in millions of euros	31/12/2023	31/12/2022
	33.1	56.2

LCR

in %	31/12/2023	31/12/2022
	116.2	111.9

1 Risk factors for Groupe BPCE including Banque Palatine

The risk factors presented below concern Groupe BPCE as a whole, including Banque Palatine, and are fully described in Groupe BPCE's annual report.

The banking and financial environment in which Banque Palatine, and more generally Groupe BPCE, operate exposes them to a number of risks and obliges them to implement a policy to control and manage said risks which is increasingly stringent and rigorous.

Some of the risks to which Banque Palatine is exposed are identified below. This is not an exhaustive list of all the risks of Banque Palatine or those of Groupe BPCE (see the annual registration document) taken in the course of its business or in consideration of its environment.

The risks presented below, as well as other risks not identified to date, or currently considered as insignificant by Groupe BPCE, could have a major adverse impact on its business, financial position and/or results.

1.1 Strategic, business and ecosystem risks

Groupe BPCE could be vulnerable to political, macroeconomic and financial environments or to specific situations in the countries in which it operates.

Some Groupe BPCE entities are exposed to country risk, which is the risk that the economic, financial, political or social conditions of a foreign country, notably in which it may operate, will affect their financial interests.

A significant change in the political or macroeconomic environment of these countries or regions could result in additional expenses or reduce the profits earned by Groupe BPCE.

The extent of the imbalances to be eliminated (mismatch between supply and demand in the goods and labour markets; public and private debt; inflationary expectations mechanisms; heterogeneity of geographical and sectoral situations), combined with numerous overlapping global risks, may tip developed economies into a downward spiral. To date, these joint threats mainly relate to: geopolitical and health uncertainties (risks on supplies and value chains, evolution of the Russian-Ukrainian military situation and sanctions against Russia, increased tension between Taiwan and China, availability of nuclear weapons in Iran, effective challenge to the zero-covid policy in China); the development of protectionist trends, particularly in the united states (such as the chips act - $270 billion - and the inflation reduction act (IRA) - $370 billion - enacted in August 2022, both of which massively subsidise the microprocessor industry and renewable energies); delays in the negative impacts of successive monetary tightening and reduced budget support on activity; contract renegotiations, particularly for natural gas and electricity in the eurozone.

Moreover, the development of the war in Ukraine, by its geographical proximity, maintains uncertainty, fear and weariness in the face of the continuation of rapid repetitive crises, especially after the pandemic.

In addition, any serious economic disruption, such as current inflation and its impact on the economy, or as the financial crisis of 2008 or the sovereign debt crisis in Europe in 2011 or a major geopolitical crisis, could have a significant negative impact on all of Groupe BPCE's activities, in particular if the disruption is characterised by a lack of market liquidity making it difficult to finance Groupe BPCE. In particular, certain risks do not fall within the spontaneous cycle due to their exogenous nature, such as the deterioration in the quality of corporate debt worldwide (case of the leveraged loans market) or the threat of new amplification of the epidemic, or even in the longer term, of the climate obstacle. During the last two financial crises of 2008 and 2011, the financial markets were subject to high volatility in response to various events, including, among others, the fall in oil and commodity prices, the slowdown and turbulence on the economic and financial markets, which directly or indirectly impacted several of Groupe BPCE's activities, in particular securities transactions and financial services.

Likewise, the armed conflict triggered by the Russian federation following its invasion of Ukraine constitutes a significant change that directly or indirectly penalises the economic activity of the counterparties financed by Groupe BPCE, entailing additional expenses or by reducing the profits made by Groupe BPCE, in particular by discontinuing its activities in this geographical area.

The risk of pandemic (for example covid-19 coronavirus) pandemic and its economic consequences could continue to negatively affect the group's activities, results and financial position.

The emergence of covid-19 at the end of 2019 and the rapid spread of the pandemic to the whole planet led to a deterioration in the economic situation of many sectors of activity, a financial deterioration of economic agents, and a strong disruption of financial markets, as the affected countries were required to take health measures to respond to it (border closures, lockdown measures, restrictions on the exercise of certain economic activities, etc.). Government (guaranteed loans, tax and social assistance, etc.) And banking (moratoria) schemes have been put in place. Some counterparties may emerge from this unprecedented period weakened.

Massive fiscal and monetary policy measures to support activity were put in place between 2020 and 2022, in particular by the French government (system of state-guaranteed loans for companies and professionals, partial unemployment measures for individuals, as well as numerous other fiscal, social and bill payment measures) and by the European central bank (more abundant and less costly access to very significant refinancing allocations). In this context, Groupe BPCE actively participated in the French state-guaranteed loan programme and took special measures to provide its customers with financial support and help them overcome the effects of this crisis on their activities and revenues (e.g. automatic deferral of loan maturities by six months for certain professionals and micro-sized companies and SMES). However, there is no guarantee that such measures will be sufficient to offset the negative effects of the pandemic on the economy or to fully and sustainably stabilise the financial markets. In particular, the repayment of state-guaranteed loans may lead to defaults by borrowers and financial losses for Groupe BPCE up to the amount of the portion not guaranteed by the state.

Groupe BPCE may not achieve the objectives of its BPCE 2024 strategic plan.

On 8 July 2021, Groupe BPCE announced its BPCE 2024 strategic plan. It is based on the following three strategic priorities: (i) conquest, by achieving €1.5 billion in additional revenue in five priority areas; (ii) customers, by offering them the highest quality of service with an adapted relationship model; and (iii) climate, by implementing concrete and measurable commitments as part of a net zero trajectory. The BPCE 2024 strategic plan is based on the following three key principles: (i) be simple: because Groupe BPCE seeks efficiency and customer satisfaction, it aims for greater simplicity; (ii) be innovative: because Groupe BPCE is driven by an entrepreneurial spirit and is aware of the reality of the changes underway, it strengthens its capacity for innovation; and (iii) to be secure, because Groupe BPCE is committed to a long-term approach, it prioritises the security of its development model with regard to its ambitions.

These strategic objectives were established in the context of the covid-19 crisis, which has acted as an indicator and accelerator of profound trends (in particular, digitisation, hybrid work, energy transition) and marks Groupe BPCE's desire to accelerate its development by supporting its customers in the economic recovery and their projects emerging from the health crisis. The success of the BPCE 2024 strategic plan is based on a very large number of initiatives to be rolled out within the various business lines of Groupe BPCE. Although many of these objectives can be achieved, they may not all be achieved. The BPCE 2024 strategic plan also provides for significant investments, but if the objectives of the plan are not achieved, the return on these investments may be lower than expected. If Groupe BPCE does not achieve the objectives defined in its BPCE 2024 strategic plan, its financial position and its results could be more or less significantly affected.

The physical and transitional aspect of the climate risks and their consequences on economic players could adversely affect Groupe BPCE's activities, results and financial position.

The risks associated with climate change are factors that exacerbate existing risks, including credit risk, operational risk and market risk. BPCE is exposed to physical climate risk and transition climate risk. They potentially carry image and/or reputational risk.

The physical risk results in 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, late frosts, fires and storms) as well as long-term gradual changes in climate (such as changes in precipitation, extreme weather Variability, and rising sea levels and average temperatures). It can have an impact of considerable scope and magnitude, likely to affect a wide Variety of geographical areas and economic sectors concerning Groupe BPCE. Thus, the Cevennes episodes that affect south-east France every year can cause the flooding of buildings, factories and offices, slowing down or even make the customer's activity impossible. As a result, physical climate risk can spread along the value chain of Groupe BPCE's corporate customers, which could lead to their default and thus generate financial losses for Groupe BPCE. These physical climate risks are likely to increase and could result in significant losses for Groupe BPCE.

The transition risk is related to the process of adjustment 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, both companies and individuals, could lead to an increase in defaults and thus significantly increase Groupe BPCE's losses.

For example, the energy-climate law of 8 November 2019 will limit the sale and rental of properties with the lowest energy performance from 2023 and more completely in 2028. Groupe BPCE customers will have to plan renovation work for a possible sale or lease. The risk lies in the inability of Groupe BPCE's customers to carry out this costly work and therefore not be 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.

Groupe BPCE could encounter difficulties in adapting, implementing and integrating its policy in the context of acquisitions or joint ventures.

Although acquisitions are not a major component of its current strategy, Groupe BPCE may nevertheless consider opportunities for external growth or partnerships in the future. Although Groupe BPCE conducts an in-depth analysis of the companies it intends to acquire or the joint ventures in which it intends to participate, it is generally not possible to conduct an exhaustive review in all respects. Consequently, Groupe BPCE may have to manage liabilities not initially foreseen. Similarly, the results of the acquired company or the joint venture may prove to be disappointing and the expected synergies may not be realised in full or in part, or the transaction may result in higher costs than expected. Groupe BPCE may also encounter difficulties when integrating a new entity. The failure of an announced external growth transaction or the failure to integrate a new entity or joint venture is likely to adversely affect Groupe BPCE's profitability. This situation could also lead to the departure of key employees. Insofar as Groupe BPCE is obliged to offer them financial benefits to retain its employees, this situation may also result in an increase in costs and an erosion of profitability. In the case of joint ventures, Groupe BPCE is exposed to additional risks and uncertainties as it may depend on systems, controls and individuals that are not under its control and may, as such, incur its liability or suffer losses or damage to its reputation. In addition, conflicts or disagreements between Groupe BPCE and its partners within the joint venture may have a negative impact on the benefits sought by the joint venture.

Intense competition, both in France, its main market, and internationally, is likely to weigh on Groupe BPCE’s net revenues and profitability.

Groupe BPCE's main business lines are all faced with strong competition, whether in France or in other parts of the world where it has significant activities. Consolidation, whether in the form of mergers and acquisitions or alliances and cooperation, reinforces this competition. Consolidation has created a number of companies that, like Groupe BPCE, have the ability to offer a wide range of products and services, from insurance to loans and deposits, through brokerage, investment banking and asset management.

Groupe BPCE competes with other entities on the basis of a number of factors, including the execution of the products and services offered, innovation, reputation and price. If Groupe BPCE fails to maintain its competitiveness in France or in its other main markets by failing to offer a range of products and services that are both attractive and profitable, it could lose market share in certain important business lines or suffer losses in all or part of its activities.

In addition, any slowdown in the global economy or in the economies in which Groupe BPCE's main markets are located is likely to increase competitive pressure, in particular through increased pressure on prices and a contraction in the business volume of Groupe BPCE and its competitors. New, more competitive competitors may also enter the market, subject to separate or more flexible regulation, or other prudential ratio requirements. These new entrants would thus be able to offer more competitive products and services. Technological advances and the growth of e-commerce have enabled non-custodian institutions to offer products and services that were traditionally banking products, and financial institutions and other companies to provide electronic and financial solutions over the internet, including electronic securities trading. These new entrants could exert downward pressure on the prices of Groupe BPCE's products and services or affect Groupe BPCE's market share. Technological advances could lead to rapid and unforeseen changes in the markets in which Groupe BPCE operates. Groupe BPCE's competitive position, net income and profitability could be adversely affected if it fails to adapt its activities or strategy adequately to respond to these changes.

The ability of Groupe BPCE to attract and retain qualified employees is crucial to the success of its activity and any failure in this respect could affect its performance.

The employees of Groupe BPCE entities are the group's most important resource. Competition for qualified personnel is intense in many areas of the financial services industry. Groupe BPCE's results and performance depend on its ability to attract new employees and to retain and motivate its current employees. Changes in the economic environment (in particular taxes or other measures aimed at limiting the compensation of employees in the banking sector) could force Groupe BPCE to transfer its employees from one unit to another or to reduce the number of employees in some of its activities, which could lead to temporary disruptions due to the time required for employees to adapt to their new functions, and reduce Groupe BPCE's ability to take advantage of the improved economic environment. This could prevent Groupe BPCE from taking advantage of business opportunities or potential efficiencies, which could therefore affect its performance.

1.2 Financial risks

Significant changes in interest rates could have a material adverse effect on Groupe BPCE’s net banking income and profitability.

The net interest margin collected by Groupe BPCE during a given period represents a significant portion of its net banking income. Consequently, changes in the latter have a significant impact on Groupe BPCE's profitability. The cost of the resource as well as the conditions of return on the asset and, in particular, those attached to new production are, therefore, elements that are particularly sensitive, notably to factors that may be beyond Groupe BPCE's control. These significant changes can have significant temporary or lasting repercussions, although the rise in interest rates should be generally favourable in the medium to long term.

After a decade of low or even negative interest rates, a sharp and rapid rise in interest rates and strong inflationary tensions have emerged, reinforced by the consequences of the health crisis and the conflict in Ukraine. Exposure to interest rate risk was increased by the combination of unfavourable elements, namely the increase in inflation (major impact on regulated rates), the rapid exit from the negative interest rate policy (customer deposit arbitration), the increase in spreads of interbank loans, while, conversely, new loan production is constrained by the usury rate and the competitive environment.

Market fluctuations and volatility could expose Groupe BPCE to losses in its trading and investment activities, which could have an adverse effect on Groupe BPCE's results of operations and financial position.

As part of its trading activities on behalf of its clients or investment activities, Groupe BPCE may hold positions in the bond, currency, commodity and equity markets, as well as in unlisted securities, real estate assets and other asset classes. These positions may be affected by market volatility, in particular financial markets, i.e. the degree of price fluctuations over a specific period in a given market, regardless of market levels. Certain market patterns and developments may also result in losses on a wide range of other trading and hedging products used, including *swaps*, futures, options and structured products, which could have an adverse effect on Groupe BPCE's results of operations and financial position. Likewise, prolonged market declines and/or severe crises may reduce the liquidity of certain asset classes and make it difficult to sell certain assets and thus lead to significant losses.

Groupe BPCE is dependent on its access to financing and other sources of liquidity, which may be limited for reasons beyond its control, which could have a material adverse effect on its results.

The ability to access short- and long-term financing is essential for Groupe BPCE's activities. Groupe BPCE's non-collateralised financing includes the collection of deposits, the issuance of long-term debt and short- and medium-term negotiable debt securities, as well as the obtaining of bank loans and credit lines. Groupe BPCE also uses secured financing, in particular through the conclusion of repurchase agreements and the issuance of covered bonds. If Groupe BPCE were unable to access the secured and/or unsecured debt market on acceptable terms, or if it were to experience an unforeseen outflow of cash or collateral, including a significant decrease in customer deposits, its liquidity could be negatively affected. In addition, if Groupe BPCE were unable to maintain a satisfactory level of deposit collection from its customers (in particular, for example, due to the higher rates of return on deposits charged by Groupe BPCE's competitors), group BPCE could be forced to resort to more costly financing, which would reduce its net interest margin and its results.

Groupe BPCE's liquidity, and consequently its results, could also be affected by events that Groupe BPCE cannot control or predict, such as general market disruptions, which may be related to geopolitical or health crises, operational difficulties affecting third parties, negative opinions on financial services in general or the short- or long-term financial outlook of Groupe BPCE, changes in Groupe BPCE's credit rating or even the perception among market players of the situation of the group or other financial institutions.

In addition, Groupe BPCE's ability to access the capital markets, as well as the cost at which it obtains unsecured long-term financing, are directly linked to changes in its spreads on both the bond and credit derivatives markets, which cannot be controlled or predicted by Groupe BPCE. Liquidity constraints may have a material adverse effect on Groupe BPCE's business, financial position, results and ability to honour its obligations to its counterparties. Similarly, a change in the monetary policy stance of the European central bank may impact Groupe BPCE's financial position.

However, to deal with these risk factors, Groupe BPCE has liquidity reserves made up of cash deposits from central banks and available securities and receivables eligible for central bank refinancing. Given the importance of these risks for Groupe BPCE in terms of impact and probability, these risks are monitored proactively and closely, with Groupe BPCE also pursuing a very active policy of diversification of its investors.

Changes in the fair value of Groupe BPCE's securities and derivative portfolios and its own debt are likely to have a negative impact on the net carrying amount of these assets and liabilities and consequently on net income and Groupe BPCE's equity.

The net carrying amount of Groupe BPCE's portfolios of securities, derivatives and other types of assets at fair value, as well as its own debt, is adjusted - at balance sheet level - at the date of each new financial statement. Adjustments are made primarily on the basis of changes in the fair value of assets and liabilities during an accounting period, which are recognised in the income statement or directly in equity. Changes recognised in the income statement, if not offset by opposite changes in the fair value of other assets, have an impact on net banking income and, consequently, on net income. All fair value adjustments have an impact on shareholders' equity and, consequently, on Groupe BPCE's prudential ratios. These adjustments may also have a negative impact on the net carrying amount of Groupe BPCE's assets and liabilities and consequently on Groupe BPCE's net income and equity. The fact that fair value adjustments are recorded over one accounting period does not mean that additional adjustments will not be necessary in subsequent periods.

Groupe BPCE's revenue from brokerage and other commission-related activities could decrease in the event of a market downturn.

A market downturn is likely to result in a decline in the volume of transactions, in particular financial services and securities transactions, that Groupe BPCE entities execute for their clients and as market operators, and consequently, by a decrease in the net banking income of these activities. In particular, in the event of a deterioration in the market situation, Groupe BPCE could suffer a decline in the volume of transactions carried out on behalf of its customers and the corresponding commissions, leading to a decrease in the revenues generated by this activity. In addition, as the management fees that Groupe BPCE entities charge to their clients are generally calculated on the value or performance of portfolios, any decline in the markets that would result in a decrease in the value of these portfolios or an increase in the amount of withdrawals would reduce the revenue that these entities receive *via* the distribution of mutual funds or other financial savings products (for the Caisses d'Epargne and Banques Populaires) or for the asset management business, through an unfavourable change in management or performance fees.

In addition, any deterioration in the economic environment could have an unfavourable impact on the seed money contributed to asset management structures with a risk of partial or total loss.

Even in the absence of a downturn in the markets, if funds managed on behalf of third parties within Groupe BPCE and other Groupe BPCE products perform below those of the competition, withdrawals could increase and/or inflows decrease, which would affect asset management revenues.

A downward trend in credit ratings could have a negative impact on BPCE's cost of funding, profitability and business continuity.

Groupe BPCE's long-term ratings at 31 December 2023 were aa- for fitch ratings, A1 for Moody's, A+ for R&I and a for Standard & Poor's. The downgrading of these credit ratings could have a negative impact on the refinancing of BPCE and its affiliates that operate in the financial markets. A rating downgrade could affect Groupe BPCE's liquidity and competitive position, increase its borrowing costs, limit access to financial markets and trigger obligations in certain bilateral trading, derivative and collateralised financing contracts, and consequently have a negative impact on its profitability and the continuation of its activities.

In addition, the cost of BPCE's unsecured long-term refinancing is directly related to its credit spreads (the spread beyond the rate of government securities of the same maturity that is paid to bond investors), which itself depends largely on its rating. The increase in credit spreads could significantly increase BPCE's refinancing costs. Changes in credit spreads are market-dependent and may be subject to unpredictable and highly volatile fluctuations. Credit spreads are also influenced by the markets' perception of the issuer's capital adequacy and are linked to changes in the cost of purchasing credit default *swaps* backed by certain BPCE debt securities. Thus, a change in the perception of the issuer's capital adequacy due to the downgrading of its credit rating could have a negative impact on its profitability and the continuation of its activities.

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 results.

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 the default of 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 make it possible to fully cover the exposure in the event of a default. Despite the vigilance implemented by the group, aimed at limiting the effects of concentration of its loan portfolio, it is possible that counterparty defaults are amplified within the same economic sector or region of the world due to the interdependence of the counterparties. The default of one or more major counterparties could have a material adverse effect on the group's cost of risk, results and financial position.

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

As part of its lending activities, Groupe BPCE regularly records asset impairment charges to reflect, if necessary, actual or potential losses on its portfolio of loans and receivables, which are recognised in its income statement under "cost of risk". The overall level of Groupe BPCE's asset impairment charges is based on the group's assessment of the history of loan losses, the volumes and types of loans granted, industry standards, loans in arrears, economic conditions and other factors related to the degree of recovery of various types of loans. Although Groupe BPCE's entities strive to establish a sufficient level of asset impairment charges, their lending activities could lead them to increase their loan loss expenses due to an increase in non-performing assets or other reasons, such as deteriorating market conditions or factors affecting certain countries. Any substantial increase in loan loss expenses, or significant change in Groupe BPCE's estimate of the risk of loss inherent to its loan portfolio, or any loss on loans in excess of past expenses in this regard, could have a material adverse effect on Groupe BPCE's results and financial position.

Consequently, the risk related to the substantial increase in asset impairment charges recognised in respect of Groupe BPCE's portfolio of loans and receivables is significant for Groupe BPCE in terms of impact and probability and is, therefore, monitored proactively and closely. In addition, prudential requirements supplement these provisioning systems *via* the prudential backstop process, which results in a total deduction of non-performing loans beyond a certain maturity in line with the quality of the guarantees and according to a regulatory schedule.

A deterioration in the financial strength and performance of other financial institutions and market participants could have an adverse effect on Groupe BPCE.

Groupe BPCE's ability to carry out its transactions could be affected by a deterioration in the financial strength of other financial institutions and market participants. Financial institutions are closely interconnected due to their trading, clearing, counterparty and financing activities. The default of a significant sector player (systemic risk), or even mere rumours or questions concerning one or more financial institutions or the financial industry more generally, may lead to a general contraction of liquidity in the market and subsequently result in losses or additional failures. Groupe BPCE is directly or indirectly exposed to various financial counterparties, such as investment services providers, commercial or investment banks, clearing houses and central counterparties, mutual funds, hedge funds, as well as other institutional customers with which it routinely enters into transactions, the default or failure of which would have an adverse effect on Groupe BPCE's financial position. In addition, Groupe BPCE could be exposed to the risk related to the growing involvement in its business sector of players with little or no regulation and the emergence of new products with little or no regulation (in particular, crowdfunding or trading platforms). This risk would be exacerbated if the assets held as collateral by Groupe BPCE could not be sold, or if their price did not cover all of Groupe BPCE's exposure in respect of the defaulted loans or derivatives, or in the event of fraud, misappropriation of funds or other wrongdoing committed by players in the financial sector in general to which Groupe BPCE is exposed, or the failure of a significant market player such as a central counterparty.

1.4 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 impact 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 legislative and regulatory provisions, professional standards and ethical practices, 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. The last few 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 services providers and customers or investors (e.g. MIFID II, PRIIPS, insurance distribution regulation, market abuse regulation, fourth Anti-Money Laundering and Terrorism Financing Directive, Personal data Protection Regulation, Benchmark Regulation, etc.). These new regulations have major impacts on the company's operational processes.

The realisation of the risk of non-compliance could result, for example, in the use of inadequate means to promote and market the bank's products and services, inadequate management of potential conflicts of interest, the disclosure of confidential information, non-compliance with due diligence procedures for entering into relations with suppliers and customers, particularly in terms of financial security (in particular 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 to civil or criminal legal proceedings that could have a significant adverse impact on its financial position, activities and reputation.

Any interruption or failure of Groupe BPCE’s or third-party IT systems could result in losses, particularly commercial losses, and could have a material adverse effect on Groupe BPCE’s results.

Like most of its competitors, Groupe BPCE relies heavily on its communication and information systems, as its activities require it to process a large number of increasingly complex transactions.

Any breakdown, interruption or failure in these systems could lead to errors or interruptions in the customer management, general accounting, deposit, transaction and/or loan processing systems. If, for example, Groupe BPCE were to experience a failure in its information systems, even for a short period, the affected entities would be unable to meet the needs of their customers on time and could thus lose transaction opportunities. Similarly, a temporary failure of Groupe BPCE's information systems, despite backup systems and contingency plans, could result in considerable costs in terms of information retrieval and verification, or even a decrease in its proprietary activities if, for example, such a breakdown occurred when hedging transactions were set up. The inability of Groupe BPCE's systems to adapt to a growing volume of transactions could also limit its ability to develop its activities and result in losses, particularly commercial losses, and could therefore have a material adverse effect on the results of Groupe BPCE.

Groupe BPCE is also exposed to the risk of failure or operational interruption of one of its clearing agents, foreign exchange markets, clearing houses, custodians or other financial intermediaries or external service providers that it uses to perform or facilitate its transactions in financial securities. As interconnectivity with its customers increases, Groupe BPCE may also be increasingly exposed to the risk of operational failure of its customers' information systems. Groupe BPCE's communication and information systems and those of its customers, service providers and counterparties may also be subject to malfunctions or interruptions as a result of cybercrime or cyber terrorism. For example, with the digital transformation, Groupe BPCE's information systems are becoming increasingly open to the outside (cloud, big data, etc.). Several of these processes are gradually going digital. The evolution of employee and customer uses is also leading to greater use of the internet and interconnected technological tools (tablets, smartphones, applications running on tablets and mobiles, etc.), multiplying the channels through which attacks or malfunctions can occur as well as by increasing the number of devices and tools that may be subject to these attacks or malfunctions. As a result, the intangible assets and work tools of Groupe BPCE's various employees and external agents are increasingly exposed to cyberthreats. As a result of such attacks, Groupe BPCE could experience malfunctions or interruptions in its systems or those of third parties, which may not be adequately resolved. Any interruption or failure of Groupe BPCE or third-party it systems could result in losses, particularly commercial losses, due to the discontinuity of activities and the possible withdrawal of affected customers to other financial institutions during the period of interruption or failure, but also beyond.

The risk related to any interruption or failure of Groupe BPCE's or third-party it systems is significant for Groupe BPCE in terms of impact and probability and is therefore monitored proactively and closely.

Reputational and legal risks could have an adverse effect on Groupe BPCE's profitability and business outlook.

Groupe BPCE's reputation is crucial to attracting and retaining its customers. The use of inadequate means to promote and market its products and services, inadequate management of potential conflicts of interest, legal and regulatory requirements, ethical issues, money laundering laws, economic sanctions requirements, information security policies and sales and transaction practices, and inadequate customer protection systems, could damage Groupe BPCE's reputation. Any inappropriate behaviour by a Groupe BPCE employee, any cybercrime or cyber terrorist act to which Groupe BPCE's communication and information systems may be subject, or any fraud, misappropriation of funds or other wrongdoing by players in the financial sector in general to which Groupe BPCE is exposed, or any potentially unfavourable court decision or regulatory action could also harm its reputation. Any damage to Groupe BPCE's reputation could have an adverse effect on its profitability and business prospects.

Inadequate management of these aspects could also increase Groupe BPCE's legal risk, the number of legal actions and the amount of damages claimed from Groupe BPCE, or expose it to sanctions by the regulatory authorities.

Unforeseen events can cause an interruption of Groupe BPCE's activities and lead to substantial losses as well as additional expenses.

Unforeseen events such as a serious natural disaster, events related to climate risk (physical risk directly related to climate change), a new pandemic, attacks or any other emergency, could cause a sudden interruption of the activities of the Groupe BPCE's entities and in particular affect Groupe BPCE's main critical business lines (in particular liquidity, means of payment, securities, loans to individuals and companies, and fiduciary) and result in substantial losses to the extent that they are not, or insufficiently, covered by an insurance policy. The losses resulting from such an interruption could concern material assets, financial assets, market positions or key employees, and could have a direct and significant impact on Groupe BPCE's net income. In addition, such events could disrupt Groupe BPCE's infrastructure or that of third parties with which it conducts its business, and also generate additional costs (related in particular to the costs of relocating the personnel concerned) and increase its expenses (such as insurance premiums). Such events could exclude certain risks from insurance coverage and therefore increase Groupe BPCE's overall risk level.

The failure or inadequacy of Groupe BPCE's risk management and hedging policies, procedures and strategies may expose it to unidentified or unanticipated risks and result in unforeseen losses.

Groupe BPCE's risk management and hedging policies, procedures and strategies may not be effective in limiting its exposure to all types of market environment or to all types of risk, and may even be ineffective for certain risks that Groupe BPCE would not have been able to identify or anticipate. The risk management techniques and strategies used by Groupe BPCE may not effectively limit its exposure to risk and may not guarantee an effective reduction in the overall level of risk. These techniques and strategies may prove ineffective against certain risks, in particular those that Groupe BPCE has not previously identified or anticipated, given that the tools used by Groupe BPCE to develop risk management procedures are based on valuations, analyses and assumptions that may prove to be inaccurate. Some of the indicators and qualitative tools that Groupe BPCE uses to manage risk are based on observations of past market behaviour. To quantify risk exposures, risk managers carry out a statistical analysis of these observations.

These tools and indicators may not be able to predict future risk exposures. For example, these risk exposures could result from factors that Groupe BPCE would not have anticipated or correctly assessed in its statistical models or due to unexpected and unprecedented market movements. This would limit Groupe BPCE's ability to manage its risks. As a result, the losses suffered by Groupe BPCE could prove to be greater than those anticipated in view of the historical measures. Moreover, its quantitative models cannot include all risks. Thus, even though no significant fact has been identified to date, the risk management systems are subject to the risk of operational default, including fraud. Certain risks are subject to a qualitative analysis and this approach could prove inadequate and thus expose Groupe BPCE to unforeseen losses.

The values ultimately recorded could differ from the accounting estimates used to prepare Groupe BPCE's financial statements, which could expose it to unexpected losses.

In accordance with current IFRS standards and interpretations, Groupe BPCE must use certain estimates when preparing its financial statements, in particular accounting estimates relating to the determination of provisions for non-performing loans and receivables, provisions for potential litigation, and the fair value of certain assets and liabilities, etc. If the values used by Groupe BPCE for these estimates prove to be materially inaccurate, in particular in the event of significant and/or unforeseen market trends, or if the methods used to determine them were to be modified in the context of future IFRS standards or interpretations, Groupe BPCE could be exposed to unanticipated losses.

1.5 Insurance risks

A deterioration in the market situation, and in particular an excessively large upward or downward fluctuation in interest rates, could have a material adverse impact on the group's personal insurance business and its results.

The main risk to which Groupe BPCE's insurance subsidiaries are exposed in their personal insurance business is market risk. Exposure to market risk is mainly related to the capital guarantee on the scope of euro-denominated savings products.

Within market risks, interest rate risk is structurally significant for BPCE assurances due to the strong bond composition of general funds. Fluctuations in interest rates may have the following consequences:

- in the event of a rise in interest rates: reduce the competitiveness of the offer in euros (by making new investments more attractive) and cause waves of redemptions and significant arbitration in an unfavourable context of unrealised capital losses on the bond stock;
- in the event of a drop in interest rates: make the return on general funds insufficient in the long term to enable them to meet the capital guarantees.

Due to the allocation of general funds, widening of spreads and the decline in the equity markets could also have a significant adverse impact on Groupe BPCE's personal insurance results, through the creation of a provision for impairment due to the decline in fair value valuations of investments through profit or loss.

A mismatch between the loss ratio expected by the insurer and the amounts actually paid by the group to policyholders could have a significant adverse impact on its non-life insurance business and on the protection portion of its personal insurance business, its results and its financial position.

The main risk to which Groupe BPCE's insurance subsidiaries are exposed in the context of these latter activities is underwriting risk. This risk results from the mismatch between, on the one hand, the claims actually incurred and the amounts actually paid as part of the compensation for these claims and, on the other hand, the assumptions used by the subsidiaries to set the prices of their insurance products and establish technical provisions for possible compensation.

The group uses both its own experience and industry data to establish claims and actuarial estimates, including to determine the price of insurance products and to establish the related technical reserves. However, there is no guarantee that the actual situation corresponds to these estimates and unforeseen risks such as pandemics or natural disasters could result in the payment of more than expected to policyholders. In this respect, changes in climatic phenomena (known as "physical" climate risks) are subject to particular vigilance.

In the event that the sums actually paid by the group to policyholders are higher than the underlying assumptions initially used when establishing provisions, or if events or trends cause the group to modify the underlying assumptions, the group may be exposed to larger-than-expected liabilities, which could have an adverse impact on the non-life insurance and personal insurance activities for the protection portion, as well as on the group's results and financial position.

The various actions implemented in recent years, particularly in terms of financial hedging, reinsurance, business diversification and investment management, also contribute to the resilience of BPCE assurances' capital adequacy. It should be noted that the deterioration of the economic and financial environment, in particular the decline in the equity markets and the level of interest rates, could have an unfavourable impact on BPCE assurances' capital adequacy, by having a negative impact on future margins.

1.6 Regulatory risks

Groupe BPCE is subject to significant regulations in France and in several other countries where it operates; regulatory measures and their changes are likely to have a material adverse effect on Groupe BPCE's business and results.

The business and results of Groupe BPCE's entities could be materially affected by the policies and measures taken by regulatory authorities in France, other European union states, the United States, foreign governments and international organisations. These constraints could limit the ability of Groupe BPCE's entities to develop their activities or to carry out some of their activities. The nature and impact of future changes in these policies and regulatory measures are unpredictable and beyond Groupe BPCE's control. In addition, the general political environment has evolved unfavourably for banks and the financial sector, which has resulted in additional pressure for legislative and regulatory bodies to adopt stronger regulatory measures, although these may penalise credit and other financial activities, as well as the economy. Given the ongoing uncertainty related to new legislative and regulatory measures, it is impossible to predict their impact on Groupe BPCE, but it could be materially unfavourable.

Groupe BPCE may have to reduce the size of some of its activities to comply with new requirements. New measures are also likely to increase the costs of compliance of activities with the new regulations. This could result in a decrease in consolidated revenues and profits in the activities concerned, the reduction or sale of certain activities and portfolios of assets and charges for impairment of assets.

The adoption in 2019 of the final texts of the "banking package" aims to bring prudential banking requirements into line with the standards of Basel III regulations. The implementation of these reforms could result in increased capital and liquidity requirements, and could impact Groupe BPCE's financing costs.

On 11 November 2020, the financial stability board ("FSB"), in consultation with the Basel committee on banking supervision and national authorities, published the 2020 list of global systemically important banks ("G-SIBS"). Groupe BPCE is classified as a g-sib according to the FSB assessment framework. Groupe BPCE is also on the list of global systemically important institutions ("G-SIBS").

These regulatory measures, which could apply to the various entities of Groupe BPCE, and their changes are likely to have a material adverse effect on Groupe BPCE's business and results.

Legislative and regulatory texts have been enacted in recent years or recently proposed in response to the financial crisis with a view to introducing several changes, some permanent, in the global financial framework. These new measures, which aim to avoid the occurrence of a new global financial crisis, have significantly modified, and are likely to modify in the future, the environment in which Groupe BPCE and other financial institutions operate. Groupe BPCE is exposed to the risk associated with these legislative and regulatory changes. These include the new prudential backstop rules, which measure the difference between the effective provisioning levels for outstandings in default and guidelines including target rates, depending on the length of time the default has lasted and the presence of guarantees.

In this changing legislative and regulatory environment, it is impossible to predict the impact of these new measures on Groupe BPCE. The updating or development of programmes to ensure compliance with these new legislative and regulatory measures and of its information systems in response to or in anticipation of the new measures generates, and could in the future generate, significant costs for the group. Despite its efforts, Groupe BPCE may also be unable to comply fully with all applicable laws and regulations and may therefore be subject to financial or administrative penalties. In addition, new legislative and regulatory measures could force the group to adapt its activities and/or consequently affect its results and financial position. Lastly, the new regulations could force Groupe BPCE to strengthen its capital or increase its total financing costs.

The risk related to regulatory measures and their evolution is significant for Groupe BPCE in terms of impact and probability and is therefore monitored proactively and closely.

BPCE may have to help entities that are part of the financial solidarity mechanism if they encounter financial difficulties, including those in which BPCE has no economic interest.

As the central body of Groupe BPCE, BPCE guarantees the liquidity and capital adequacy of each regional bank (the Banques Populaires and the Caisses d'Epargne), as well as other members of the group of affiliated companies that are credit institutions subject to French regulations. The group of affiliated companies includes BPCE subsidiaries such as Natixis, Crédit Foncier de France, Oney and Banque Palatine. In the case of Groupe BPCE, all institutions affiliated with the central body of Groupe BPCE benefit from a guarantee and solidarity mechanism whose purpose, in accordance with articles L. 511-31, L. 512-107-5 and L. 512-107-6 of the French monetary and financial code, is to guarantee the liquidity and capital adequacy of all affiliated institutions and to organise financial solidarity within the group.

This financial solidarity is based on legislative provisions establishing a legal principle of solidarity requiring the central body to restore the liquidity or capital adequacy of affiliates in difficulty, and/or all of the group's affiliates, by virtue of the unlimited nature of the principle of solidarity, BPCE is entitled at any time to ask any one or more or all of the affiliates to contribute to the financial efforts necessary to restore the situation, and may, if necessary, mobilise up to all the cash and shareholders' equity of the affiliates in the event of difficulty for one or more of them.

The three guarantee funds created to cover the liquidity and insolvency risks of Groupe BPCE are described in note 1.2 "guarantee mechanism" to the consolidated financial statements of Groupe BPCE included in the 2021 universal registration document. Regional banks are required to make additional contributions to guarantee funds on their future profits. While the guarantee funds represent an important source of resources to finance the solidarity mechanism, there is no guarantee that they will be sufficient. If the guarantee funds prove insufficient, BPCE, due to its role as a central body, will have to do everything necessary to restore the situation and will be obliged to make up the shortfall by implementing the internal solidarity mechanism it has set up, by mobilising its own resources, and may also have unlimited recourse to the resources of several or all of its affiliates.

As a result of this obligation, if a member of the group were to encounter major financial difficulties, the event underlying those financial difficulties could then have a negative impact on the financial position of BPCE and that of the other affiliates thus called upon to support the group under the principle of financial solidarity.

Holders of BPCE shares could suffer losses if BPCE and all of its affiliates were subject to liquidation or resolution proceedings.

The EU regulation on the single resolution mechanism no. 806/214 and the EU directive on the recovery and resolution of credit institutions no. 2014/59 as amended by EU directive no. 2019/879 (the "BRRD"), as transposed into French law in Book VI of the French monetary and financial code, give the resolution authorities the power to impair BPCE securities or, in the case of debt securities, convert them into equity.

The resolution authorities may impair or convert capital instruments, such as BPCE's tier 2 subordinated debt, if the issuing institution or group to which it belongs defaults or is likely to default (and there is no reasonable prospect that another measure could prevent this failure within a reasonable timeframe), become unviable, or require exceptional government support (subject to certain exceptions). They must impair or convert equity instruments before initiating a resolution procedure or if resorting to it is necessary to preserve the viability of an institution. The impairment or conversion of equity instruments must be carried out in order of priority, such that common equity Tier 1 instruments are impaired first, then additional Tier 1 instruments are impaired or converted into equity instruments, followed by Tier 2 instruments. If the impairment or conversion of equity instruments is not sufficient to restore the financial health of the institution, the bail-in power available to the resolution authorities may apply to the impairment or conversion of eligible commitments, such as BPCE senior non-preferred and preferred securities.

Due to full legal solidarity, and in the extreme case of liquidation or resolution proceedings, one or more affiliates may not be subject to court-ordered liquidation, or be affected by resolution measures within the meaning of the "BRRD", although all affiliates and BPCE are not. In accordance with article L. 61329 of the French monetary and financial code, the judicial liquidation procedure is therefore implemented in a coordinated manner with regard to the central body and all of its affiliates.

The same article provides that in the event of court-ordered liquidation thus necessarily affecting all affiliates, the external creditors, of the same rank or enjoying identical rights, of all the affiliates would be treated in the order of the hierarchy of creditors equally, regardless of their attachment to a particular affiliated entity. This means that holders of AT1 and other *pari passu* securities would be more affected than holders of Tier 2 and other *pari passu* securities, themselves more affected than external senior non-preferred debt holders, themselves more affected than external senior preferred debt holders. In the event of resolution, and in accordance with article L. 613-55-5 of the French monetary and financial code, identical impairment and/or conversion rates would be applied to debts and receivables of the same rank, regardless of their attachment to a particular affiliated entity in the order of the above-mentioned hierarchy.

Due to the systemic nature of Groupe BPCE and the assessment currently being made by the resolution authorities, resolution measures would be more likely to be taken rather than the opening of court-ordered liquidation proceedings. A resolution procedure may be initiated against BPCE and all of the affiliates if (i) BPCE's default is proven or foreseeable, (ii) there is no reasonable prospect that another measure could prevent this default within a reasonable time frame, and (iii) a resolution measure is required to achieve the resolution objectives, namely to (a) ensure the continuity of critical functions, (b) avoid significant adverse effects on financial stability, (c) protect the resources of the state by minimising the use of exceptional public financial support, and (d) protect customer funds and assets, particularly those of depositors. An institution is considered to be in default when it does not comply with the conditions of its authorisation, when it is unable to pay its debts or other commitments when they fall due, and when it requests exceptional public financial support (subject to limited exceptions) or when the value of its liabilities exceeds that of its assets.

In addition to the bail-in power, resolution authorities are given expanded powers to implement other resolution measures in respect of failing institutions or, in certain circumstances, their groups, which may include, but are not limited to: selling all or part of the institution's activity to a third party or a bridge institution, the separation of assets, the replacement or substitution of the institution as debtor of the debt instruments, changes in the terms and conditions of the debt instruments (including modification of the maturity and/or amount of interest payable and/or temporary suspension of payments), suspension of admission to trading or official listing of financial instruments, dismissal of executives or the appointment of a provisional director (special director) and the issue of capital or equity.

The exercise of the powers described above by the resolution authorities could result in the full or partial write-down or conversion of the capital instruments and receivables issued by BPCE or could significantly affect the resources available to BPCE to carry out the payment of such instruments and, consequently, cause losses to the holders of BPCE securities.

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

As a multinational banking group with complex and significant international transactions, Groupe BPCE (and Natixis in particular) is subject to the tax laws of a large number of countries around the world, and structures its activity in accordance with the applicable tax rules. Changes in tax regimes by the competent authorities in these countries could have an unfavourable impact on Groupe BPCE's results. Groupe BPCE manages its activities with a view to creating value from the synergies and commercial capabilities of its various entities. It also strives to structure the financial products sold to its customers in a tax-efficient manner. The structures of the intra-group transactions and financial products sold by Groupe BPCE's entities are based on its own interpretations of the applicable tax laws and regulations, generally on the basis of opinions issued by independent tax advisors, and, as needed, of specific requirements, decisions or interpretations of the competent tax authorities. It cannot be ruled out that the tax authorities, in the future, may call into question some of these interpretations, as a result of which the tax positions of Groupe BPCE's entities could be challenged by the tax authorities, which could give rise to tax adjustments, and as a result, could have an unfavourable impact on Groupe BPCE's results.

2 Governance and risk management system

2.1 Groupe BPCE system

The risk management function and the compliance certification function ensure, among other tasks, the permanent control of risks and compliance.

The risk and/or compliance departments ensure the effectiveness of the risk management system. They ensure the assessment and prevention of risks, the development of the risk policy integrated into the management policies of operational activities and the permanent monitoring of risks.

Within BPCE's central body, the risk management department and the general secretariat in charge of compliance, security and permanent controls ensure the consistency, uniformity, effectiveness and completeness of the measurement, monitoring and management of risks. These departments are responsible for the group's consolidated risk management.

The missions of the latter are carried out independently of the operational departments. Its operating procedures, particularly in terms of business lines, are set out in the group's risk, Compliance and Permanent Control Charter, approved by the management board of BPCE on 7 December 2009 and last updated in December 2021, in line with the decision of 3 November 2014, as amended on 25 February 2021, dedicated to internal control. The risk management and compliance department of our institution is attached to it by a strong functional link.

2.2 Risk management, compliance, permanent control and financial security department (RCS)

Banque Palatine's risk management and compliance department reports to the chief executive officer and reports functionally to the BPCE risk management department and to the group general secretariat in charge of compliance and permanent controls.

The risk management and compliance department covers all risks: credit risks, financial risks, operational risks, non-compliance risks as well as cross-functional risk management and control activities. In accordance with article 75 of the decision of 3 November 2014, as amended on 25 February 2021, regarding internal control, it provides for the measurement, monitoring and control of risks.

To ensure its independence, the risk and compliance functions, which are separate from the other internal control functions, are independent of all functions carrying out commercial, financial or accounting transactions.

In risk management, Banque Palatine applies all principles of the group's risk, compliance and permanent controls charter. The risk and compliance department independently controls the correct application of standards and methods of risk measurement, including limits and delegation frameworks. It makes sure the risk policy is respected within the framework of its second-level permanent controls.

The effective managers ensure that the risk management systems put in place are appropriate to the risk profile and the business strategy of the institution, in accordance with the regulations concerning the prudential requirements applicable to credit institutions and investment entities (European directives CRR2 and CRD4).

The risk management and compliance department:

- proposes Banque Palatine's risk policy, in line with the group's risk policy (limits, caps, etc.) ;
- identifies risks, establishes a macro-mapping with a list of priority risks and manages the annual process of reviewing the risk appetite system and the annual control plan;
- contributes to the development of systems to control the risks of the management policies regarding operational activities (quantitative limits, framework for delegations of authority, analysis of new products or new activities);
- confirms and ensures second-level control of risks (standards for valuing transactions, provisions, risk control systems);
- contributes to the definition of the first-level permanent control standards for risks and/or compliance and ensures their proper application (the definition of group standards and methods being the responsibility of the central body);

- ensures the monitoring of all risks, including non-compliance, in particular the reliability of the system for detecting limit breaches and the monitoring and control of their resolution;
- assesses and controls the level of risks (stress scenarios, etc.);
- prepares risk reports for the executive bodies (the effective managers and the Board of directors), contributes to the legal or regulatory reports and alerts the effective managers and the Board of directors in the event of a significant incident (article 98 of the decision of 3 November 2014, as amended on 25 February 2021, regarding internal control);
- contributes to the dissemination of the risk and compliance culture within the institution.

2.2.1 Dedicated organisation and resources

The risk management and compliance department has 45 employees divided into six departments: the credit risk and prudential management department (RWA and prudential ratios), the operational risk department, the data protection and security department (including information systems security and business continuity), the financial risks department (market risks and ALM risks), the AML/CFT and anti-fraud coordination department, the banking and investment services compliance department, the permanent controls department, and the financial audit department. Thus, its organisation effectively breaks down the three specialised functions by risk area, mainly: credit risks, financial risks, operational risks and non-compliance risks with the support of the cross-functional vision conferred by the coordination of permanent controls and by the financial audit in charge of second-level controls of the bank’s accounting and financial information.

Structuring decisions in terms of risk and compliance are made by the risk Executive committee which meets quarterly and is responsible for managing all risks.

This committee is responsible for defining the institution’s major risk guidelines (limits, risk policies, delegated charters, etc.). It regularly reviews the main credit, operational and financial risks of our institution.

2.2.2 Organisation of internal control for consolidated companies of the Banque Palatine group

The risk management and compliance department covers the entire consolidated scope of Banque Palatine and in particular Palatine asset management, a portfolio management company, and Ariès Assurances, an insurance brokerage company operating in the field of collective social protection.

Palatine asset management has a head of compliance and internal control in charge of second-level controls and reporting functionally to the chief risk and compliance officer of Banque Palatine.

He or she reports back to the Palatine asset management Audit committee which includes, as permanent guests:

- the chief risk and compliance officer of Banque Palatine;
- Banque Palatine's head of internal audit.

The minutes of the meetings of Palatine asset management's audit and Risk committee are systematically sent to Banque Palatine's Audit committee and Risk committee.

2.2.3 Changes in 2023

The organisation of the risk and compliance division was slightly modified in 2023 in order to strengthen its system. The financial controls department has been attached to the permanent controls department.

A new head of financial risk has been recruited.

2.3 Main risks of 2023

Banque Palatine's overall risk profile corresponds to that of a retail bank but with a strong exposure to the corporate segment, the institution being particularly present in the medium-sized companies market. The risks are mainly concentrated on the credit activity, in order to support and finance the economy.

The breakdown of Banque Palatine's risk-weighted assets at 31 December 2023 was as follows:

- credit risk (including CVA): 93.43%;
- market risk 0.5%;
- operational risk 6.07%

It should be noted for market risk a parallel calculation of CRR regulation (SSA)/CRR2 regulation (FRTB) since the closing of September 2021.

The cost of risk amounted to €33.1 million, a decrease compared to 2022.

2.4 Risk and compliance culture

In carrying out their different tasks, Groupe BPCE's entities are guided by the group's internal control charter and charter of risks, compliance and permanent control. The latter specifies in particular that the supervisory body and the effective managers of each institution must promote the risk and compliance culture at all levels of their organisation, and that the risk management and compliance departments must coordinate the dissemination of the risk and compliance culture among all employees, in coordination with all the other functions of Banque Palatine.

Overall, the risk management and compliance department:

- participates in risk management and compliance verification functions days, special moments for discussions on risk issues, presentation of the work carried out by the various functions, training and sharing of best practices between institutions which are also broken down by area, the main ones being: loans, financial, operational, non-compliance involving all group institutions. Dedicated working groups complete this system;
- enhances its regulatory expertise, in particular through the receipt and distribution of educational regulatory documents;
- sets out the organisations and systems used to manage risks, verify compliance and carry out permanent controls;
- carries out regular interventions in the institution's various functions (sales functions, support functions, etc.) To promote the risk and compliance culture;
- is represented by its head of risk and compliance at audio conferences with the central body or regional meetings bringing together the heads of risk and compliance of Groupe BPCE's networks and subsidiaries on topical issues;
- contributes, through its executives or its head of risk and compliance, to the decisions taken by the committees dedicated to the risk management function at group level, in particular the group credit and counterparty committee, the group watch list and provisions committee and the validation of permanent controls committee;
- benefits, on behalf of its employees, from an annual training programme distributed by BPCE and supplemented by internal training courses (BPCE's risk & compliance academy courses were followed);
- prepares the macro-risk map for the institution, assessing its risk profile and identifying the main high-priority risks;
- lists the internal models specific to the institution as part of the group's system for managing model risk;
- manages the annual review of the institution's risk appetite indicators as part of the system put in place by the group;
- disseminates the risk and compliance culture and shares best practices with the other Groupe BPCE entities;
- measures the level of risk and compliance culture, based on a self-assessment based on a questionnaire of 139 questions on the risk and compliance culture, based on the recommendations of the FSB 2014, AFA 2017 and the EBA 2018 guidelines.

More specifically, to coordinate cross-functional projects, the institution's risk management and compliance department relies on BPCE's risk management department and the group general secretariat in charge of compliance and permanent controls at Groupe BPCE, which contribute to the proper coordination of the risk management and compliance certification function and manage the overall monitoring of risks, including those inherent to compliance within the group.

2.5 Banque Palatine macro-risk map

Banque Palatine's macro-risk mapping complies with the regulations, in particular the decision of 3 November 2014, as amended on 25 February 2021, dedicated to internal control, which states in its articles 100, 101 and 102 (repeating the provisions contained in CRBF 97-02) the need for a “risk mapping that identifies and assesses the risks incurred with regard to internal and external factors”, as well as with the EBA's “internal governance guidelines” published on 1 July 2018. Banque Palatine meets this obligation with the “macro-risk mapping” system developed by Groupe BPCE.

This macro-mapping aims to secure the activities of the institutions, to consolidate their financial profitability and their long-term development. This risk-based approach, through a rating of the risk management system enables the implementation and monitoring of targeted action plans.

The macro-risk mapping plays a central role in an institution's overall risk management system: through the identification and rating of its risks, in particular through the assessment of the risk management system, each group institution has its own risk profile and priority risks. This risk-based approach is used to update the institutions' risk appetite and permanent and periodic control plans each year.

The integration of the macro-risk mapping in the permanent control management tool PRISCOP makes it possible to automate the risk-control links in the risk management system. Action plans targeting priority risks are put in place to reduce and/or control risks.

The results of the macro-risk mapping contribute to the exercise of the supervisory review and evaluation process (SREP) of the group, by identifying the main risks in the risk management and prudential approach and feeding in particular the annual internal control report, the internal capital adequacy assessment process (ICAAP) report.

In 2023, a consolidation of the macro-mapping was carried out for each of the networks. Each institution has a comparison of its macro-mapping with that of its network. A consolidation of the action plans put in place by the institutions on their priority risks was also produced.

2.5.1 Risk appetite system

Groupe BPCE's risk appetite corresponds to the level of risk that it is prepared to accept in order to increase its profitability while preserving its solvency. This must be consistent with the institution's operating environment, strategy and business model, while prioritising the interests of its customers. The group's risk appetite is determined by avoiding major pockets of concentration and by allocating capital in an optimised manner.

The system is based on:

- the definition of the group's risk profile (or risk appetite statement) which ensures consistency between the group's DNA, its cost and revenue model, its risk profile and its loss-absorbing capacity as well as its risk management system;
- indicators covering all the main risks to which the bank is exposed and completed by the limits or thresholds triggering the measures and specific governance in the event of overruns;
- governance integrated into the group's governance bodies for its creation and review as well as in the event of a major incident; as well as a roll-out of all the principles at each group institution;
- a full operational inclusion with cross-cutting systems for financial planning.

The risk appetite is defined according to five criteria specific to Groupe BPCE:

- its DNA;
- its cost and revenue model;
- its risk profile;
- its capacity to absorb losses; and
- its risk management system.

Groupe BPCE's DNA

As a decentralised and supportive cooperative group, Groupe BPCE organises its business around capital held mainly locally in its regional institutions and centralised market funding optimising the resources provided to the entities. Due to its cooperative nature, Groupe BPCE aims to provide its customers with the best service over the long term, while generating long-term results.

Groupe BPCE:

- must preserve the solvency, liquidity and reputation of each of the group's entities, a mission for which the central body is responsible through consolidated risk management, a shared risk policy and common tools;
- is made up of regional entities and banks, which own the group and its subsidiaries. In addition to normal management, in the event of a crisis, solidarity mechanisms between the group's entities ensure the circulation of capital and prevent the default of an entity or the central body;
- focuses on the structuring risks of its universal banking business model, with a predominant component in retail banking in France, while integrating other business lines necessary to serve all customers;

- diversifies its exposures by developing certain activities in line with its strategic plan:
  - development of bancassurance and asset management,
  - international development (mainly global customers banking and asset management and more targeted retail banking).

In terms of risk profile, Groupe BPCE bears risks that are intrinsically linked to its retail banking businesses and its global customers banking activities.

The institution's DNA

Banque Palatine is a financing bank with a strong activity in the corporate market and a strong presence in the medium-sized companies market. Banque Palatine supports corporate customers in their various needs, in particular the financing of their international and equity financing transactions, as well as the management of their foreign exchange and interest rate risks.

Banque Palatine is also exposed to retail credit risks, but more particularly in the private customer market.

As a wholly-owned subsidiary of BPCE SA, Banque Palatine's priority is to provide the best customer service while preserving solvency and long-term profitability.

2.5.1.1 Business model

Groupe BPCE focuses on the structuring risks of its banking and insurance business model, with a predominant component in retail banking in France, while integrating other business lines required to serve the group's customers.

It is fundamentally a universal bank in all segments and markets and is present throughout the country through two competing networks whose regional entities have territorial jurisdiction defined by their region of activity. In order to strengthen this franchise and offer a complete range of services to its customers, Groupe BPCE is developing an economic financing activity, mainly for SMES, professionals and individuals.

Certain activities (in particular specialised financial services, global customers banking, asset management, insurance) are housed in specialised subsidiaries.

Lastly, given the context of changes in interest rates in which Groupe BPCE operates, on the one hand, and the commitment to generate resilient and recurring income, on the other, the group maintains a balance between the search for profitability and the risks related to its activities.

Banque Palatine has a more specialised customer profile in the medium-sized corporate and wealth management customer segments. It offers all the services of a retail bank and relies on the group's specialised financial services. An activity dedicated to asset management also meets the more specific needs of its customers and is housed in a subsidiary.

2.5.1.2 Risk profile

The balance between the search for profitability and the level of risk accepted is reflected in Groupe BPCE's risk profile and is reflected in the group's risk management policies.

Banque Palatine assumes risks intrinsically linked to its retail banking business lines, more specifically for corporate and wealth management customers.

Due to its business model, the following risks are assumed:

- the credit and counterparty risk resulting from the predominant activity of lending to individuals and companies is controlled through group risk policies, included in its risk policy, concentration limits by counterparty, country and sector and an appropriate delegated system supplemented by portfolio monitoring and a monitoring system;
- the structural interest rate risk is linked in particular to its intermediation and transformation activity, which is closely linked to its lending activity. It is governed by common group standards and its own limits;
- the liquidity risk is managed at group level, which allocates liquidity to Banque Palatine to supplement the customer resources raised locally. In addition, Banque Palatine is responsible for managing its liquidity reserve in accordance with group rules;
- the non-financial risks are governed by standards that cover the risks of non-compliance, fraud, information system security, conduct risks, legal and other operational risks. To this end the following are implemented:
  - a common data collection framework for all of the group's establishments and tools for annual mapping and reporting of losses and incidents over time,
  - monitoring of the major risks and risks to be managed by Banque Palatine,
  - action plans on specific risks and enhanced monitoring of emerging risks.

Lastly, the alignment of the requirements of individual customers and credit investors imposes a very strong aversion to reputational risk.

Banque Palatine focuses on specific market risk scopes that remain limited since the positions taken for customers are systematically hedged.

The evolution of its business model extends its exposure to certain types of risks, in particular risks related to asset management and the development of international activities.

It is prohibited to engage in uncontrolled activities or trading on own account. Activities with high risk profiles and profitability are strictly regulated.

Whatever the activities, entities or regions, Banque Palatine's employees aim to operate at the highest level of ethics and conduct, and according to the highest standards of execution and security of operations.

Risk management is governed by:

- governance with dedicated committees to monitor all risks;
- framework documents (guidelines, policies, standards, etc.) And charters;
- a permanent control system.

2.5.1.3 Capacity to absorb losses

Groupe BPCE has a high level of liquidity and solvency, reflecting, where applicable, its ability to absorb the occurrence of a risk at the entity or group level.

In terms of solvency, the group is able to absorb the risk over the long term through its capital structure.

In terms of liquidity, the group has a significant reserve composed of cash and securities to meet regulatory needs, to satisfy stress tests and also to access unconventional financing mechanisms with central banks. It also has good quality assets eligible for market refinancing schemes and those offered by the ECB.

The group ensures the robustness of this system through the implementation of global stress tests carried out on a regular basis. They are intended to verify the group's resilience, particularly in the event of a serious crisis.

Banque Palatine's loss-absorbing capacity is closely monitored and relies in particular on the monitoring of the concentration risk of the credit portfolio and the monitoring of liquidity risk and the quality of the assets of the reserve.

2.5.1.4 Risk management system

The implementation of the risk appetite is based on four essential components: (i) the definition of common benchmarks, (ii) the existence of a set of limits in line with those defined by the regulations, (iii) the distribution of expertise and responsibilities between local and central, and (iv) the functioning of governance within the group and the various entities, allowing an effective and resilient application of the risk appetite system.

The establishment:

- is primarily responsible for the management of its risks within its scope and has, as such, dedicated permanent control manager(s);
- manages the risk appetite components through a set of standards and guidelines drawn from internal control charters designed at group level;
- lastly, our institution has adopted a set of limits applicable to the various risks and applied at group level.

The group and the institution’s risk appetite framework is regularly updated. Any exceeding of the quantitative limits defined in the risk appetite framework is subject to an alert and an appropriate remediation plan that can be approved by the Executive management committee and communicated to the Board of directors if necessary.

2.6 Disclosures by the governing body within the meaning of article 98 of the decision of 3 November 2014 on internal control

2.6.1 Operational risks

The bank’s control processes include the immediate reporting to executive management, the Board of directors, BPCE and the French prudential and resolution supervisory authority (Autorité de contrôle prudentiel et de résolution - ACPR) of any provisioned or definitive loss greater than or equal to 0.5% of its common equity tier 1 capital, for operational risks, in accordance with article 98 of the order of 3 November 2014 on internal control, and BPCE’s decisions.

In this regard, no incidents were reported in 2023.

2.6.2 Credit risks

Banque Palatine is subject to the Groupe BPCE standard on credit risks of 2 December 2015, which sets an alert threshold of 2% of capital.

This threshold, calculated on the basis of the equity at 31 December 2023, amounts to €26.3 million.

In this regard, no incidents were reported in 2023.

3 Capital management and equity adequacy

3.1 Regulatory framework

The Basel III agreement, transposed into European union legislation through the capital requirements regulation (CRR) and the capital requirements directive (CRD), which were passed by the European parliament on 16 April 2013 and published in the official journal of the European union on 26 June 2013, defined the prudential supervision rules applicable to credit institutions and investment companies. Institutions concerned are required to maintain an overall capital adequacy ratio of at least 8% at all times.

The CRR and CRD IV texts were reviewed on 7 June 2019. The CRR 2 and CRD V texts were published in the official journal of the European union for implementation in June 2021.

This capital adequacy ratio is equal to the ratio between total equity and the sum of:

- assets weighted by credit, counterparty and dilution risk;
- capital requirements with respect to the prudential supervision of market, operational and credit valuation adjustment (CVA) risk multiplied by 12.5.

Article 92 (1) of the CRR sets a minimal common equity tier 1 ratio of 4.5% and a minimal tier 1 capital ratio of 6%.

Regulatory capital and Basel III capital adequacy ratios

in millions of euros	31/12/2023	31/12/2022
Consolidated equity	1,157.85	1,043.00
Perpetual deeply subordinated notes classified as equity	(100.00)	(100.0)
Consolidated equity excluding perpetual deeply subordinated notes classified as equity	1,057.85	943.00
Non-controlling interests		
Common equity tier 1 (CET1) capital before deductions	1,034.36	990.71
Deductions from common equity		
• Goodwill		
• Other intangible assets	(4.08)	(4.13)
Other prudential adjustments	(53.28)	(74.92)
Common equity tier 1 (CET1) capital	977.00	911.67
Deeply subordinated notes		
Other additional tier 1 (AT1) capital	100.00	100.00
Equity *Tier 1* (A)	**1,077.00**	**1,011.67**
Common equity Tier 2 (CET2) capital	237.92	162.89
Equity *Tier 2* (B)	**237.92**	**162.89**
Total regulatory capital (A + B)	**1,314.92**	**1,174.56**
Credit risk-weighted assets	10,000.14	9,456.12
Market risk-weighted assets	53.81	2.73
Operational risk-weighted assets	650.39	608.04
CVA risk-weighted assets	13.72	26.40
Total Basel III risk-weighted assets	**10,718.05**	**10,093.29**
Capital adequacy ratio		
Core Tier 1 ratio	9.12%	9.03%
Tier 1 ratio	10.05%	10.02%
Overall solvency ratio	12.27%	11.64%

3.2 Composition of equity

The regulatory capital is determined in accordance with EU regulation no. 575/2013 (“CRR”) of 26 June 2013, as amended by EU regulation no. 2019/876 (“CRR2”), on the prudential requirements applicable to credit institutions and investment firms.

They are organised into three main categories:

- common equity tier 1 capital (CET1);
- additional tier 1 equity (ATI); and
- tier 2 equity.

The criteria for breakdown by category are defined by the decreasing degree of solidity and stability, the term and the degree of subordination.

3.2.1 Common equity tier 1 (CET1)

Common equity tier 1 capital consists of the share capital and related share premiums, reserves, retained earnings, the fund for general banking risks, subject to adjustments and regulatory deductions (*e.g.* elimination of minority interests, deductions of goodwill and intangible assets).

The CET1 equity of €976.99 million includes the following items:

- share capital, reserves, and undistributed profits: €1,304.36 million;
- prudential restatements (including goodwill, intangible assets and prudential backstop): -€57.36 million.

3.2.2 Additional tier 1 equity (at1)

Additional tier 1 capital corresponds to perpetual debt instruments that feature no redemption incentive or obligation. At1 instruments are subject to a loss absorption mechanism that is triggered when the CET1 ratio falls below a threshold, which must be at least 7%.

In March 2018, Banque Palatine held a €100 million issue of the most deeply subordinated perpetual debt qualifying for at1 equity.

3.2.3 Tier 2 equity

Tier 2 equity corresponds in particular to subordinated instruments issued, meeting the restrictive eligibility criteria according to article 62 of the CRR2. Banque Palatine's tier 2 equity consists of three eligible fixed-term subordinated loans for an amount of €340 million:

- €150 million (issued on 7 December 2015 and maturing in 2025);
- €50 million (issued on 22 December 2017 and maturing in 2027);
- €25 million (issued on 28 December 2022 and maturing in 2032);
- €75 million (issued on 27 March 2023 and maturing in 2033);
- €40 million (issued on 18 December 2023 and maturing in 2033).

The €150 million loan has been amortised prudentially since 31 December 2020.

3.3 Capital requirements and risk-weighted assets

The Bank calculates its risk-weighted exposures using the standardised approach for credit, market, operational and CVA risk.

Weighted risks for credit, market, operational risk and credit valuation adjustment risk

in millions of euros	Risk-weighted exposures 31/12/2023	Weighted exposures 31/12/2022
Central governments and central banks	83	57
Public sector entities	0	1
Institutions	21	48
Secured obligations	3	3
Corporates	6,729	6,295
Retail customers	342	330
High-risk exposure	780	693
Exposures guaranteed by a mortgage on a real estate asset	1,567	1,506
Exposures in default	328	317
Collective investment undertakings	20	17
Exposure in the form of shares	3	8
Other items	124	181
Credit risk exposures	10,000	9,456
Market risk exposures	3	3
Operational risk exposures	608	608
CVA risk exposures	26	26
TOTAL AMOUNT OF RISK EXPOSURES	**10,637**	**10,093**
CET1 capital	977	912
CET1 ratio	**9.12%**	**9.03%**
Tier 1 capital	1,077	1,012
AT1 ratio	**10.05%**	**10.02%**
Total capital	1,315	1,175
Total capital adequacy ratio	**12.27%**	**11.64%**

At 31 December 2023, the weighted risks calculated in accordance with Basel III reference framework amounted to €10,637 million.

The “Basel III” calculation methods for the solvency ratio are defined in accordance with the texts passed on 16 April 2013 by the European parliament and published in the official journal of the European union on 26 June 2013, as amended by regulation no. 2019/876 (CRR2) as well as the European regulations adopted pursuant to CRR/CRR2. Payments are also supplemented by

Technical standards of the European banking authority, such as the ratio between overall regulatory capital and the sum of:

- credit risk-weighted exposures calculated by Banque Palatine using the standardised approach;
- capital requirements with respect to the prudential supervision of market, operational and credit valuation adjustment (CVA) risk multiplied by 12.5.

3.4 Leverage ratio

The leverage ratio aims to control the development of the leverage effect on the balance sheets of institutions with regard to their own funds. Its calculation methods are determined by the CRR2 regulation, EU regulation no. 2019/976 amending the CRR regulation, and EU regulation no. 2013/575 and amended by EU regulation no. 2020/873. The CRR2 regulation is applicable from 28 June 2021 in the European union.

The leverage ratio is tier 1 capital divided by exposures, which means on- and off-balance sheet assets, restated for derivatives, securities financing transactions and assets deductible from capital. The minimum leverage ratio is currently 3%.

Banque Palatine's leverage ratio, calculated in accordance with the European commission delegated regulation of 10 October 2014, was 6.99% at 31 December 2022, compared with 6.79% for the previous financial year, based on its tier 1 equity.

in millions of euros	31/12/2023	31/12/2022
TOTAL CONSOLIDATED ASSETS ACCORDING TO PUBLISHED FINANCIAL STATEMENTS	**18,766**	**17,965**
Adjustment for financial derivatives	(15)	(203)
Adjustment for commitments given (conversion of loan-equivalent amounts of off-balance sheet exposures)	2,169	2,150
Adjustments for capital assets	(17)	(15)
Intra-group deduction (1)	(4,956)	(4,519)
Deduction of livret A, LDD and LEP passbook savings accounts (2)	(542)	(478)
Deduction of central bank exposures	0	0
TOTAL LEVERAGE EXPOSURES	**15,407**	**14,899**

(1) *This is an exemption for intra-group transactions only for counterparties established in the same member state as the institution according to article 429bis1 © exposures that receive a risk weight of 0% in accordance with the article 113 § 6 or § 7.*
(2) *The CRR2 regulation makes the exemption relating to centralised savings mandatory with Caisse des dépôts for 100% of the centralised outstandings automatic (429a1(j)).*

3.5 Quality controls on accounting and financial information

The main functions that contribute to the preparation and communication of accounting and financial information are accounting, management control and practice management, corporate life and CSR.

The preparation and processing of accounting and financial information is the responsibility of the finance function, whose head is the bank finance director. Accounting and management control are placed under its responsibility.

3.5.1 Accounting

The main duties of the accounting department are:

- preparation of the parent-company financial statements;
- preparation of the consolidated financial statements for the Palatine group in accordance with the standards governing Groupe BPCE;
- production of regulatory reports and ratios;
- definition of accounting frameworks, ensuring compliance with group accounting standards and guides;
- identification and quantification of the accounting impacts of company projects;
- contribution of expertise for the development of the accounting it system;
- responsibility for accounts payable and paying supplier invoices.

3.5.2 Presentation of the accounting department's internal control system

For Banque Palatine, the accounting function prepares quarterly consolidated financial statements in accordance with IFRS and publishes them half-yearly. Data is consolidated based on the financial statements of each entity in the scope of consolidation.

Data is added to a central database and consolidation adjustments are then made. Accounting uses Groupe BPCE's accounting tool, which ensures the internal consistency of scopes, charts of accounts, processes and analyses for the entire consolidated scope of Banque Palatine and Groupe BPCE.

Banque Palatine's internal control framework plays an instrumental role in risk management and contributes to the quality of its accounting and regulatory information. It is organised in accordance with the legal and regulatory requirements arising from the French monetary and financial code and the order of 3 November 2014 on internal control.

The "quality control framework for accounting and financial information" was approved by the group internal control coordination committee on 9 June 2016. This is a single unified framework and applies to all Groupe BPCE entities in the consolidated supervisory scope, replacing the group's old accounting and regulatory review charter.

3.5.3 Application of the control framework to accounting and financial data

Accounting and regulatory controls are carried out by various internal and external parties to maintain the segregation of tasks in line with a three-level control hierarchy.

3.5.3.1 First-level controls

"first-level controls" relate to operational or functional services embedded in accounting processes and controlled by the head of accounting.

First-level controls on accounting and regulatory aspects help to verify the compliance of transactions processed with the accounting standards and procedures in force.

As far as possible, they are based on integrated management systems.

All operational services and/or departments are responsible for the first-level controls on activities within their scope and responsible for maintaining and demonstrating the audit trail, from the original document through to the corresponding entry in the relevant internal accounts. First-level control is completed with the process of justifying internal accounts.

Justification of the internal accounts takes place in Groupe BPCE's Comptabase system. This tool was launched in 2014 and has now reached cruising speed. A group of requests developed based on the tool's data allowed for better steering of the justification of accounts and measuring customer feedback in quantitative and qualitative terms.

Since the migration of Banque Palatine's sab information system to the i-BP Equinoxe platform, the Comptabase tool was upgraded in 2020 which has been accompanied by considerable change for the bank, namely the opening to the accounting production of the tool for entering entries in euros, in the same way as other group entities.

3.5.3.2 Second-level controls

The intermediate stage of the system, called "second-level control" is organised and implemented by a specialist dedicated department: review. Review conducts second-level independent permanent controls to enhance the reliability of processes and reinforce the quality of accounting and regulatory disclosures, in connection with the other permanent control functions.

The role of accounting review is focused predominantly on three general assignments:

- second-level control of the parent-company and consolidated financial statements;
- second-level control of the prudential and regulatory reports;
- organisation of the review framework.

On this last point, the review focuses primarily on:

- updating the mapping of accounting and financial information;
- compiling of the review plan;
- preparation and communication of summaries;
- implementation of recommendations issued.

Given the nature of its assignments, the review should seek to maintain an elevated level of competency and should in particular have a good understanding of accounting and regulatory statements, audit techniques and information systems, in order to facilitate the required investigations. 2021 was the first full financial year carried out after the migration of Banque Palatine's information system to the i-BP platform, in October 2020, and after moving the accounting revision department to the risk management and compliance department.

Therefore, this retains the strict separation of accounting preparation and review.

The financial review is attached to the department for the coordination of permanent control, which is one of BPCE's four expertise departments. It is still organised as a function and has, as in the past, its own body of standards and governance. Within the central body, it coordinates preparation of standards regarding the accounting and financial information control framework, organisation of the review function within the group, the visit and testing of entities presenting anomalies or a system to be perfected, steering and reporting allowing analysis of the production system and control of accounting and financial information including the rules defined in the "framework for controlling the quality of accounting and financial information".

The head of financial review is a member of the expanded management committee of the RCPCD.

In conjunction with the shareholding institutions and group subsidiaries, the main role of the financial review department is to maintain a strong functional link between the function within the group entities and that of the central body in order to safeguard the quality of Groupe BPCE's accounting information and regulatory reporting.

3.5.3.3 Third-level controls

The top level, or third-level controls, cover:

- periodic controls organised under the authority of the internal audit function or Groupe BPCE's general inspection;
- controls performed by external parties from outside the group (statutory auditors and the *Autorité de Contrôle Prudentiel et de Résolution*);
- controls performed by authorities under government supervision, such as the French anti-corruption agency (Agence Française Anticorruption - AFA).

3.5.4 Management control

The management control function is responsible for preparing management information. The management control function is governed within Groupe BPCE by an operating charter stating the duties of management control.

Within Banque Palatine, this function is performed by the management control department, the head of which reports to the bank finance director.

Its main duties are as follows:

3.5.4.1 Supporting strategic oversight and earnings management

This task is performed on behalf of Banque Palatine's executive management.

It extends to financial planning, earnings management and the publication of financial information.

It draws on the planning cycle established centrally by BPCE's management control unit, incorporating medium- to long-term projections (strategic plan), a one-year horizon (budget) and mid-year updates (reforecasts/estimates).

It also includes occasional studies to enrich management discussions concerning the merits of setting up new activities or to decide between investment options.

It aims to produce the most relevant information in the form of performance indicators for executive management (e.g. commercial briefings, financial dashboard).

3.5.4.2 Measure, analyse and help optimise performance

This role encompasses shedding light on contributions to group results made by each business line, product and sales network. It uses valuation and income and expense apportionment methods and techniques deriving from management accounting in line with the agreements in force at Groupe BPCE.

3.5.4.3 Designing management standards and tools for the company

Management control has a standard-setting role, devising and implementing management indicators. It is responsible for the reliability of the management data contained in reporting and financial releases. It is involved in the preparation of activity and management reporting used to steer the group.

3.5.5 Administrative, institutional affairs and CSR department

Since 1 January 2021, financial communication is the responsibility of the administrative, institutional affairs t and CSR department which reports directly to the chief executive officer. In conjunction with the institutional affairs and investments department, which manages governance operationally, it is responsible for disseminating the financial information published and made available to financial analysts and institutional investors on Banque Palatine's website and through documents updated annually and registered, if necessary, with the French financial markets authority (Autorité des Marchés Financiers - AMF).

The validation process implemented is geared to the nature of each individual publication.

The administrative, institutional and CSR department's duties in relation to accounting and financial information are to coordinate and prepare presentations of the bank's results and developments concerning it to give third parties an idea of its financial strength, profitability and outlook.

4 Credit and counterparty risks

4.1 Definitions

Credit risk is the risk incurred in the event of default by a debtor or counterparty, or debtors or counterparties considered to be the same group of related customers in accordance with regulations; this risk may also result in the loss of value of securities issued by the defaulting counterparty.

Counterparty risk is defined as the risk that the counterparty of a transaction will default before final settlement of all cash flows related to the transaction.

4.2 Organisation of credit risk management

In the framework of its risk appetite system, the establishment's "credit risk management" function:

- proposes delegation systems to undertake transactions to the effective managers, taking into account the levels of risk as well as the competences and experiences of the teams;
- participates in setting the institution's pricing standards by ensuring that the level of risk is taken into account, in compliance with the group standard;
- conducts dialectic analyses of credit files, excluding delegation by committee decision;
- analyses concentration, segment and geographic risks;
- periodically monitors ratings and ensures limits are respected;
- alerts the effective managers and notifies the operational managers in the event of a limit being exceeded;
- registers on the watch list cases that are alarming or have deteriorated according to group criteria;
- controls the implementation of risk reduction plans and participate in defining the level of necessary provisions if applicable;
- implements the permanent second-level control framework dedicated to credit risks through the group's PRISCOP tool;
- contributes to the group's work.

The credit Risk committee, in line with the definition of its risk appetite, validates the institution's credit risk policy in line with group policies, decides on internal caps and credit limits, validates the institution's delegated manager, examines the significant exposures and the results of the risk measurement.

4.2.1 Ceilings and limits

At BPCE level, the risk management department and the general secretariat in charge of group compliance and permanent control measure and monitor, on behalf of the group risk and compliance committee, the compliance with the regulatory caps. The system of internal caps for institutions, which is lower than the regulatory ceilings, is applied to all group entities. A group limit system is also set for the main asset classes and the main groups of counterparties in each asset class.

The internal caps and group limits are regularly reported to the bodies.

Lastly, risk monitoring is implemented by sector through systems that translate into recommendations for the group's institutions in certain sensitive sectors. Several sectoral policies are in place (agri-food, automotive, construction, communication and media, renewable energies, etc.). These policies take into account environmental, social and governance (ESG) risks.

4.2.2 Rating policy

The measurement of credit and counterparty risks is based on rating systems adapted to each type of customer or transaction, for which the risk management department monitors performance through the validation of models and the implementation since 2020 of a group system dedicated to model risk management.

Rating is a fundamental element of risk assessment.

As part of the permanent control process, BPCE's risk management department has, notably, implemented a centralised monitoring procedure to verify the quality of data and the due application of the group's standards in terms of segmentation, ratings, guarantees, defaults and losses.

4.2.3 Monitoring and supervision of credit and counterparty risks

The risk management function is independent of the operating functions. In particular, it does not have a credit granting delegation and does not carry out the business line analysis of commitment requests.

It applies the credit risk reference framework, which is regularly updated and distributed by the BPCE risk management department. This credit risk framework covers the standards and best practices to follow in each of the Groupe BPCE entities and the management and reporting standards established by the BPCE supervisory board or management board upon the recommendation of the group Risk committee. It is a work tool for risk management department participants within the group and represents an element of the permanent control system of the group's institutions.

Banque Palatine's risk management and compliance department has strong functional ties with BPCE's risk management department, which is in charge of:

- defining customer risk standards;
- evaluating risks (definition of concepts);
- preparing methodologies, models and risk rating systems (scoring or expert systems);
- developing and deploying monitoring systems, standards and data quality;
- conducting performance tests of the rating systems (back-testing);
- conducting credit risk stress scenarios (which may be completed with complementary scenarios that are defined locally);
- approving evaluation, permanent control and reporting standards.

In addition, BPCE centralises monitoring of the risk management department's control.

The supervision of risks relates to data quality and the quality of exposure. It is steered through indicators for each class of assets.

Groupe BPCE applies IFRS 9 “financial instruments”, which defines the new rules for classifying and measuring financial assets and liabilities, the new impairment methodology for credit risk on financial assets and the treatment of hedging transactions.

Banque Palatine's risk management function ensures that any transaction complies with the group's standards and procedures in force with regard to authorised counterparties. It proposes to the competent committee that projects of worrying or degraded quality, according to group standards, be added to the watch list. This mission is the responsibility of the risk management function of our institution within its own scope and the responsibility of the BPCE risk management department at the consolidated level.

Breakdown of gross exposures by category (credit risk including counterparty risk)

	31/12/2023			31/12/2022
	Standard	IRB	Total	Total
in millions of euros	Exposure	Exposure	Exposure	Exposure
Sovereigns	1,381	-	1,381	1,438
Institutions	5,139	-	5,139	4,634
Corporates	9,644	-	9,644	9,242
Retail customers	628	-	628	610
Securitisation	0	-	0	-
Equities	15	-	15	8
Other assets	5,859	-	5,859	5,643
TOTAL	**22,667**	**0**	**22,667**	**21,576**

in millions of euros	31/12/2023 Gross exposure	31/12/2023 RWA	31/12/2023 Gross exposure	31/12/2023 RWA	Change Gross exposure	Change RWA
Sovereigns	1,438	57	1,381	83	(57)	26
Institutions	4,634	48	5,139	21	505	(27)
Corporates	9,242	6,295	9,644	6,729	402	434
Retail customers	610	330	628	342	18	12
Securitisation	-	-	0	0	0	0
Equities	8	8	15	3	7	(4)
Other assets	5,643	2,718	5,859	2,822	216	104
Total	21 576	9,456	22,667	10,000	1,092	544

The “other assets” category includes, among other things, exposures secured by a mortgage on real estate, doubtful exposures and “high risk” exposures.

The “institutions” portfolio is down slightly, with no impact in risk weighted assets.

Note significant corporate production in 2023.

4.2.3.1 Monitoring of concentration risk by counterparty

The concentration rates are monitored based on on-balance sheet and off-balance sheet outstandings.

	GROSS RISKS 2023 (in THOUSANDS OF EUROS)
Counterparty 1	50,391
Counterparty 2	50,000
Counterparty 3	49,844
Counterparty 4	45,021
Counterparty 5	42,443
Counterparty 6	42,046
Counterparty 7	41,909
Counterparty 8	40,178
Counterparty 9	38,781
Counterparty 10	38,392
Counterparty 11	38,114
Counterparty 12	36,417
Counterparty 13	35,837
Counterparty 14	35,773
Counterparty 15	35,351
Counterparty 16	35,135
Counterparty 17	35,100
Counterparty 18	34,153
Counterparty 19	30,350
Counterparty 20	25,114

4.2.3.2 Monitoring of geographic risk

The geographical exposure of the outstanding loans mainly relates to the eurozone and more specifically to France, which represented 93.79% of Banque Palatine's exposures at 31 December 2023.

4.2.3.3 Monitoring of doubtful receivables and commitments

The doubtful receivables and commitments amounted to €622.1 million compared to €652.3 million in the previous financial year.

These receivables and commitments are covered by provisions for which the coverage rate (including the loans guaranteed by the hedged up to 10%) decreased slightly to 45.8% compared to 47.7% in 2022.

The bank's risk exposure was €33.1 million in q4 2023 (vs. €56.2 million last year), an allocation/consolidation effect of €41.1 million offset by a downward impact of IFRS 9 provisions (modelling reviewed by the group of -€8 million).

IFRS 9 provisioning rate - stages 1 and 2

	2023			2022		
in millions of euros	Loans	Provisions	Provision rate	Loans	Provisions	Provision rate
Loans and receivables due from credit institutions	5,324.8	0.0		4,782.3	-	
Loans and advances due from customers	11,577.3	89.1		10,858.4	93.7	
Debt securities at amortised cost	445.1	0.6		449.2	1.0	
BALANCE SHEET	**17,347.1**	**89.7**	**0.52%**	**16089.9**	**94.7**	**0.59%**
Guarantee commitments given	1,229.8	2.9		1,283.1	4.3	
Financing commitments given	2,155.0	5.5		2,011.8	6.9	
Other provisions as liabilities		0.0			0.2	
BALANCE SHEET AND OFF-BALANCE SHEET	**20,731.9**	**98.2**	**0.47%**	**19384.8**	**106.07**	**0.55%**

IFRS 9 provisioning rate - stage 3

	2023			2022		
in millions of euros	Loans	Provisions	Provision rate	Loans	Provisions	Provision rate
Loans and advances due from credit institutions in default						
Loans and advances due from customers in default	527.5	218.3		589.6	257.2	
Of which outstanding state-guaranteed loans	*152.5*	*15.2*		*135.4*	*13.6*	
Debt securities at amortised cost in default	34.5	25.7		23.5	20	
DOUBTFUL BALANCE SHEET LOANS	**562.0**	**244.0**	**43.4%**	**613.1**	**277.2**	**45.21%**
Doubtful financing commitments given	42.6	38.4		32.1	30	
Doubtful guarantees given	17.5			7.1		
Other provisions as liabilities		2.6			3.8	
DOUBTFUL EXPOSURES, ON- AND OFF-BALANCE SHEET	**622.1**	**285.1**	**45.8%**	**652.3**	**311**	**47.68%**

Performing and non-performing renegotiated exposures

EU CQ1 - Credit quality of renegotiated exposures

in millions of euros	31/12/2023							
	Gross carrying amount/nominal amount of exposures subject to renegotiation measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and guarantees received for exposures subject to renegotiation measures	
		Non-performing renegotiated						
	Performing renegotiated		Of which: in default	Of which: impaired	On performing renegotiated exposures	On non-performing renegotiated exposures		Of which collateral received and financial guarantees received for non-performing exposures subject to renegotiation measures
Demand accounts with central banks and other demand deposits	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**48**	**93**	**93**	**93**	**(1)**	**(26)**	**78**	**46**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0
Public administrations	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other Financial Companies	0	11	11	11	0	(3)	0	0
Non-financial Corporations	45	78	78	78	(1)	(23)	73	44
Households	4	4	4	4	0	(1)	5	2
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**48**	**93**	**93**	**93**	**(1)**	**(26)**	**78**	**46**

in millions of euros	31/12/2022							
	Gross carrying amount/nominal amount of exposures subject to renegotiation measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral and guarantees received for exposures subject to renegotiation measures	
		Non-performing renegotiated						
	Performing renegotiated		Of which: in default	Of which: impaired	On performing renegotiated exposures	On non-performing renegotiated exposures		Of which collateral received and financial guarantees received for non-performing exposures subject to renegotiation measures
Demand accounts with central banks and other demand deposits	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loans and advances	**50**	**105**	**105**	**105**	**(4)**	**(31)**	**73**	**53**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0
Public administrations	0	0	0	0	0	0	0	0
Credit institutions	0	0	0	0	0	0	0	0
Other Financial Companies	0	11	11	11	0	(3)	0	0
Non-financial Corporations	48	91	91	91	(4)	(28)	69	51
Households	2	4	4	4	(0)	(0)	4	2
Debt securities	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Loan commitments given	**1**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
TOTAL	**51**	**105**	**105**	**105**	**(4)**	**(31)**	**73**	**53**

EU CR1 - performing and non-performing exposures and corresponding provisions

	31/12/2023														
	Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions							Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions			Cumulative partial balance sheet disposals	On performing exposures	On nonperforming exposures
in millions of euros		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
Demand accounts with central banks and other demand deposits	**1,736**	**1,736**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**
Loans and advances	**15,166**	**13,785**	**1,381**	**528**	**0**	**491**	**(89)**	**(47)**	**(43)**	**(218)**	**0**	**(215)**		**5,222**	**159**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Public administrations	581	581	0	0	0	0	0	0	0	0	0	0		0	0
Credit institutions	3,034	3,033	1	0	0	0	0	0	0	0	0	0		0	0
Other Financial Companies	121	121	0	11	0	11	0	0	0	(3)	0	(3)		57	0
Non-financial Corporations	9,540	8,467	1,074	490	0	453	(83)	(45)	(38)	(203)	0	(200)		3,445	148
Of which SMES	4,763	4,173	590	162	0	154	(50)	(22)	(28)	(55)	0	(53)		2,693	67
Households	1,890	1,584	305	26	0	26	(6)	(1)	(5)	(12)	0	(12)		1,720	11
Debt securities	**1,030**	**998**	**13**	**34**	**0**	**33**	**(1)**	**0**	**0**	**(26)**	**0**	**(24)**		**0**	**0**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Public administrations	860	859	1	0	0	0	0	0	0	0	0	0		0	0
Credit institutions	49	49	0	0	0	0	0	0	0	0	0	0		0	0
Other financial companies	19	0	0	0	0	0	0	0	0	0	0	0		0	0
Non-financial corporations	102	91	12	34	0	33	(1)	0	0	(26)	0	(24)		0	0
Off-balance sheet exposures	**3,582**	**3,310**	**272**	**60**	**0**	**60**	**(9)**	**(5)**	**(3)**	**(38)**	**0**	**(38)**		**71**	**0**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Public administrations	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Credit institutions	236	236	0	0	0	0	0	0	0	0	0	0		0	0
Other Financial Companies	15	15	0	0	0	0	0	0	0	0	0	0		0	0
Non-financial Corporations	3,250	2,996	255	59	0	59	(8)	(5)	(3)	(38)	0	(38)		59	0
Households	81	63	18	1	0	1	0	0	0	0	0	0		12	0
TOTAL	**21,515**	**19,830**	**1,666**	**622**	**0**	**583**	**(98)**	**(52)**	**(46)**	**(282)**	**0**	**(277)**		**5,294**	**159**

In millions of euros	31/12/2022 Gross carrying amount/nominal amount: Performing exposures	Of which stage 1	Of which stage 2	Non-performing exposures	Of which stage 2	Of which stage 3	Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions: Performing exposures - accumulated impairment and provisions	Of which stage 1	Of which stage 2	Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions	Of which stage 2	Of which stage 3	Cumulative partial balance sheet disposals	COLLATERAL AND FINANCIAL GUARANTEES RECEIVED: On performing exposures	On nonperforming exposures
Demand accounts with central banks and other demand deposits	**1,974**	**1,974**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**		**0**	**0**
Loans and advances	**13,670**	**12,184**	**1,486**	**590**	**0**	**546**	**(94)**	**(31)**	**(62)**	**(257)**	**(0)**	**(252)**		**4,734**	**134**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Public administrations	478	478	0	0	0	0	(0)	(0)	0	(0)	0	0		0	0
Credit institutions	2,279	2,277	2	0	0	0	(0)	0	(0)	0	0	0		0	0
Other financial companies	129	127	2	11	0	11	(1)	(1)	(0)	(3)	0	(3)		33	0
Non-financial corporations	9,162	8,003	1,159	550	0	505	(85)	(30)	(55)	(246)	(0)	(241)		3,397	126
Of which SMES	4,797	4,096	700	173	0	160	(52)	(16)	(36)	(68)	(0)	(64)		2,399	60
Households	1,621	1,298	323	29	0	29	(8)	(1)	(7)	(9)	0	(9)		1,303	8
Debt securities	**1,206**	**1,179**	**11**	**24**	**0**	**22**	**(1)**	**(1)**	**(0)**	**(20)**	**0**	**(19)**		**0**	**0**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Public administrations	969	969	0	0	0	0	(0)	(0)	(0)	0	0	0		0	0
Credit institutions	30	30	0	0	0	0	(0)	(0)	0	0	0	0		0	0
Other Financial Companies	21	5	0	0	0	0	(0)	(0)	0	0	0	0		0	0
Non-financial Corporations	186	176	10	24	0	22	(1)	(1)	(0)	(20)	0	(19)		0	0
Off-balance sheet exposures	**3,431**	**3,211**	**220**	**39**	**0**	**39**	**(11)**	**(7)**	**(5)**	**(30)**	**0**	**(30)**		**235**	**2**
Cash placed with central banks///cash deposits within central banks	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Public administrations	0	0	0	0	0	0	0	0	0	0	0	0		0	0
Credit institutions	266	250	16	0	0	0	(0)	(0)	(0)	(0)	0	0		0	0
Other Financial Companies	46	46	0	0	0	0	(0)	(0)	0	0	0	0		1	0
Non-financial Corporations	3,033	2,845	188	38	0	38	(10)	(7)	(4)	(30)	0	(30)		169	2
Households	86	70	16	1	0	1	(1)	(0)	(1)	(0)	0	(0)		65	0
TOTAL	**20,281**	**18,549**	**1,716**	**653**	**0**	**607**	**(106)**	**(39)**	**(67)**	**(307)**	**(0)**	**(301)**		**4,968**	**136**

EU CQ3 - credit quality of performing and non-performing exposures by number of days past due

In millions of euros	31/12/2023											
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due in France ≤ 30 days	In France > 30 days ≤ 90 days		Payment unlikely but not past due or past due in France ≤ 90 days	In France > 90 days ≤ 180 days	In France > 180 days ≤ 1 year	In France > year ≤ 2 years	In France > 2 years ≤ 5 years	In France Over 5 years ≤ 7 years	In France > 7 years	Of which in default
Demand accounts with central banks and other demand deposits	**1,736**	**1,736**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**15,166**	**15,146**	**20**	**528**	**452**	**21**	**19**	**27**	**9**	**-**	**-**	**528**
Cash placed with central banks///cash deposits within central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	581	581	-	-	-	-	-	-	-	-	-	-
Credit institutions	3,034	3,034	-	-	-	-	-	-	-	-	-	-
Other Financial Companies	121	121	-	11	11	-	-	-	-	-	-	11
Non-financial Corporations	9,540	9,526	14	490	419	20	17	26	8	-	-	490
Of which SMES	4,763	4,752	11	162	116	14	7	17	6	-	-	162
Households	1,890	1,884	5	26	21	1	2	1	1	-	-	26
Debt securities	**1,030**	**1,030**	**-**	**34**	**34**	**-**	**-**	**-**	**-**	**-**	**-**	**34**
Cash placed with central banks///cash deposits within central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	860	860	-	-	-	-	-	-	-	-	-	-
Credit institutions	49	49	-	-	-	-	-	-	-	-	-	-
Other Financial Companies	19	19	-	-	-	-	-	-	-	-	-	-
Non-financial Corporations	102	102	-	34	34	-	-	-	-	-	-	34
Off-balance sheet exposures	**3,582**			**60**								**60**
Cash placed with central banks///cash deposits within central banks	-			-								-
Public administrations	-			-								-
Credit institutions	236			-								-
Other Financial Companies	15			-								-
Non-financial Corporations	3,250			59								59
Households	81			1								1
TOTAL	**21,515**	**17,913**	**20**	**622**	**486**	**21**	**19**	**27**	**9**	**-**	**-**	**622**

in millions of euros	31/12/2022											
	Gross carrying amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due in France ≤ 30 days	In France > 30 days ≤ 90 days		Payment unlikely but not past due or past due in France ≤ 90 days	In France > 90 days ≤ 180 days	In France > 180 days ≤ 1 year	In France > year ≤ 2 years	In France > 2 years ≤ 5 years	In France Over 5 years ≤ 7 years	In France > 7 years	Of which in default
Demand accounts with central banks and other demand deposits	**1,974**	**1,974**										
Loans and advances	**13,670**	**13,662**	**8**	**590**	**536**	**12**	**19**	**21**	**2**	**-**	**0**	**590**
Cash placed with central banks///cash deposits within central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	478	478	-	-	-	-	-	-	-	-	-	-
Credit institutions	2,279	2,279	-	-	-	-	-	-	-	-	-	-
Other financial companies	129	129	-	11	11	-	-	-	-	-	-	11
Non-financial corporations	9,162	9,158	4	550	499	11	17	21	2	-	-	549
Of which SMES	4,797	4,794	3	173	137	10	5	19	2	-	-	173
Households	1,621	1,618	4	29	26	1	1	1	0	-	0	29
Debt securities	**1,206**	**1,206**	**-**	**24**	**24**	**-**	**-**	**-**	**-**	**-**	**-**	**24**
Cash placed with central banks///cash deposits within central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	969	969	-	-	-	-	-	-	-	-	-	-
Credit institutions	30	30	-	-	-	-	-	-	-	-	-	-
Other Financial Companies	21	21	-	-	-	-	-	-	-	-	-	-
Non-financial Corporations	186	186	-	24	24	-	-	-	-	-	-	24
Off-balance sheet exposures	**3,431**			**39**								**39**
Cash placed with central banks///cash deposits within central banks	-			-								-
Public administrations	-			-								-
Credit institutions	266			-								-
Other Financial Companies	46			-								-
Non-financial Corporations	3,033			38								38
Households	86			1								1
TOTAL	**20,281**	**16,842**	**8**	**653**	**559**	**12**	**19**	**21**	**2**	**-**	**0**	**652**

Credit quality by geographical area

EU CQ4 - quality of exposures by geographical area

in millions of euros	31/12/2023						
	Carrying amount/gross nominal amount					Provisions for off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing					
			Of which in default	Of which subject to impairment	Accumulated impairment		
Balance sheet exposures	**16,758**	**562**	**562**	**16,739**	**(334)**		**0**
France	15,650	537	537	15,631	(327)		0
United states	148	0	0	148	(0)		0
Italy	216	-	-	216	(0)		0
Luxembourg	158	9	9	158	(5)		0
Spain	49	2	2	49	(1)		0
Other countries	538	14	14	538	(10)		0
Off-balance sheet exposures	**3**	**643**	**60**	**60**		**(47)**	
France	3,485	60	59			(47)	
United states	64	-	-			(0)	
Luxembourg	30	-	-			(0)	
Spain	4	1	1			(0)	
Switzerland	-	-	-			(0)	
Other countries	60	1	1			(0)	
TOTAL	**20,401**	**622**	**622**	**16,739**	**(334)**	**(47)**	**0**

in millions of euros	31/12/2022						
	Carrying amount/gross nominal amount					Provisions for off-balance sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing					
			Of which in default	Of which subject to impairment	Accumulated impairment		
Balance sheet exposures	**15,490**	**614**	**613**	**15,473**	**(372)**		**0**
France	14,248	568	568	14,232	(352)		0
Spain	277	0	0	277	(0)		0
Portugal	209	-	-	209	(0)		0
Luxembourg	182	11	11	182	(7)		0
Italy	90	2	2	90	(1)		0
Other countries	483	32	32	483	(12)		0
Off-balance sheet exposures	**3,471**	**39**	**39**			**(41)**	
France	3,342	39	39			(41)	
Luxembourg	76	-	-			(0)	
Switzerland	18	-	-			(0)	
Belgium	15	1	1			(0)	
Hong Kong	4	-	-			(0)	
Other countries	14	-	-			(0)	
TOTAL	**18,960**	**653**	**652**	**15,473**	**(372)**	**(41)**	**0**

EU CQ5 - credit quality of loans and advances to non-financial corporations by business line

in millions of euros	31/12/2023					
	Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
		Of which non-performing		Of which loans and advances subject to impairment		
			Of which in default			
Agriculture, forestry and fishing	31	-	-	31	(1)	-
Extractive industries	11	-	-	11	0	-
Manufacturing industry	894	122	122	894	(47)	-
Production and distribution of electricity, gas, steam and air conditioning	281	-	-	281	(2)	-
Water production and distribution	37	1	1	37	0	-
Construction	375	33	33	375	(15)	-
Retail	994	63	63	994	(30)	-
Transport and storage	189	30	30	189	(11)	-
Accommodation and catering	179	12	12	179	(10)	-
Information and communication	361	18	18	361	(11)	-
Financial and insurance activities	963	35	35	963	(29)	-
Real estate activities	4,231	92	92	4,231	(70)	-
Professional, scientific and technical activities	843	28	28	843	(21)	-
Administrative and support service activities	411	20	20	411	(10)	-
Public administration and defence, mandatory social security	-	-	-	-	0	-
Teaching	1	-	-	1	0	-
Human health and social action	65	34	34	65	(2)	-
Arts, entertainment and recreation	24	-	-	24	0	-
Other services	140	1	1	140	(28)	-
TOTAL	**10,031**	**490**	**490**	**10,031**	**(286)**	**-**

in millions of euros	31/12/2023					
	Gross carrying amount					
		Of which non-performing				
			Of which in default	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry and fishing	35	1	1	35	(1)	-
Extractive industries	10	-	-	10	(0)	-
Manufacturing industry	906	113	112	906	(54)	-
Production and distribution of electricity, gas, steam and air conditioning	256	5	5	256	(6)	-
Water production and distribution	39	2	2	39	(0)	-
Construction	376	32	32	376	(18)	-
Retail	1,054	103	103	1,054	(55)	-
Transport and storage	197	38	38	197	(22)	-
Accommodation and catering	163	19	19	163	(9)	-
Information and communication	292	18	18	292	(11)	-
Financial and insurance activities	1,194	28	28	1,194	(34)	-
Real estate activities	3,873	85	85	3,873	(59)	-
Professional, scientific and technical activities	739	23	23	739	(21)	-
Administrative and support service activities	410	26	26	410	(18)	-
Public administration and defence, mandatory social security	-	-	-	-	0	-
Teaching	1	0	0	1	(0)	-
Human health and social action	78	51	51	78	(20)	-
Arts, entertainment and recreation	26	0	0	26	(0)	-
Other services	64	8	8	64	(1)	-
TOTAL	**9,711**	**550**	**549**	**9,711**	**(330)**	-

Risk mitigation techniques

in millions of euros	31/12/2023 Nor-guaranteed carrying amount	Guaranteed carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	12,048	5,382	3,318	2,063	-
Debt securities	1,065	-	-	-	
TOTAL	**13,112**	**5,382**	**3,318**	**2,063**	**-**
Of which non-performing exposures	403	159	39	121	-
Of which in default	403	159			

in millions of euros	31/12/2022 Nor-guaranteed carrying amount	Guaranteed carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	11,366	4,868	3,741	1,127	-
Debt securities	1,230	-	-	-	
TOTAL	**12,596**	**4,868**	**3,741**	**1,127**	**-**
Of which non-performing exposures	480	134	38	96	-
Of which in default	479	134			

In 2023, the recognition of collateral received in respect of guarantees and sureties obtained by the institution as part of its lending activity, and the recognition of purchases of protection, made it possible to reduce the exposure of the institution to credit risk and to, consequently, reduce the capital requirement.

4.2.3.4 Credit risk crisis simulation

BPCE's risk management department carries out crisis simulations relating to credit risk for all establishments, including Banque Palatine. The goal of the resistance tests is to measure the sensitivity of the various portfolios to a deteriorated situation, in terms of cost of risk, weighted assets and expected losses.

The resistance tests are performed on the basis of Groupe BPCE's consolidated exposures. When calibrating risk parameters, they take into account the specificities of each of the group's major pools (Natixis, Crédit Foncier de France, Banque Populaire network, Caisse d'Epargne network). They cover all portfolios subject to credit and counterparty risk, regardless of the approach used to calculate risk-weighted assets (standardised approach or IRB). They are carried out on the basis of detailed information framed by the information that feeds into COREP Group prudential reporting and the risk analyses of the portfolios.

Three types of stress tests are carried out:

- the EBA stress test aims to test the resilience of credit institutions to simulated shocks and to compare them with each other;
- the annual internal stress test at Groupe BPCE. It includes more scenarios than the EBA stress test and includes the evolution of the entire balance sheet on projections;
- specific stress tests can be carried out on external (supervisor) or internal request.

The EBA stress test confirms the financial strength and quality of Groupe BPCE's risk policy.

In addition, as part of the annual macro-risk mapping, the institutions carry out stress tests on each credit risk identified in the macro-mapping and in their risk appetite.

The institution is responsible for the system to oversee the undertaking of guarantees, their validity, and their registration. The registration of guarantees follows the procedures in force, common to our network. Safe-keeping and archiving of our guarantees is done pursuant to the internal procedures in force.

The departments in charge of back-office commitments are responsible for the first-level controls.

The operational departments (commitments, branches, etc.) Carry out first-level controls and the risk management and compliance department carries out second-level controls on the validity and registration of the guarantees.

4.2.4 Work done in 2023

In 2023, the risk department continued the specific actions initiated in 2022 in order to strengthen the monitoring of the credit portfolio and to support Groupe BPCE in the deployment of its systems:

- the deployment and/or updates of group risk policies and in particular the oil/gas policies, the coal exclusion policy, the LBO and leverage finance policies;
- the implementation of 2024 corporate limits with a review of the modelling of the calculation of limits (based on the internal rating and the business sector);
- the official launch of Banque Palatine's IRBA certification project;
- work to reduce the pillar 1 backstop with a review of the portfolio with a view to a potential disposal of non-performing loans;
- strengthening the implementation of the new if process deployed by Groupe BPCE by involving the branches, the credit department and the credit departments concerned;
- the establishment of sector-based provisions for the LBO and real estate scopes (for €9.4 million and €11.3 million respectively in the last quarter).

5 Market risk

5.1 Definition

Market risks are defined as the risk of losses related to changes in market parameters.

Market risks have three main components:

- interest rate risk: risk that a change in interest rates poses to the holder of a receivable or debt security; this risk may be specific to a particular issuer or to a particular category of issuers whose creditworthiness has been downgraded (credit spread risk);
- foreign exchange risk: risk that affects receivables and securities denominated in foreign currencies held in the context of capital market activities, due to changes in the price of these currencies expressed in national currency;
- price change risk: price risk on the position held on a given financial asset, in particular a share.

5.2 Market risk monitoring organisation

The scope concerned by the monitoring of market risks covers all market activities, *i.e.* treasury transactions, financial activities in the trading book as well as medium- or long-term investment transactions on products generating market risks (private equity and non-operating asset transactions including real estate), regardless of their accounting classification.

Activities falling within this scope are not included in the ALM function.

Within this scope, the market risk function carries out the following tasks, defined in the group charter of risks, compliance and permanent controls:

- identifying the various risk factors and mapping and updating financial products and instruments, covering market risks
- implementing a system to measure market risks;
- examining global and operational limit requests, and the list of authorised market products submitted to the relevant Risk committee;
- checking the consistency of positions and their allocation in the correct management compartment (group business line segmentation standards);
- cross-discipline analysis of market risks and their development given the business strategy decided by the governing bodies and policies for managing operating activities;
- checking the implementation of risk-mitigation action plans, if applicable.

These missions are carried out in conjunction with BPCE's risk management department. The latter notably handles:

- the definition of the market risk measurement system (VaR, stress tests, etc.) ;
- the evaluation of this system's performance (back-testing) notably in the context of reviews of annual limits;
- the reporting standard for monitoring market risks consolidated at the different levels of the group;
- the examination of the subjects brought to the group risk and compliance committee.

5.3 Law on the separation and regulation of banking activities

The mapping of Groupe BPCE’s market activities is regularly updated. It required the implementation of internal units subject to an exemption within the meaning of act no. 2013-672 of 26 July 2013 on the separation and regulation of banking activities.

In conjunction with the work on this law, a compliance programme resulting from the Volcker rule (section 619 of the us Dodd-Frank act) was adopted and implemented in July 2015 for BPCE SA and its subsidiaries. In a broader approach than French law, this programme aims to map all of Groupe BPCE’s financial and commercial activities, in particular to ensure that they comply with the two major prohibitions imposed by the Volcker rule namely the prohibition of the activities of proprietary trading and the prohibition of certain transactions in connection with covered funds within the meaning of us law. The Volcker Rule was amended in 2020, giving rise to new Volcker 2.0 and 2.1 rules, which streamline the existing system.

As every year since July 2015, the group has certified its compliance with the Volcker system. As a reminder, since the beginning of 2017, Groupe BPCE has had a SRAB-Volcker office whose role is to guarantee, coordinate and secure the measures put in place with regard to the separation of activities.

At 31 December 2022, the annual update of the institution’s market activities map revealed five internal units subject to an exception within the meaning of the law on the separation and regulation of banking activities. These internal units are covered by a mandate that defines healthy and prudent management and risk characteristics.

5.4 Market risk measurement and surveillance

The overall limits of market risk are set and reviewed, as often as necessary and at least once per year, by the effective managers and by the Board of directors, taking into account the company’s equity and, if necessary, consolidated equity and its distribution within the group adapted to the risks incurred.

The decision-making committees are the risk Executive committee and the finance committee. The latter, which meets at least every month, is tasked with:

- deciding the specific implementation methods for programmes defined by the ALM committee for market transactions where it is responsible for execution (timing, level, breakdown, etc.) Including transactions in the securities portfolio;
- reviewing the execution of past plans and amending them as necessary, reporting to the asset-liability management committee;
- examining market conditions and indicators (rates, cash spreads, etc.);
- reviewing major transactions with customers and deciding, where appropriate, to arrange cover;
- monitoring liquidity and rate management risks;
- managing regulatory ratios, BPCE ratios and monitor compliance with internal limits;
- taking allocation decisions for the HQLA securities reserve, creditworthiness reviews, responsibility for creditworthiness having now passed to the credit committee;
- managing and monitoring the LBF/Volcker procedures, including reviewing any significant quarter-on-quarter change in indicators with an analysis from the risk management department;
- monitoring trading portfolio business, including calculations of VaR sent by the risk management department and cash monitoring;
- addressing problems in financial management in the framework of Groupe BPCE;
- dealing with any other matters directly or indirectly related to financial activities (accounting treatment, data management, etc.).

The market risk monitoring system is accordingly based on qualitative and quantitative risk indicators. The frequency of monitoring of these indicators VaRies according to the financial product monitored.

The qualitative indicators include the list of authorised products and the watch list. The term watch list is used to name the list of counterparties, funds, securities, etc. Under watch.

To complete this qualitative monitoring, market risk monitoring is conducted through the calculation of complementary quantitative indicators.

On the trading book, a parametric VaR and a Monte Carlo at 99% 1 day is calculated on a daily basis in the Scenarisk tool by BPCE's risk management department. Sensitivities, by risk area, are calculated daily by the institution.

Segment	Sub-segment	VaR at 31/12/2022	VaR at 31/03/2023	VaR at 30/06/2023	VaR at 30/09/2023	VaR at 31/12/2023	Change in VaR between 31/12/2022 and 31/12/2023
Capital markets	Exchange rates, rates, etc.	158,996	142,788	105,875	81,601	45,815	(113,181)

The VaR is an overall indicator of market risk which measures maximum potential loss over a given time frame for a defined confidence interval, in accordance with the regulatory requirements related to internal control.

The decrease in VaR over 2023 is explained in particular by a decrease in interest rate risk and interest rate basis risk.

5.5 Simulation of market risk crisis

The stress test consists of simulating on the portfolio large Variations in the market parameters in order to calculate the potential loss, in the event of such situations.

Stress tests are calibrated based on the severity and likelihood of occurrence and identified in light of the intentions of the portfolio's management:

Trading book stress tests are calibrated on a 10-day horizon and 10-year likelihood of occurrence. They are based on:	• historical scenarios that mimic changes seen in market parameters during past crises, their impacts on current positions and the resulting profit and loss. They make it possible to gauge the exposure of the scope tested to known stress scenarios. Twelve historical stresses are deployed on the trading book; • hypothetical scenarios that simulate changes in market parameters across all activities, based on plausible assumptions about the spread of an initial shock. The shocks are based in turn on scenarios defined using economic criteria (real estate crisis, economic crisis, etc.), geopolitics (terrorist attacks in Europe, regime overthrown in the middle east, etc.) And others (avian flu, for example). The group has run seven hypothetical stress tests since 2010.
Stress tests applied to the banking book calibrated over longer horizons in line with the management horizons of the banking book:	• a fixed income stress test which uses a mixed hypothetical and historical approach to reproduce a European sovereign crisis (similar to the 2011 crisis); • a fixed-income stress test calibrated using a mixed hypothetical and historical approach to reproduce a corporate issuers crisis (similar to the 2008 crisis); • equity stress test calibrated over the historical period of 2011 applied to equity investments as part of the liquidity reserve; • stress test on private equity and real estate, calibrated over the historical period of 2008, applied to the private equity and real estate portfolios.

These stress tests are defined and applied jointly to the entire group to enable BPCE's risk management department to be able to carry out consolidated monitoring.

In addition, specific stress scenarios complete this system. Either at group level or by entity in order to best reflect the specific risk profile of each of the portfolios (private equity or non-operating real estate assets).

5.6 Work done in 2023

The financial risk department has strengthened its market risk management system:

- by deploying interest rate sensitivity limits to capture interest rate risk (general interest rate risk, rate basis risk, interest rate term structure risk) and exchange rate basis risk (cross currency);
- by making VaR work more reliable (VaR analysis and ex-ante control);
- by improving the joint analysis of trading room results (with weekly reporting that distinguishes customer margins from the market effect).

6 Structural balance sheet risks

6.1 Definition

Structural balance sheet risks result in a risk of loss, immediate or future, related to changes in commercial or financial parameters and the structure of the balance sheet on banking book activities, excluding proprietary transactions.

Structural balance sheet risks have three main components:

- liquidity risk is the risk that the institution will not be able to meet its commitments or not be able to settle or offset a position due to market conditions or idiosyncratic factors, within a specified period and at a reasonable cost (decision of 3 November 2014, as amended on 25 February 2021, relating to internal control).

Liquidity risk is also associated with the inability to transform illiquid assets into liquid assets.

Banque Palatine's liquidity is managed closely with Groupe BPCE's central body, which is responsible for the centralised management of refinancing;

- overall interest rate risk is the risk incurred in the event of a change in interest rates as a result of all balance sheet and off-balance sheet transactions, with the exception, where applicable, of the transactions subject to market risk (decree of 3 November 2014, as amended on 25 February 2021, relating to internal control);
- foreign exchange risk is the risk that affects receivables and securities denominated in foreign currencies. It is due to changes in the price of these currencies expressed in national currency.

As Banque Palatine's exposure to structural foreign exchange risk is below regulatory thresholds, there is no specific local monitoring.

6.2 Monitoring of balance sheet management risk

The financial risk function provides second-level control of structural balance sheet risks. As such, it is in charge of the following tasks:

- examination of requests for internal ALM limits, in accordance with the limits defined at group level;
- definition of stress scenarios in addition to the group stress scenarios, where applicable;
- control of indicators calculated in accordance with the standards of the group's asset-liability management framework;
- monitoring the compliance with the limits based on prescribed information;
- checking the implementation of return action plans, where applicable.

The controls are formalised in a second-level risk control report. It includes qualitative data on the risk management system, compliance with limits and monitoring of the return within limits, if necessary, as well as the analysis of changes in the balance sheet and risk indicators.

These tasks are carried out in conjunction with BPCE's risk management department, which is in charge of the critical review or validation with the group finance department:

- ALM agreements submitted to the ALM committee (outflow laws, separate trading/banking books, definition of instruments accepted for hedging balance sheet risks);
- monitoring indicators, rules and reporting intervals to the ALM committee;
- information reporting agreements and processes;
- control standards relating to the reliability of assessment systems, procedures for setting limits and managing breaches, and monitoring action plans to return to within limits;
- selection of the model used to assess the group's economic capital requirements with regard to structural balance sheet risks, where applicable.

6.3 Monitoring and measurement of liquidity and interest rate risks

Banque Palatine manages its balance sheet independently within the standardised group asset-liability management (ALM) framework, set by the operational group ALM committee and approved by the group Risk committee or by the strategic group ALM committee.

Groupe BPCE institutions share the same management indicators, the same risk modelling integrating the specificity of their activities, and the same limits rules, which makes it possible to consolidate their risks. Thus, the limits monitored by our institution are in line with those set out in the group's asset-liability management framework.

The establishment of scenarios is necessary to properly evaluate the interest rate and liquidity risks incurred by the establishment, assessed individually, and by the group as a whole. In order to make it possible to consolidate information on a homogeneous basis, it was agreed that “group” scenarios would be developed and applied by all the institutions.

6.3.1 At institutional level

The asset-liability management committee and the finance committee deal with liquidity risk. These committees are responsible for monitoring liquidity risk and for taking financing decisions.

Banque Palatine has several funding sources for its customer activity (loans):

- customer savings in non-centralised regulated savings accounts, other savings plans and accounts and term deposits;
- customer deposit accounts;
- issues of negotiable certificates of deposit;
- loans issued by BPCE;
- where applicable, centralised market refinancing at the group level optimising the resources provided to it, and in particular targeted longer-term refinancing operations (TLTRO).

6.3.2 Monitoring of liquidity risk

Liquidity risk is "the risk of not being able to meet commitments or not be able to settle or offset a position due to market conditions (article 10.h of the decision of 3 November 2014 as amended)" within a specific period and at a reasonable cost (decision of 5 may 2009).

The liquidity risk management policy is formalised through indicators linked to liquidity risk appetite. The latter is defined at the group level and adapted at the level of the institutions.

The liquidity management policy consists of ensuring the institution's development strategy in compliance with the management framework set by the regulator (LCR, NSFR), by the group (gap limit, liquidity stress) and internally (limits specific to the institution defined in the institution's RAF).

In terms of management, the assessment of liquidity risk must be based on different approaches:

- time horizon: short, medium and long term;
- normal or stressed situation;
- static and dynamic vision.

In the short term (less than a year), the objective is to ensure that its exposure guarantees its survival at all times and more particularly in a stress situation.

In the medium term, liquidity is measured according to the institution's cash requirements and is governed by the feasibility of the MLT funding plan.

In the long term, the aim is to guarantee the sustainability of its activities over time and monitor the level of transformation (in liquidity) of the balance sheet.

Liquidity coverage ratio - LCR

The LCR represents the institution’s ability to cope with a specific and systemic liquidity crisis in the short term (30 days). The objective is to ensure that the institution survives stress over a period of 30 days. The weightings applied to measure this indicator are defined by European regulations, which impose a minimum LCR level of 100%.

		Limits							
	Indicators	**Observation/tolerance threshold**	**Resilience threshold**	**12/2022**	**03/2023**	**06/2023**	**09/2023**	**12/2023**	**Threshold compliance**
Liquidity	*Liquidity coverage Ratio* (LCR)	105%	103%	111.94%	116.22%	112.78%	114.19%	116.17%	✓

Net stable funding ratio - NSFR

The NSFR is a regulatory ratio for medium-term liquidity risk that requires banks to finance a significant portion of their assets with stable funding at one year. Since 30/06/21, with the entry into force of CRR2, this indicator has been subject to a regulatory minimum of 100%.

	09/2022	12/2022	03/2023	06/2023	09/2023
NSFR	106.5%	103.3%	102.6%	101.9%	104.8%
NSFR surplus (in millions of euros)	661	332	266	198	506

Static liquidity gap

Static liquidity risk is measured by the liquidity gap, which aims to measure liquidity needs or surpluses at future dates. The observation of this gap from one period to another makes it possible to assess the distortion (in terms of liquidity) of an institution's balance sheet.

Static liquidity gap (data at 30/09/2023) (average annual outstandings in €m):

	A1	A2	A3	A4	A5
Liquidity gap	1,123.5	950.7	1,194.6	1,412.6	1,356.2

6.3.3 Monitoring of interest rate risk

Interest rate risk limits include:

- the calibration of the limit on this indicator is based on the following two observations: the retail banking model can neither lead to a structural position of de-transformation (major risk on the replacement of demand deposits), nor display a directional position generating gains in the event of a 200 basis point decrease in interest rates. The system of limits must be independent of interest rate expectations so as to enable the bank to be resilient in the event of an unexpected and large-scale interest rate shock, which is a separate consideration from that of the hedging to be implemented.

The sensitivity limit of the economic value of shareholders' equity under the internal approach applies to six scenarios;

- a regulatory indicator subject to limits: the supervisory outlier test (SOT) indicator. It is used for financial communication (benchmark). This indicator was not retained as a management indicator even though the regulatory limit of 20% concerning it must be respected;
- two interest-rate risk indicators with mandatory limits:

  Static fixed rate gap limits:

  The bank's gap position is measured and is subject to limits. Initially, the analysis relates to on- and off-balance sheet transactions existing at the balance-sheet date, as part of a static approach,

  - static inflation deadlock limits:

    The inflation gap limits are monitored over four years, year by year. The indicator is monitored without a limit or alert threshold at this stage.

  - NII sensitivity limits.

6.4 Work done in 2023

The financial risk department has conducted studies on:

- Interest rate risk in order to calibrate consistent limits between the various indicators governing interest rate risk (fixed rate gap, eve sensitivity) while relying on group tools;
- analysis of the variation of indicators by effect.

7 Operational risk

7.1 Definition

The definition of operational risk is, according to the regulations, the risk of losses resulting from an inadequacy or failure of processes, personnel and internal systems or external events, including legal risk.

Operational risk includes risks related to events with a low probability of occurrence but with a high impact, risks of internal and external fraud defined by regulations, and risks related to the model.

7.2 Organisation of operational risk monitoring

The framework for managing operational risks is part of Groupe BPCE's risk assessment statement (RAS) and risk assessment framework (RAF). These provisions and indicators are broken down for each of Groupe BPCE's establishments and subsidiaries.

Operational risk function covers:

- all entities consolidated or controlled by the establishment or subsidiary (bank, financial firm, insurer, etc.) ;
- all the activities entailing operational risks, including outsourced activities within the meaning of articles 10 q) and 10 r) of the decision of 3 November 2014, as amended on 25 February 2021, "outsourced activities and provision of services or other essential or important operational tasks".

The operational risk department of our institution relies on a decentralised system of correspondents and/or "business line" managers deployed within the institution. They are functionally attached to it. The operational risk department coordinates and trains its operational risk correspondents.

The operational risk department ensures permanent second-level control of the operational risk management function.

The role of the correspondents is to:

- as a business expert, regularly identify and rate operational risks likely to impact their scope/area of activity;
- populate and/or produce the information needed to update the operational risk management tool (incidents, indicators, corrective actions and mapping);
- mobilise the persons involved/authorised when an incident occurs or after a decision by the committee in charge of ORS in order to reduce an unaccepted level of risk in order to take, as soon as possible, protective measures and then define or implement the corrective actions decided by the committee;
- implement corrective measures and report their progress to the ORM.

The operational risk management department of the establishment, by its action and organisation, contributes to financial performance and to the reduction of losses, ensuring that the system for controlling operational risk within the institution is reliable and effective.

Within Banque Palatine, the guidelines and governance rules are defined in the following manner:

- Banque Palatine has opted for a decentralised system;
- the effective managers are informed of major incidents through two channels:
- the risk Executive committee reports on the major elements of the operational risks and security committee,
- any alerts issued under article 98 of 3 November 2014.

The operational risks and security committee of Banque Palatine meets quarterly and is chaired by a member of the Executive management committee (head of resources and services). It is composed of seven permanent members, including the chairwoman.

This committee:

- ensures the implementation of the operational risk management policy and the relevance and effectiveness of the system;
- takes note of major incidents and validates the corrective actions to be taken;
- takes note of the key risk indicators (KRI) in excess and decides on the corrective actions to be taken;
- monitors the progress of risk reduction actions after serious incidents or risks deemed excessive;
- monitors awareness-raising and training actions.

The head of operational risk reports the o head of risk management. He or she is responsible for the different elements of the operational risk system: mapping, incidents, indicators, action plans, and reporting within the scope concerned. He or she also participates in the internal control framework of Banque Palatine.

In this role, he or she must:

- ensure that the group's methodologies and tools are rolled out to users;
- guarantee the quality of the data recorded in the operational risk tool;
- ensure the completeness of the data collected, in particular by carrying out periodic reconciliations between incidents in the operational risk database and in particular: insurance claims,
- indicate the losses and provisions for human resources disputes, legal disputes, fraud and tax incidents;
- carry out a periodic review, using the operational risk management tool, of the status of incidents, progress of action plans and their recording in the operational risk management tool;
- control the various business lines and functions in the implementation of corrective actions;
- ensure regular updating of the risk indicators and track changes so that they can trigger the necessary actions in the event their worsening;
- periodically update the risk map for presentation to the operational Risk committee;
- produce reports;
- formalise or update procedures;
- lead the operational Risk committee.

The establishment uses the OSIRISK tool to apply the methodologies disseminated by the BPCE risk management department and to collect the information necessary for the proper management of operational risks.

This tool makes it possible to:

- identify and evaluate operational risks, making it possible to define Banque Palatine's risk profile;
- collect and manage on a day-to-day basis incidents generating or likely to generate a loss;
- update the rating of risks on the risk map and monitor the action plans.

Banque Palatine also has reporting items from power bi.

Lastly, as part of the capital requirement calculation process, Groupe BPCE uses the Basel II standardised approach. Corep regulatory reporting documents are produced in this respect. At 31 December 2023, the capital requirement to be allocated to cover the operational risk was €52,031 million.

The missions of the operational risk department are carried out in conjunction with the BPCE risk management department, which monitors the effectiveness of the systems deployed within Groupe BPCE and analyses the main proven and potential risks identified in the establishments, particularly during the Groupe BPCE non-financial Risk committee meeting.

7.3 Operational risk measurement system

In accordance with the group's risk, compliance and permanent control charter, Banque Palatine's operational risk management function is responsible for:

- the development of systems allowing the identification, evaluation, oversight and control of operational risk;
- the definition of policies and procedures for the management and control of operational risk;
- the design and implementation of an operational risk evaluation system;
- the design and implementation of the operational risk reporting system.

And its tasks are:

- to identify operational risks;
- to map these risks by process, and update the map, working with the business lines concerned, including compliance;
- to collect and consolidate operational incidents and evaluate their impact, working with the business lines in conjunction with the mapping used by the permanent and periodic control functions;
- to implement warning procedures, and notably inform the operational managers according to the action plans implemented;
- to monitor the corrective action plans defined and implemented by the operational units concerned in the event of a severe or significant incident.

An operational risk incident is considered serious when the potential financial impact at the time of detection is greater than €300 thousand. Any operational risk incident that would have a significant impact on the image and reputation of Groupe BPCE or its subsidiaries is also considered to be serious.

This procedure is supplemented by the procedure dedicated to significant operational risk incidents within the meaning of article 98 of the decision of 3 November 2014, as amended on 25 February 2021, for which the minimum threshold is set at 0.5% of common equity tier 1 capital.

7.4 Cost of operational risk for the institution and operational risks

In 2023, the annual amount of losses recognised was €3.7 million (source eco power bi report).

7.5 Work done in 2023

During the year 2023, the following work was carried out:

- ongoing action plans were monitored and others created;
- the operational risk mapping has been updated;
- awareness-raising actions were carried out;
- the risk appetite framework indicators and group/local risk indicators were regularly monitored by the operational risk and safety committee.

All incidents were reviewed at least half-yearly in 2023.

8 Legal risks

The legal affairs department is responsible for preventing and controlling Banque Palatine's legal risks and litigation risks. It also helps to prevent image risks.

8.1 Organisation of the legal affairs department

The legal affairs department is made up of five members of staff reporting directly to the head of the legal department and the head of the litigation department. Each employee is able to handle legal consultations and projects, and take charge of claims and complaints against the bank.

8.2 Duties of the legal affairs department

The main responsibilities of the department are as follows:

- provide legal assistance to Banque Palatine's Various units;
- monitor changes in the regulations and case law that may affect Banque Palatine's activities;
- draft or review legal circulars as well as specific private contracts used by Banque Palatine;
- study and negotiate from a legal perspective the contracts proposed by customers or service providers;
- review the new commercial products that the bank envisages circulating to its customers;
- give a legal opinion on complaints made by customers;
- manage complaints brought by lawyers and claims made against the bank;
- participate in cross-functional projects.

8.3 Organisation of legal watch activities

Any changes in the legislation, regulations or case law with potential implications for the bank are analysed to determine whether a specific procedure needs to be drafted or whether new documents used by the bank need to be drafted or existing documents amended.

Legal watch findings are disseminated within the bank through the following actions:

- general or targeted information on all legislative, regulatory and case-law developments;
- publication of new or updated procedures when there are changes in the legislative, regulatory or case-law environment;
- alignment with the standards of document frameworks following these changes;
- publication of a monthly legal bulletin covering problems encountered by the bank, jurisprudence of interest for the profession or new regulations;
- participation in function meetings allowing subjects deemed important by regional managers to be raised and any issues encountered in the context of consultations or subpoenas to be flagged up;
- participation in the training of the network through presentations on topics of interest to the network or the back office.

8.4 Flow of consultations and assignments

In this role, the legal service provides a legal and regulatory watch, information, assistance and advice for all of the institution's employees.

In 2023, in conjunction with conducting its legal watch, major projects, telephone consultations and direct conversations with user services, the legal affairs department answered 1,970 written queries.

In conjunction with the compliance and permanent control department, it also plays a role in ensuring the consistency and effectiveness of controls on non-compliance risks arising from laws and regulations specific to banking and financial activities.

Within the framework of the products and services approval committee, it is consulted for its opinion on any legal risks potentially arising from new products and services that the bank is considering marketing.

The legal affairs department operates independently of the operational departments.

Within the bank, the inventory of loans in dispute at the end of 2023 was 107 loans totalling €33.8 million (excluding non-quantified claims).

The new disputes in 2023 amounted to 12 claims for €1.3 million and 12 claims filed by lawyer for €941,000 (excluding non-quantified cases).

9 Non-compliance risks

9.1 Definition

The risk of non-compliance is defined in article 10-p of the decision of 3 November 2014, as amended on 25 February 2021, as being the risk of legal, administrative or disciplinary sanctions, significant financial loss or harm to reputation, which arises from non-compliance with provisions specific to banking and financial activities, whether legislative or regulatory, national or European directly applicable, or professional and ethical standards, or instructions from the effective managers taken in accordance with the guidelines of the supervisory body.

9.2 Organisation of the compliance function within Groupe BPCE

Within the central body, the compliance function is performed by the compliance department of the general secretariat of Groupe BPCE. The latter exercises its responsibilities within the framework of a dedicated compliance verification function.

It includes the following sections:

- bancassurance compliance;
- financial savings compliance;
- ethics compliance;
- financial security in charge of anti-money laundering/combating the financing of terrorism (AML/CFT), compliance with international sanctions and embargo measures and combating internal fraud.;
- management and cross-functional coordination of the compliance functions;
- Eurotitres compliance and permanent control;
- BPCE SA compliance and operational risks and coordination of subsidiaries.

It acts as a guide and stimulus for the heads of the institutions' various compliance departments. The compliance officers appointed in the various affiliates, including its parent companies, Banques Populaires and Caisses d’Epargne, and the direct subsidiaries subject to the regulatory banking and financial supervision system, including Banque Palatine, report to it through a strong functional link.

It conducts all actions to strengthen the compliance of products, services and marketing processes, customer protection, compliance with rules of ethics, the fight against money laundering and the financing of terrorism, the fight against market abuse, monitoring of transactions and compliance with sanctions and embargo measures.

It monitors non-compliance risks throughout the group.

In this context, it draws up and reviews the standards proposed for Groupe BPCE's governance, shares best practices and leads working groups composed of representatives of the function.

The dissemination of the culture of risk management and consideration of the legitimate interests of customers is also reflected in the training of the employees of the institutions.

As a result, BPCE's compliance department:

- collaborates and validates the content of training materials intended in particular for the compliance function, in conjunction with the group's human resources department and the risk governance department of the BPCE risk management department, which coordinates the annual plan of the risk and compliance functions;
- contributes to the training of stakeholders in the sectors, in particular through specialised annual seminars (financial security, compliance, ethics, steering of permanent compliance control, etc.) ;
- coordinates the training of directors and compliance officers through a dedicated system in conjunction with the risk culture and committee coordination section of the BPCE risk management department;
- coordinates and monitors the compliance function of the institutions through national days and a permanent control system coordinated at group level;
- relies on the compliance function of the institutions through thematic working groups, in particular for the construction and implementation of compliance standards.

At Banque Palatine, within the risk and compliance department, the compliance functions are broken down as follows:

- a compliance-ethics department which ensures, in particular, the implementation of systems intended to guarantee the protection of customers and the integrity of the financial markets in compliance with the regulations in force. To this end, this department is in charge of analysing, measuring and monitoring non-compliance risks and monitors action plans designed to better frame them;
- a financial security department, in charge of anti-money laundering and terrorist financing matters and compliance with international sanctions and embargo measures. This department is the main contact for the Tracfin organisation;
- a permanent control department, which manages all second-level controls and performs some of them.

In accordance with the group's directives, a compliance verification officer has been appointed to oversee these activities.

The non-financial risk management department also organises the product and partnership approval committee (CAPP), which is responsible for approving all new products and the marketing processes for these new products and services to customers.

The data protection officer (DPO), appointed by the CNIL, reports to the operational risk department.

9.3 Monitoring of non-compliance risks

The risks of non-compliance, in accordance with the decision of 3 November 2014, as amended on 25 February 2021, are analysed, measured, monitored and controlled by:

- having a permanent overview of these risks and the system put in place to prevent or reduce them with an updated inventory of these risks as part of the mapping of non-compliance risks;
- ensuring that the most significant risks are subject to controls and action plans aimed at better managing them, as needed.

The management of non-compliance risk within Groupe BPCE is based on the mapping of non-compliance risks and the deployment of mandatory level 1 and 2 compliance controls common to all institutions in group retail banking.

9.3.1 Product governance and oversight

All new products or services, regardless of their distribution channel, as well as all commercial media, falling within the expertise of the compliance function, are examined in advance by the latter. The latter ensures that the applicable regulatory requirements are complied with and ensures the clarity and fairness of the information provided to the targeted customers and, more broadly, to the public. Particular attention is also paid to the monitoring of products throughout their life cycle.

In addition, the compliance function coordinates the validation of national commercial challenges, ensures that conflicts of interest are managed and that the priority of customer interests is taken into account.

The compliance function ensures that sales procedures and processes, as well as commercial policies, at all times and for all customer segments, ensure compliance with the rules of compliance and ethics, in particular that the advice provided to the customer is adapted to his or her needs.

9.3.2 Customer protection

The compliance of the products and services marketed by Banque Palatine and the quality of the information provided reinforce customer confidence and underpin the group’s reputation. To maintain this trust, the compliance function places the concept of customer protection at the heart of its activities.

To this end, the group’s employees are regularly trained on customer protection issues in order to maintain the required level of service quality. The training courses aim to pass on a culture of compliance and customer protection to new hires and/or employees of the sales force. Ethics training has been set up for all group employees, entitled “the essentials of professional ethics”. In addition, BPCE has implemented a code of conduct and ethics, which is rolled out to all Groupe BPCE institutions.

The new regulations on financial instruments markets (mif2) and on packaged retail investment and insurance-based products (PRIIPS), to standardise pre- contractual information on packaged financial products, strengthen investor protection and market transparency. They have an impact on the group as a distributor of financial instruments, by strengthening the quality of customer journeys dedicated to financial savings and insurance:

- adaptation of customer data collection and KYC (customer profile, characteristics of the customer's projects in terms of objectives, risks and investment horizon), update of the KYC knowledge and financial investments experience questionnaire, and of the customer risk appetite and ability to sustain losses questionnaire, thus enabling appropriate advice;
- adaptation of offers related to the financial products and services marketed;
- formalisation of the advice to the customer (statement of adequacy) and its acceptance of the advice (if applicable issuance of alerts informing the customer);
- organisation of the relations between the group's producers and distributors;
- taking into account the provisions relating to the transparency of fees and charges according to the required granularity;
- preparation of periodic adequacy and value-added reports for customers and on the recording of exchanges in the context of the relationship and advice provided to customers;
- reporting of transactions to regulators and to the market, best execution and best selection obligations;
- participation in the development of employee training and change management related to these new systems.

9.3.3 Financial security

The prevention of money laundering and financing of terrorist activities within Groupe BPCE is based on:

9.3.3.1 A corporate culture

This culture, disseminated at all hierarchical levels, is based on:

- customer relations principles aimed at preventing risks, which are formalised and regularly communicated to staff;
- a harmonised training system for group employees, held every two years, and specific training for the financial security function.

9.3.3.2 An organisation

In accordance with Groupe BPCE's charters, all institutions have a division or a unit dedicated to financial security. At Banque Palatine, financial security, which reports to the risk management and compliance department, covers anti-money laundering, the prevention of terrorism and compliance with international sanctions.

Within BPCE, a dedicated division oversees the prevention of money laundering and terrorism financing, defines the financial security policy for the entire group, draws up the various standards and guidelines and ensures the consistency of all decisions taken at the level of each project. This division also monitors regulations on the types of transactions concerned, and ensures that money laundering and terrorist financing risks are taken into account during the procedure for approval of new commercial products and services by BPCE.

9.3.3.3 Appropriate treatments

In accordance with regulations, institutions have means of detecting atypical transactions adapted to their risk classification, making it possible to carry out, if necessary, the reinforced examinations and the necessary declarations to the French office for action against illicit financial circuits (Traitement du renseignement et action contre les circuits financiers clandestins - Tracfin) in the shortest possible time.

The group's risk classification includes the issue of "at-risk" countries, whether in terms of money laundering, terrorism, tax fraud or corruption. This system has also been strengthened with the implementation of a framework and automated scenarios adapted to the specificities of terrorist financing.

With regard to compliance with restrictive measures related to international sanctions, the group's institutions are equipped with filtering tools that generate alerts on customers (freezing of assets of certain persons or entities) and on international flows (freezing of assets and countries subject to a European and/or American embargo).

Given its significant international financing activity, Banque Palatine has set up a specific tool (compliance link) allowing enhanced monitoring of financed goods.

9.3.3.4 Business supervision

The prevention of money laundering and financing of terrorist activities gives rise to internal reporting to senior executives and decision-making bodies and to the central body.

9.3.4 Fight against corruption

Groupe BPCE condemns corruption in all its forms and under all circumstances. In this context, it is a participating member of the United Nations global compact whose tenth principle concerns action “against corruption in all its forms, including extortion and bribery”.

There are several ways to prevent corruption:

- by means of the corruption risk exposure mapping of the group's entities, the methodology of which was reviewed in 2022;
- thanks to employees' compliance with the rules of professional conduct and ethics set out in the code of conduct and ethics (prevention of conflicts of interest, policies on gifts, benefits and invitations, principles of confidentiality and professional secrecy). Disciplinary sanctions are provided for failure to comply with the professional rules governing the activities of the group’s companies;
- by managing relations with third parties: standardised contracts within the group and account agreements with anti-corruption clauses, assessment of suppliers of more than €50 thousand with regard to the risk of corruption, system relating to relations with “politically exposed persons”;
- through regulatory training on professional ethics and anti-corruption in the form of e-learning.

A system for collecting and processing professional alerts on serious incidents, including corruption and influence peddling offences, is made available to employees (including external service providers and occasional employees).

Since 2022, the bank has introduced the new corruption control plan specifically rolled out by the accounting audit (Palatine equivalent of financial control within Groupe BPCE).

BPCE also has accounting standards and procedures that comply with professional standards. The group's internal control system relating to accounting information aims to verify the conditions for assessing, recording, storing and making available information, in particular by guaranteeing the existence of the audit trail within the meaning of the decision of 3 November 2014, as amended on 25 February 2021, on internal control. In 2020, a group framework of controls involved in the prevention and detection of fraud and acts of corruption or influence peddling was formalised. In this context, special attention is paid to donations, sponsorship and patronage.

More generally, these systems are formalised and detailed in the umbrella charter relating to the organisation of the group's internal control and the group's risk, compliance and permanent control charter.

9.4 Work done in 2023

The main work carried out in 2023 to better control non-compliance risks focused on the main risks identified.

The reinforcement of the customer knowledge system was achieved by setting targets for the bank's employees on this issue, the deployment of specific action plans in the regulated real estate professions markets and in remote banking. In 2022, Groupe BPCE also rolled out the discounting system, which came into force.

An action plan on the remediation of the updating of KYC files continued until the end of 2023, taking into account the AML risk of customers.

In addition, a remediation of the files of clients holding investment products was launched in 2023 in order to recover the missing KYC files and investment profiles. This remediation will continue in 2024.

10 Business continuity

The management of business interruption risks is addressed in its cross-functional dimension, with the analysis of the main critical business lines, in particular liquidity, payment services, securities, loans to individuals and companies, as well as the trustee activity.

10.1 Organisation and steering of business continuity

Groupe BPCE's emergency business continuity plan (EBCP) is managed by the group business continuity department within the group security department of the group general secretariat.

The group head of business continuity (GHBC) is responsible for:

- managing the group's business continuity and coordinating the group's business continuity function;
- coordinating the group's crisis management;
- managing the implementation and maintenance in operational condition of the group's contingency and business continuity plans;
- ensuring compliance with regulatory provisions on business continuity;
- participating in internal and external bodies of the group.

Improvement projects continued with the common point of streamlining processes and strengthening systems by drawing on the lessons of past systemic crises (covid), those ongoing (Russia-Ukraine crisis) or the preparation of anticipated crises (energy breakdown) to which business continuity is fully associated.

The HEBCPs of the group's institutions report functionally to the group's HBC and the appointments of the HEBCPs are notified to him.

Banque Palatine's reference framework was reviewed in 2023 and approved by the operational and security Risk committee in February 2023.

The group's business continuity framework defines the governance of the function, ensured by three levels of bodies, mobilised according to the nature of the decisions to be taken or the approvals to be granted:

- the group decision-making and steering bodies in which the Group HBC participates to validate the major guidelines and obtain the necessary arbitration;
- the business continuity function committee, an operational coordination body;
- the group business continuity plenary, a national plenary body to exchange information and collect issues.

Group business continuity defines, implements and changes the group's business continuity policy as necessary.

10.2 Description of the organisation implemented to ensure business continuity

Since January 2021, Banque Palatine's HEBCP has been part of the operational risk department.

The main governance bodies are:

- the plenary meeting of Groupe BPCE HBCPs (every six months);
- the quarterly EBCP steering committee (operational risk and security committee), chaired by a member of executive management,

Whose duties include:

- validation of the annual maintenance in operational condition plan;
- approval of the appointments of HEBCPs and their alternates;
- validation of all new measures, tools, etc. Of Banque Palatine's business continuity;
- the quality of the business recovery plan (BRP) to ensure the availability of the information systems;
- monitoring the implementation of the bank's EBCP and taking decisions to improve the system;
- restitution of level 2 permanent controls related to the EBCP.

The function is made up of:

- 1 CBCP dedicated to crisis management and business continuity and responsible for coordinating the entire function;
- 2 alternates dedicated to crisis management and business continuity;
- 5 members of the decision-making crisis unit;
- 48 members (incumbents and alternates) of the operational crisis units;
- 98 EBCP business line and support correspondents (incumbents and alternates);
- whistleblowing officers:
- safety: person and property safety officer (RSPB) and his/her deputy,
  - it: support manager and his/her deputy,
  - e-reputation, image risk: head of communications and his/her deputy,
  - human resources (epidemic, strike, etc.)
  - employee relations manager and his/her deputy,
  - cyberattack, it security incident: information system security manager (CISO) and his/her deputy.

10.3 Work done in 2023

The main work carried out is:

- integration of cyber risk in the crisis communication plan;
- a user fallback exercise on Courcelles in November 2023;
- an exercise to test the electrical pruning BCP in November 2023;
- participation in the marketplace cyber exercise in June 2023;
- update and integration of bias (activity impact assessment) in the group tool “DRIVE”.

11 Information systems security

11.1 Organisation and steering of the information systems security function

Within the risk management system related to information technology, the group information systems security department is in charge of information systems security (ISS) and the fight against cybercrime. The group information systems security department reports to the group general secretariat.

Groupe BPCE's ISS is organised as a function and is managed by the group information systems security department. Management defines, implements and develops the group's ISS policy.

The ISS:

- coordinates the ISS function, bringing together the HISSS of the affiliated parent companies, subsidiaries and it GIES;
- oversees the level 2 permanent control system and the consolidated control of the ISS network;
- initiates and coordinates group risk reduction projects; and
- represents the group when dealing with the competent interbank or public authorities in its field.

Since March 2020, BPCE-it’s governance, risks and second-level controls activity has been transferred to the group information systems security department:

- the BPCE-it ISS governance activity is now the responsibility of the Group ISS department;
- the risk and security controls activity is carried out within a new entity reporting to the group security department.

Banque Palatine's hiss and more generally the HISSS of all affiliates (parent companies, direct subsidiaries and it EIGS) report functionally to the group hiss. This functional link notably implies that:

- any hiss appointment is notified to the group hiss;
- Groupe BPCE’s information systems security policy is adopted by the entities and each local ISS policy is submitted for the opinion of the group hiss prior to its implementation in the institution;
- reporting in relation to the level of compliance of the entities with Groupe BPCE’s ISS policy, the permanent ISS control, the level of ISS risks, the main ISS incidents and the actions undertaken are communicated to the group hiss.

Banque Palatine's CISO shares half of its activity with the coordination of external fraud. He reports to the operational risk department and is supported by half an assistant position.

11.2 Monitoring of risks related to information systems security

With the digital transformation, the group's information systems are continually expanding (cloud, big data, etc.). Several of these processes are gradually going digital. Changes in employee and customer uses are also leading to greater use of the internet and interconnected technological tools (tablets, smartphones, applications running on tablets and mobiles, etc.).

As a result, the group's portfolio is increasingly exposed to cyberthreats. These attacks target a much broader target than information systems alone. They aim to exploit the vulnerabilities and potential weaknesses of customers, employees, business processes, information systems as well as security systems in premises and data centres.

A unified group security operation centre (soc) integrating a level 1, operating 24 hours a day, seven days a week, is operational.

Several actions were carried out, in order to strengthen the systems to combat cybercrime:

- work to secure websites hosted externally;
- improved website and application security testing capabilities;
- implementation of a responsible vulnerability disclosure programme by Groupe BPCE cert.

The information systems security policy is defined at group level under the responsibility and oversight of the Group CISO. The main objective of the ISSP-G is to control and manage the risks associated with information systems, to preserve and increase the group's performance, to strengthen the trust of its customers and partners and to ensure the compliance of its acts with national and international laws and regulations.

A group awareness-raising system *via* monthly phishing tests are carried out each year by the group [details to be provided by the establishment on the number of campaigns in which they have participated and the results].

The Group ISS policy constitutes a minimum base with which each institution must comply. In this respect, Banque Palatine has decided to apply the Group ISS policy as it stands.

11.2.1 Employee awareness of cybersecurity

In addition to maintaining the group's common foundation for raising employee awareness of ISS, 2022 was marked by the implementation of a new ISS training/awareness plan and by participation in the “European cybersecurity month”.

Within the scope of BPCE SA, in addition to the recurring reviews of application authorisations and rights to is resources (mailing lists, shared mailboxes, shared files, etc.), the monitoring of all websites published on the internet and the monitoring of vulnerability treatment plans have been strengthened, as well as the monitoring of the risk of data leaks by email or the use of online storage and exchange services.

New employee awareness and training campaigns were also conducted:

- phishing test, phishing awareness campaign and support for employees in situations of repeated failures;
- participation in induction meetings for new employees;
- launch of new e-learning modules dedicated to cybersecurity and a sharepoint dedicated to security and fraud.

11.3 Work done in 2023

A global management system for security reviews and intrusion tests has been set up to cover 100% of critical assets of information systems over four-year cycles. This system now makes it possible to consolidate all the vulnerabilities identified as part of the security reviews and intrusion tests as well as the related remediation plans for centralised monitoring.

In 2023, the ISS mapping of all of the group's information systems continued and the bank's teams worked together under the aegis of Groupe BPCE's ISS function.

In this respect, each group institution, in view of its role and context, aims to draw up an ISS map of the is for which it is operationally responsible, based on the group's methodology articulating ISS approaches with that of the business lines. In addition, the rules of the Group's ISS policy, which are under the responsibility of Banque Palatine, have also been updated. Banque Palatine was able to define the l1 and l2 control plan adopted by Banque Palatine for its private portion.

A permanent level 1 and level 2 control framework has been specified and made available to all institutions.

12 Climate risks

As part of the publication of BPCE's first TCFD report in October 2021, the group risk division has defined a materiality matrix for climate risks.

The materiality of the risks associated with climate change is assessed by reference to the main risk classes of Basel III pillar 1, namely credit risk, market risk and operational risk, including non-compliance and reputation risk. Groupe BPCE has therefore set up a system to identify climate risk factors that could impact the group's traditional risks, accompanied by precise management. The climate risk materiality matrix can be applied to all group entities.

“Acute physical risks” are defined as direct losses triggered by extreme weather events, the resulting damage of which may lead to the destruction of physical assets (real estate and/or production) and cause a drop in local economic activity and possibly a disruption of value chains. “chronic physical risks” are the direct losses triggered by longer-term climate changes (sea level rise, chronic heat waves, modification of rainfall patterns and increase in their variability, disappearance of certain resources) that may deteriorate the productivity of a given sector.

“Transition risk” results from the economic and financial consequences related to the effects of the implementation of a low-carbon economic model, whether through changes in regulations, technological progress, or changes in consumer expectations and reputational repercussions.

Climate risk management programme

The climate risk department coordinates the implementation of the climate risk management framework through a dedicated programme. This programme, in line with the group's climate and environmental commitments, addresses specific objectives for all business lines and all sectors. The proposed system aims to ensure the most comprehensive coverage of the 13 pillars proposed by the ECB in its guide on climate and environmental risks of November 2020. It also aims to integrate the national or international regulatory perspectives that are currently the reference.

This programme is regularly updated with the points of attention specified by the ECB, initially in its return to the subject of the self-assessment questionnaire, formalised through discussions at the end of 2021, then through the thematic review carried out in early 2022.

Concretely, this system is organised around nine major areas (governance, risk appetite framework, stress test, financial and market risks, operational risks, credit risks, risk control system, the dashboard and data).

The work and expectations are thus precisely qualified, by theme, making it possible to know and monitor the status, the implementation schedule, the people in charge in the climate risk department and other departments such as those involved in its implementation or the expected deliverables.

Representatives of Banques Populaires, Caisses d’Epargne and global financial services were also involved in the programme to ensure the operationality of the actions planned in each group entity.

12.1 Governance

In 2022, Groupe BPCE's committee procedure was strengthened with the generalisation of climate-related elements in the committee procedure of each of its entities.

The coordination of the climate risk correspondents has increased employee awareness and training actions are offered in the other departments. A monthly newsletter, a quarterly conference (morning) and virtual classes on specific topics aim to promote the dissemination of the climate risk culture in all entities.

The best practices identified are presented at these regular or *ad hoc* events. Climate Risk Pursuit training continues to be rolled out in institutions. At the end of July 2022, 18,037 employees had taken part in it. In addition, training courses that meet expectations as closely as possible are being developed. The governing bodies are also trained on these subjects on a regular basis.

12.2 Risk appetite framework

The “climate risk/transition risk” and “climate risk/physical risk” categories were added to BPCE's risk framework in 2019. At this stage, the materiality of these risk categories has been assessed on an expert basis and supported by the mapping work.

Transition risk was deemed material, including in the short-term given the potential reputational impacts, the risks related to changes in the regulatory and legal framework, and the strategic risk related to market changes in response to the climate transition.

12.3 Stress tests

Measurement of the impacts of climate risks on Groupe BPCE's assets.

In 2020, Groupe BPCE volunteered to participate in a first climate risk assessment exercise led by the European banking authority (EBA). Groupe BPCE also contributed to the pilot exercise conducted by the French prudential supervisory and resolution authority (ACPR) in 2021 to estimate physical and transition risks. Lastly, in 2022, Groupe BPCE took part in the very first climate stress test launched by the European central bank (ECB).

The stated objective of this last exercise was to identify the preparedness of the hundred or so banking groups under supervision in view of the financial and economic shocks that climate risk is likely to cause. This initiative was part of a desire already supported by the national supervisors.

This exercise should be seen as a joint learning exercise with pioneering features, aimed at strengthening the capacity of banks and supervisors to assess climate risk.

For this first learning exercise, the ECB wanted to simplify the request. The stress test targets specific categories of assets exposed to climate risks and not the full balance sheet of the banks. The exercise is based on three modules:

- the first module focuses on the framework and governance of the approach;
- the second aims to collect a certain number of metrics in order to assess sector sensitivity;
- finally, a third consists of estimating the impacts of short- and long-term physical and transition risk.

Physical risks only concern drought and floods on credit risk over a one-year horizon. For transition risk, two types of scenarios are provided. One, short term; 3 years, concerns credit risk and market risk in the event of an unexpected and sudden carbon price shock. The second simulation consists of assessing the climate impact on our balance sheets over a 30-year horizon, according to three scenarios:

An orderly transition, in anticipation of the Paris agreement in 2050; a disorderly transition, where no new policy is put in place until 2030, then a sudden and abrupt transition; and a scenario of no transition leading to significant global warming.

Groupe BPCE’s participation in the 2022 climate stress test exercise demonstrated its ability to quantify climate risk under different scenarios. Groupe BPCE responded to this exercise with the quality of information and method praised by the ECB. It had to integrate a new sectoral dimension into its internal models over unprecedented time horizons of up to 30 years. Groupe BPCE also had to collect new data, such as energy performance diagnostics (DPE) for homes given as guarantees, in order to carry out stress tests. This exercise led to the identification of areas for improvement to obtain data in a reliable and recurring manner. Lastly, this stress test enabled Groupe BPCE to quantify the main risks to which the group is exposed and to prioritise actions to identify, mitigate and monitor these risks.

In terms of results, the metrics are contrasted according to the types of risks and scenarios defined by the ECB.

The scenario more representative of physical risks is short-term flooding, due to the group's home loan portfolio. This impact is also the corollary of the methodological framework used in terms of insurance coverage. Lastly, the insufficient granularity of certain data does not enable the results to be mitigated.

The short-term transition risk is increased due to the lack of data on the energy performance of collateral backed by corporate exposures but remains limited overall because Groupe BPCE's exposure to the most carbon-intensive sectors is lower than the average of its peers.

On the long-term transition risk, due to this low exposure to the sectors identified as sensitive by the supervisor, the scenarios set do not impact Groupe BPCE in a very differentiated manner.

12.4 Financial and market risks

In terms of financial risks, an assessment of climate risks is carried out, among other things, through the management and monitoring of the liquidity reserve. Climate criteria and more broadly ESG criteria are taken into account in three areas: the environmental quality of the security, the ESG rating of issuers and a temperature analysis with the definition of an alignment objective in line with the group's strategic plan.

Regarding investments in private equity, work on the integration of ESG analysis criteria is underway in order to define the ESG profiles of an institution investor.

12.5 Operational risk

Risks related to own activity

To anticipate physical weather events that could weigh on its own activities, Groupe BPCE has implemented a business continuity plan that defines the procedures and resources enabling the bank to deal with natural disasters in order to protect employees, key assets and activities and ensure the continuity of essential services. An internal tool makes it possible to identify sites and agencies exposed to climate risks and to monitor climate incidents.

Reputational risk

The evolution of consumer awareness and sensitivity to climate issues is a sensitivity factor for the banking sector that could lead to damage to the bank's reputation in the event of non-compliance with regulatory expectations or controversial business-related controversies. A reputation measurement indicator incorporating climate-related events and more broadly ESG is being developed by the group's operational risk department.

Legal, compliance and regulatory risk

In order to limit the effects of climate change, the administrative and legislative authorities are required to adopt new regulations. These texts can be international (Paris agreement), European (taxonomy) or national (climate and resilience act). For example, the French legislator has just increased its requirements with article 29 of the climate energy act. Financial companies must demonstrate how their investments are in line with a 1.5°c/2°c trajectory (see Paris agreement).

The legal department, in conjunction with the CSR department and the group risk department, organises the information of the respective channels about this risk and encourages increased vigilance regarding the use of climate-related terminologies in order to be aligned with the European taxonomy.

12.6 Credit risks

For retail banking, in addition to the coal policy applied to all Groupe BPCE companies, environmental criteria have been systematically included in sectoral policies since 2018. The non-financial Risk committee (CoREFi), made up of the climate risk, credit analysis and CSR teams, has been meeting every month since March 2020 to conduct ESG reviews of all business sectors and by customer type.

As part of these reviews, each business segment is assessed on the basis of six environmental issues as defined by European taxonomy: physical climate risks, transition climate risks, biodiversity, water, pollution other than greenhouse gases and circular economy. An environmental sector classification results from this assessment and identifies specific points of attention.

These sectoral ESG analyses are intended to inform discussions, particularly when granting loans. The objective is to provide additional elements of analysis with regard to regulatory and market changes, to be able to better support customers in the transition.

Transition questionnaire being rolled out for retail banking customers

For retail banking, a questionnaire dedicated to the consideration of environmental issues by customers in their business model was tested by customer service managers in order to collect information on the knowledge, actions and commitment of customers on climate and environmental issues. This tool is part of the group's response to the EBA guide on granting and monitoring loans in its ESG component.

The first elements collected make it possible to assess the customer's maturity in terms of managing the climate and environmental challenges of its business segment. The pilot phase is being completed with a reflection on its future integration into customer rating systems once the necessary depth of history has been reached.

The integration of this data into the loan approval process and risk monitoring is currently being studied with the retail banking insurance development departments.

12.7 Dashboards

Dashboards for monitoring and managing climate and environmental risks are being developed. The dashboard for the group's scope was validated in early July 2022 and is built to ensure the reliability and quality of the data used.

It will be made available within the scope of each entity as the data becomes available.

13 Emerging risks

Groupe BPCE pays particular attention to anticipating and managing emerging risks, given the ongoing changes in the environment. As such, a forward-looking analysis identifying the risks that could impact the group is carried out every six months and presented to the risk and compliance committee, then to the board's Risk committee.

The macroeconomic context has deteriorated sharply since the beginning of 2022 and has led to a more pessimistic view than the one projected in terms of the result generated by the group's activities and the level of risk. In addition, the covid-19 crisis and the consequences of the crisis in Ukraine have profoundly changed the environment in which the group's activities are carried out. They have greatly increased the intensity of the shocks caused by the various types of risks affecting our businesses.

The forthcoming slowdown in economic growth, combined with high and potentially long-term inflation, poses an increased risk of a deterioration in credit portfolios, in particular for certain customer segments with vulnerabilities (business sectors sensitive to the effects of a secondary war in Ukraine and/or inflation, customers with an already high level of debt, etc.).

Vigilance on interest rate and investment risks is also heightened given the highly unfavourable impact that the rise in interest rates and inflation could have on the group's profitability in the short and medium term.

The international geopolitical environment remains an area for attention under vigilance, with various geopolitical tensions continuing to weigh on the global economic context and feeding uncertainty.

The continuing digitalisation of the economy and of financial services is accompanied by constant vigilance on the part of the banks in relation to cyber risks. The sophistication of the attacks and the potential vulnerabilities of banks' it systems are two major challenges for Groupe BPCE in connection with the expectations of the regulator.

The group is very attentive to changes in the regulatory environment and to the supervisor's requests, in particular on new provisioning standards, the management and monitoring of leveraged loans, guidelines on non-performing loans, etc.

Climate change is an integral part of the risk management policy, with operational Variations being rolled out.

Lastly, the operational risks are the subject of close attention, in particular with the application of crisis management systems when necessary.

NOTES TO THE MANAGEMENT REPORT

5

A	Statement on non-financial performance	285
B	Table of results for the last five financial years	364
C	Information on supplier and customer payment periods	365
D	Allocation of net income for the 2023 financial year	365
E	Information on inactive accounts	366
F	List of branches	367

CONTENTS STATEMENT ON NON-FINANCIAL PERFORMANCE

1 CSR approach at the heart of Banque Palatine's strategy 285

1.1 Banque Palatine, a hybrid business model within Groupe BPCE 286

1.2 Our commitment: supporting sustainable development goals 287

1.3 Main pillars of our CSR strategy 289

1.4. Analysis of CSR issues, risks and opportunities 290

2 Proximity to customers 293

2.1 Support customers taking into account economic, social and environmental issues 293

2.2 Ensuring the security of customer data and the integrity of tools 296

2.3 Demonstrate ethics and business leadership 298

2.4 Always better serving customers over the long term 302

3 From human capital to employee commitment 303

3.1 Issues 303

3.2 Analysing the workforce structure 303

3.3 Promoting quality of life at work and employee well-being 306

3.4 Ensuring the employability and inclusion of employees 311

3.5. A comprehensive and competitive remuneration system aligned with the interests of the bank and its customers 318

4 Banque Palatine's national footprint 320

4.1 Developing responsible purchasing: a socio-economic footprint as a buyer 320

4.2 Committing to a better life: a societal footprint as a sponsor 321

4.3 Caring for the environment: an environmental footprint as a player in society 324

4.4 Identifying economic activities eligible for the European taxonomy from an environmental standpoint: publication of new indicators 329

4.5 Contributing to the state's tax revenues: a civic footprint as a company 358

5 Appendix 359

5.1 Associated key performance indicators 359

5.2 CSR methodology of the reporting of Banque Palatine 362

A statement on non-financial performance

1 CSR approach at the heart of Banque Palatine's strategy

Banque Palatine is part of Groupe BPCE, the second largest banking group in France. A little less than 1,100 employees serving 13,000 corporate customers and 48,000 private customers work closely with natural persons or legal entities, responding in a concrete way to the needs of the real economy.

In 2023, in a rapidly changing economic, geopolitical and energy context, Banque Palatine was fully committed to the financing of French medium-sized companies and supported all its customers to adapt to their new environment.

At the same time, Banque Palatine was attentive to the working conditions of its employees during a year marked by the development of its new model and moving upmarket. Efforts focused on career support, mobility, skills development and recruitment.

On the environmental aspect, in addition to the new offers made to its customers, workshops to raise employee awareness of climate issues continued to supplement the action plan to reduce the company's direct footprint.

Faithful to its local commitments and values, Banque Palatine continued to carry out societal initiatives, made donations and supported solidarity projects.

Gender equality is a key component of its strategy.

In 2024, Banque Palatine intends to continue all projects to improve the integration of environmental and social issues into its activities and relations with its stakeholders. This will result in particular in the continuation of privileged support for its ISE clients and managers committed to sustainable, low-carbon and decarbonised growth and in the inclusion of a strong CSR focus in the future 2025-2030 strategic plan.

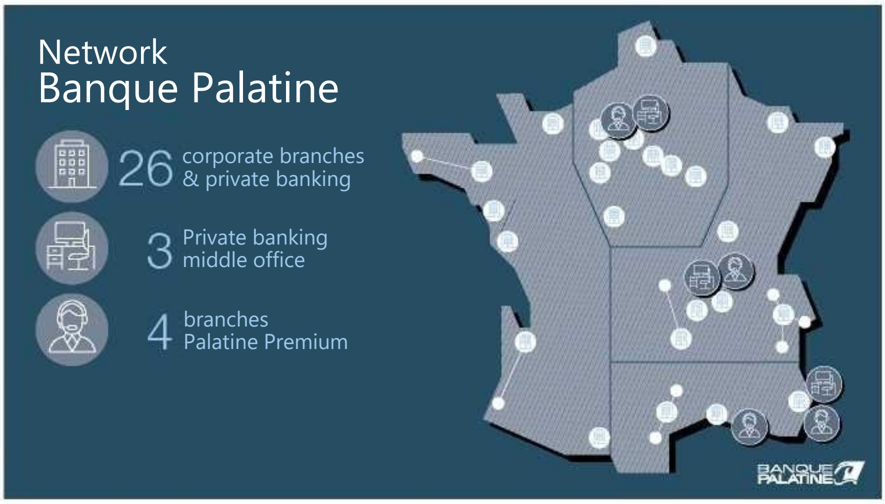
1.1 Banque Palatine, a hybrid business model within Groupe BPCE

1

A REASONABLY-SIZED BANK

A network of **26 branches "Corporate and Private Banking" and four remote branches "Banque Palatine Premium"** in France, in connection with expertise businesses (private banking, corporate finance, real estate, international, client desk, etc.)

currently works with more than 13,**000 companies** and almost **48,000 private banking customers.**



2

THE STRENGTH OF THE 2nd LARGEST FRENCH BANKING GROUP

As a wholly-owned subsidiary of Groupe BPCE, Banque Palatine generates **synergies** in terms of resources and benefits from the Group's **expertise**.

3

CORPORATE BANKING

Medium-sized companies offer the main growth potential for the French economy.

Fostering their development is Banque Palatine's priority.

4

PRIVATE BANKING

Banque Palatine's expertise is based on an overall analysis of the **personal and professional environment** of customers in order to build an **adapted wealth management strategy** with them. Investment advisory, protection of relatives or business transfers, Banque Palatine supports its customers in **the day-to-day management of their assets.**

5

ASSET MANAGEMENT

Palatine Asset Management is a committed "premium boutique" management company, resolutely focused on developing useful finance to give meaning and value to its customers' investments. Its ESG practice allows it to develop a narrow range of SRI-certified, money market and bond equity funds, all focused on the challenges of the just transition.

6

INSURANCE EXPERTISE

Ariès Assurances, a wholly-owned subsidiary of Banque Palatine, is an insurance and reinsurance brokerage company that provides its expertise, in particular, in the coverage of the corporate social liabilities and the social protection of employees.

1.2 Our commitment: supporting sustainable development

1.2.1 Introductory remarks

Set on 25 September 2015, the **Sustainable Development Goals (SDGS)** constitute a call from the united nations (un) to all stakeholders in society to deploy means of action to build an inclusive and sustainable future.

These objectives cover all development issues, such as climate, biodiversity, energy, water, poverty, gender equality, economic prosperity and peace, agriculture, education, etc.

With 17 thematic objectives and 169 targets, they aim to eradicate poverty, strengthen resilience to climate change and ensure prosperity and future prospects for everyone by the year 2030.

These 17 SDGS are now a common reference for many public and private companies around the world.

In addition, the **principles for responsible investment** (pri) were introduced by the united nations in 2006. This voluntary commitment, aimed at asset management players, encourages investors to integrate environmental, social and governance (ESG) issues into the management of their portfolios. The pri are a means for promoting the generalisation of the consideration of non-financial aspects by all financial businesses.

At the end of 2019, Palatine asset management (PAM) joined the signatories of the principles for responsible investment.

Lastly, on 23 September 2019, Groupe BPCE signed the **Principles for Responsible Banking** (PRB): another un initiative as part of its programme for the environment and the financial sector. This involves the transposition to the banking sector of the principles for responsible investment intended for asset management players.

1.2.2 Our contribution to the SDGS according to the actions implemented

The way in which Banque Palatine conducts its business is as important as its primary activity, which consists of offering banking products and services. Banque Palatine is convinced of the importance of its contribution to the SDGS through its core business, its internal operations and its philanthropic activities. The SDGS set up by the un therefore constitute a reference framework for all the actions carried out as part of Banque Palatine's CSR policy. Banque Palatine is part of this dynamic and wishes to report on it through its statement of non-financial performance (SNFP).

Banque Palatine is helping to build a sustainable future by 2030 by directly covering 10 of the programme's 17 SDGS through actions with its employees or indirectly through the financing of its customers. The contributions are presented below in the form of a table:

3 GOOD HEALTH AND WELL-BEING

Empower people to live healthy lives and promote well-being at all ages

- charters and systems (e.g. QVCT: Quality of Life at Work, Agreements on Teleworking, etc.) As well as resources (e.g., office equipment) to enhance well-being at work;
- systems to limit psychosocial risks;
- through the "salary rounding" operation offered to its employees, whose donations are paid to Institut Curie;
- through free transfers to the Moroccan people affected by an unprecedented earthquake, as well as free transfers to or from Ukraine and Moldova, countries affected by the war.

4 ADVANCED EDUCATION

Ensure equitable quality education for all and promote lifelong learning opportunities

- commitments to develop employee employability and professional training; commitments to integrate disabled workers into the workplace and guarantee their career paths; measures to promote work-study programmes;
- through the professional and social integration of people made vulnerable by a disability (Disability and Responsible Purchasing policy).

5 GENDER EQUALITY

Achieve gender equality and empower all women and girls

- implementation of internal measures such as the agreement on gender equality in the workplace, the proposal of personal development workshops for women, the Palatine Pluriel network; percentage of women on the Executive management committee: 50%; percentage of women on the general management committee: 50%; percentage of women on the Board of directors: 50%; gender equality index at 95/100; AFNOR gender equality label; Rixain Law Index: 50%;
- through the "salary rounding" operation offered to its employees, whose donations are donated to la Fondation des Femmes;
- sponsorship for the Alice Milliat foundation, a European foundation whose objective is to contribute to the recognition of the place of women in sport and that of sportswomen in the media, on the national and international stage;
- **Palatine women project,** a mentoring programme designed to support retraining female athletes and para-athletes with business projects.

7 AFFORDABLE AND CLEAN ENERGY

Ensuring universal access to affordable, reliable, sustainable and modern energy services

Financing of renewable energies, financing of real estate professionals on green projects.

- supply of 100% green energy at all of the bank's sites.

8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

- by supporting its corporate clients and in particular by setting up loans guaranteed by the French state and financing renewable energies; specific offers to guarantee access to banking services for all;
- consideration of ESG criteria to integrate human rights and labour rights into investment decision-making (PAM);
- mobilisation in favour of employment and non-discrimination;
- sponsorship of the fondation pour le pacte de performance; membership of the cancer@work network.

10 REDUCED INEQUALITIES

Reduce inequality within and across countries

- policies in favour of carers and those related to disability.

11 SUSTAINABLE CITIES AND COMMUNITIES

Making cities and human establishments inclusive, safe, resilient and sustainable

- sponsorship of culture (the filmmakers' fortnight) that takes place during the Cannes film festival; sponsorship to promote the innovation and excellence dynamic of contemporary art in the regions (Opéra comique de Paris and the contemporary art museums of Bordeaux, Lyon, Nantes and Marseille).

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Establish sustainable consumption and production patterns

- inclusion of ESG criteria in investments (PAM);
- reduction of the environmental footprint, new organisation of work, deployment of a fleet of reconditioned smartphones, etc. ;
- waste reduction through prevention, recycling and reuse;
- improvement to the energy performance of buildings (branch renovation work).

13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts

- the Banque Palatine climate risk analysis;
- roll-out of the climate fresco at the head office and in the branches.

16 PEACE, JUSTICE AND EFFICIENT INSTITUTIONS

Promote peaceful and inclusive societies for sustainable development

- measures to combat fraud and crime; fight against corruption; actions for the transparency and accountability of the Bank in its relations with suppliers; transparency in its tax practices.

1.3 Main pillars of our CSR strategy

Banque Palatine's social responsibility strategy is the expression of a long-standing and renewed commitment. Compliance requirements are strictly applied consistent with the sustainable development policy of BPCE, of which Banque Palatine is a wholly-owned subsidiary.

Apart from compliance, Banque Palatine, a bank on a human scale, regards social responsibility as a key issue based on 3 principles:

- people first: maintain a sustainable and bespoke relationship with customers and employees;
- support: to stay close to customers not only as a financier but also as a true partner going beyond the role of banker;
- collective working: favour co-construction and collective intelligence to incite creativity, pro-activity and enrich the solutions offered.

1.3.1 A five-point approach

The CSR process is built around five principles:

- **supporting players in the real economy:**

  By engaging alongside medium-sized businesses and encouraging socially responsible investment; to help finance companies with the best social, environmental and governance practices;
- **guaranteeing the ethics and transparency of our practices:**

  By ensuring that we act responsibly and by being a bank that keeps its promises; in order to create the conditions necessary for the development of a relationship of trust with its stakeholders.
- **bringing diversity to life on a daily basis:**

  By cultivating human capital, by ensuring the development of diversity and by committing to disability; to increase creativity and performance.
- **caring for the environment:**

  By mobilising to reduce our environmental footprint and by encouraging the transition towards a more sustainable economy; to help reduce greenhouse gas emissions;
- **cultivate our commitments in the city:**

  By supporting the arts and humanities and by strengthening partnerships in sport, in particular to promote the place of women in this field.

1.3.2 Presentation of the four CSR projects of the new up 2024 strategic plan

Groupe BPCE has placed the climate and the "employee experience" at the heart of its BPCE 2021--2024 strategic plan. Banque Palatine's commitments are also consistent with this strategic project, which highlights a strong environmental strategy combined with ambitious intermediate objectives and a hr strategy promoting quality of life at work and the professional development of all employees.

Within Banque Palatine, up 2024 provides for the adaptation of the organisation to the expectations and changes of customers who expect greater agility and efficiency in the service of a demanding and lasting relationship. With this in mind, up 2024 provides for a new regional network and the generalisation of the concept of a mixed branch. This strategic choice will make it possible to bring together all skills and services within a single branch for the benefit of medium-sized companies and senior executives.

Banque Palatine is strengthening its digital offering with the launch of additional remote private banking branches, Palatine premium, to develop a quality relationship approach for high net-worth customers with dedicated wealth management advisors.

In addition to these organisational aspects, as part of its strategic plan, Banque Palatine wanted to emphasise its sustainable development policy by identifying four CSR projects, detailed below.

1/ Support customers in their financing with regard to environmental issues

Groupe BPCE is fully committed to promoting the energy transition and supporting its customers on environmental issues. This commitment is aligned with the recommendations of the regulators who agree to require credit institutions to take into account climate risks at all stages of the loan granting process.

Beyond these expectations, Banque Palatine is convinced of the link between the performance of companies and their commitment to the climate and the environment. Work is therefore being carried out to supplement the credit processes with a non-financial approach, in addition to the usual accounting and financial data. To this end, customer data must be collected to better assess the level of consideration of climate and environmental risks and to inform credit decisions. Hence the roll out of an "ESG dialogue" questionnaire in July 2023.

In addition, Banque Palatine aims to train all of its sales representatives in ESG (environmental, social and governance) criteria, not to mention climate risks, which are a growing risk for banks. Training began in 2022 and will increase in 2024.

Since the end of 2022, new adapted offers are offered to customers to cover their needs in terms of green mobility, energy efficiency and energy production. Impact loans for which Banque Palatine wants to become a major player in this new market are also proposed.

2/ Accelerate the growth of responsible investment assets

The theme of responsible investment has seen considerable growth (strengthening of regulations, high expectations of the company's customers, etc.).

Private customer market advisors will be trained, customers will be made more aware and tools will be adapted to direct customer savings towards responsible economy products. Again, an evolution of the questionnaire in the investment advisory software, to collect the preferences of customers in terms of ESG before offering them an investment product, is planned from 2023.

In asset management, the entire range of funds at Palatine asset management will be SRI certified and ESG criteria will be systematically integrated into the equity/fixed income/diversified investment processes.

The objective is to triple SRI (socially responsible investment) assets or assets that incorporate ESG criteria into their management by the end of 2024.

At 31 December 2023, these outstandings have increased by + 532% since 2021.

3/ Reducing Banque Palatine's direct environmental footprint

By signing the principles for responsible banking on 23 September 2019 (a un initiative), Groupe BPCE committed to respecting the Paris agreements and thus contributing to limiting the rise in temperatures to a maximum of 2°c by 2100, and thereby achieve carbon neutrality by 2050. Carbon neutrality involves a balance between carbon emissions and the absorption of carbon from the atmosphere by carbon sinks. The aim is to achieve net zero emissions.

The carbon footprint of a company makes it possible to count the direct or indirect greenhouse gas emissions of an activity or site, from upstream to downstream. Groupe BPCE calculates its emissions using a dedicated tool used by all its institutions and subsidiaries (excluding scope 3b: indirect emissions related to its financing activity).

In this context, the ambition proposed by Banque Palatine is to reduce its greenhouse gas emissions by 10% over the 2019-2024 period (2019 being the reference year, excluding covid).

To achieve this ambition, 4 areas of work have been identified: sustainable mobility, responsible digital technology, real estate and purchasing. Awarenessraising actions will be carried out regularly internally to achieve this.

At December 31, 2023, the target was largely exceeded because Banque Palatine's environmental footprint was reduced by more than 40% compared to 2019.

4/ Continue efforts to achieve gender equality

For several years now, Banque Palatine has implemented an hr policy promoting diversity and gender balance within its teams. This was reflected very concretely in the representation figures at the level of its management bodies, such as a balanced rate of women/men of 50% on the Board of directors, a rate of 50% on the Executive committee and the Executive management committee as of 31 December 2023, the publication of the professional equality index each year (since 2018) which reached 95/100 in 2023.

In addition, a new agreement on gender equality was signed at the end of 2020. Although Banque Palatine is already well advanced in terms of gender equality, it intends to continue its commitments to develop gender equality over the coming years.

The ambition is to achieve a rate of 45% of women managers in positions of responsibility by 2024.

At 31 December 2023, this rate reached 40.2%.

1.4. Analysis of CSR issues, risks and opportunities

1.4.1 Methodology: a universe of risks divided into 3 categories

In order to identify its most strategic CSR challenges, Banque Palatine drew on the work carried out in 2017 as part of its previous strategic plan and on an analysis of its main CSR risks.

The latter was based on the risk analysis methodology proposed by Groupe BPCE resulting from the work of the risk department and the CSR department. This methodology made it possible to define:

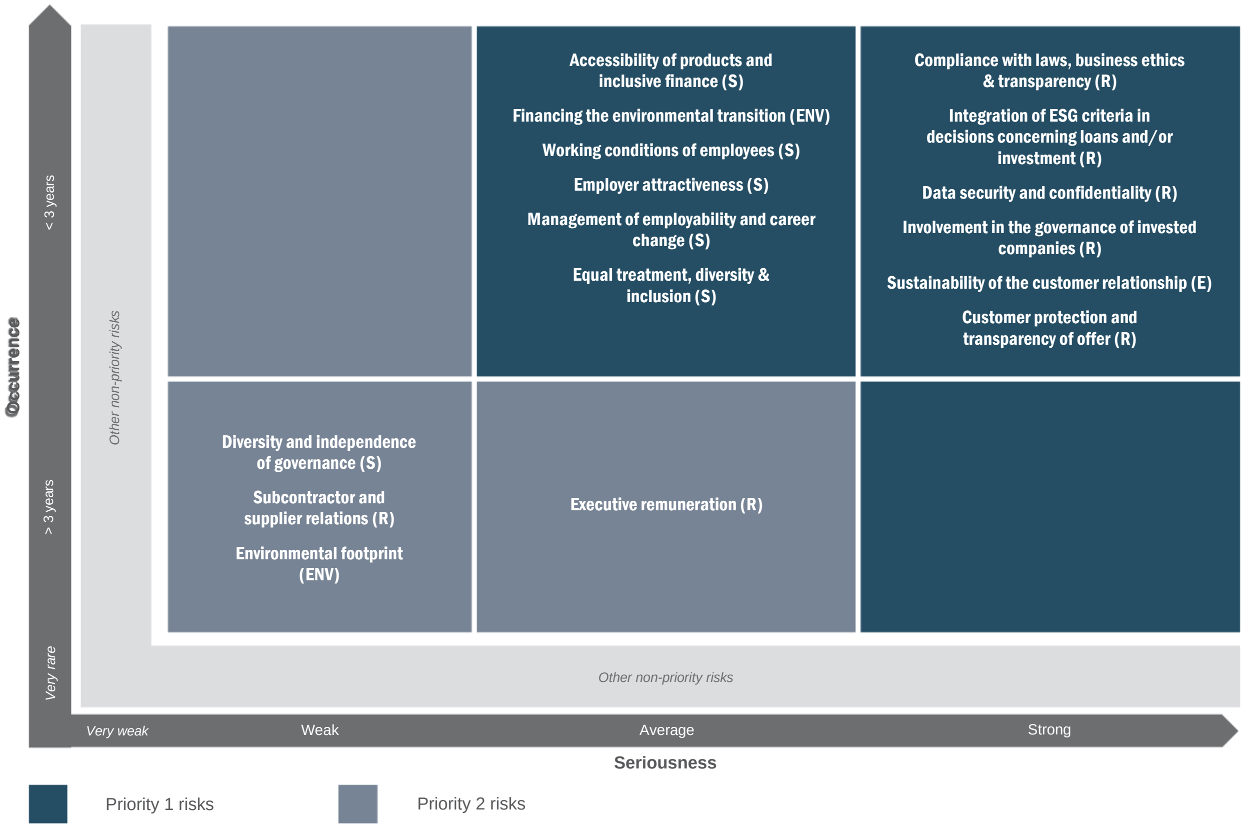
- a universe of 16 CSR risks divided into three types: products and services, **internal operations and governance**; each risk is precisely defined;
- a rating of these risks according to their frequency and severity; an assessment of the risk management systems (rms). Each year, non-financial risks and their ratings are reviewed through the prism of:
  - changes in regulations.
  - changes in the group's macro-risk mapping,
  - the recommendations of the external auditors of BPCE's reporting,
  - requests from rating agencies and investors,
  - new reporting standards.

Following the work carried out this year by Groupe BPCE, this mapping was then submitted to Banque Palatine's CSR department, analysed, amended and presented to the Risk committee on 29 November 2023.

The analysis carried out highlighted twelve major risks to which Banque Palatine is exposed: accessibility of the offering and inclusive finance; equal treatment, diversity and inclusion, employee diversity; compliance with the law, business ethics and transparency; customer protection and transparency of the offering; data security and confidentiality; sustainability of the customer relationship; financing the environmental transition; working conditions of employees; management of employability and transformation of business lines; integration of ESG criteria in credit or investment decisions; involvement in the governance of invested companies; attractiveness as an employer.

Risk category	Non-financial risks	Definition
Products and services	Sustainability of customer relationships	Lack of mechanisms to ensure sustainable and satisfactory quality of service to customers
	Financing the environmental transition	Lack of financing strategy in projects favourable to the environmental transition.
	Customer protection and transparency of offer	Lack of transparency of offers, inappropriate sale of financial products and services that do not meet the customer's needs.
	Accessibility of products and inclusive finance	Lack of provision of an offer for all audiences, both geographically and technologically
	Integration of ESG criteria in decisions concerning loans and/or investment	Non-integration of environmental, social and governance (ESG) criteria and transition and physical risks related to climate change in sectoral policies and the analysis of financing and investment files
Internal functioning	Management of employability and career change	Misalignment of the company’s needs with those of employees to respond to changes in the business lines
	Equal treatment, diversity & inclusion, diversity of salaries	Lack of mechanisms to ensure equal treatment of candidates for employment and employees within the company.
	Employee working conditions	Lack of mechanisms to ensure respectful working conditions for employees.
	Employer attractiveness	Difficulty in offering an attractive working environment, prospects for development over time and giving meaning to the missions.
	Subcontractor and supplier relations	Unsustainable and unbalanced relationship with suppliers and subcontractors.
	Environmental footprint	Contribution to climate change through the emission of greenhouse gases due to the bank's operations.
Governance	Respect of laws, business ethics and transparency	Non-compliance with regulations, lack of a system to combat corruption and fraud or to prevent unethical practices and inaccessibility of information
	Security and confidentiality of data	Lack of systems to protect the bank against cyber threats, to protect the personal data of employees and customers and ensure business continuity
	Diversity and independence of governance	Lack of independence and diversity and representativeness within governance bodies.
	Involvement in the governance of invested companies	Absence of participation in the governance of the companies involved/supported.
	Executive remuneration	Non-integration, in the executive remuneration system, of financial and non-financial performance criteria decorrelated from each other with a short-, medium- and long-term vision.

1.4.2 Result of the raw risk matrix



Key: risk type
- Social/Societal (S);
- Economic (E);
- Reputational (R);
- Environmental (ENV).

A few key points emerge:
- the analysis conducted did not reveal any critical CSR risks;
- the priority gross risks for Banque Palatine are mainly issues relating to its core business.

As the presentation of the following approaches confirms, in the social, societal and environmental fields, all these risks were the subject of specific commitment through the strategic plan or through the presented business action plans.

The key performance indicators used to track the progress of these projects are included in the appendix.

2 Proximity to customers

2.1 Support customers taking into account economic, social and environmental issues

2.1.1 Financing of corporate customers engaged in the transition

Launched at the end of 2022, the roll-out of the four new offers made to customers to support them in their financing with regard to their transition continued in 2023.

As a reminder, these solutions are structured around financing needs with:

- an "energy renovation" loan to finance work on a building and improve its energy efficiency;
- a "renewable energy" loan to finance a renewable energy investment linked to the customer's building or business;
- a "business transition" loan to finance equipment and works to reduce energy consumption and/or resources due to the activity;
- a "green mobility" loan to finance a vehicle or a fleet of own passenger tourist and/or utility vehicles and recharging terminal(s).

These loans outstanding at 31 December 2023 amounted to €9 million.

In addition, an ESG questionnaire, rolled out in July 2023, was added to the support system for corporate clients with regard to the transition. As at 31 December 2023, 1,840 customers had already completed this questionnaire. The purpose of this new ESG dialogue is to:

- better identify customers in transition for relevant and effective support;
- know customers better to better assess their CSR maturity and present the bank's CSR strategy to them;
- collect ESG data in order to develop offerings and better structure them.

Finally, work has been carried out to create a new investment solution that will be launched in the first half of 2024 and will offer clients the opportunity to opt for an investment committed to the energy transition.

CAT'Vair is a 100% secured money market investment with guaranteed capital, on which the funds invested will be fully allocated to financing green projects.

In 2024, Banque Palatine plans to conduct several acculturation campaigns with its sales network and highlight all *green* financing/investment solutions with its customers and prospects.

2.1.2 Renewable energy financing activity

Groupe BPCE is one of the French leaders in the financing of renewable energies thanks to its regional roots.

Renewable energies (res) are sources of energy whose natural rate of renewal is fast enough to be considered inexhaustible over time. Basically, this means wind, photovoltaic solar and hydroelectric power, as well as biomass- or biogas-fuelled generation. These energies are also known as "green energies" in contrast to fossil fuels (oil, coal, gas, etc.) And nuclear (due to problems with its waste).

Banque Palatine, as part of Groupe BPCE's commitments, has signalled its commitment to significantly reduce the co2 emissions arising from its activities. The decision to finance renewable energy projects is intended not only to support its customers but also to encourage the design of energies that generate very little co2 during their production. Green offering - renewable energies are therefore an essential component and consistent with Banque Palatine's CSR policy.

A dedicated section of the corporate market department focuses on the renewable energy sector and analyses the economic, legal and technical characteristics of each project to be financed and also provides global support, in particular interest rate hedges and documentary credits (for the purchase of equipment), bank guarantees (as part of calls for tenders organised by the ministry of sustainable development).

The majority of financing is granted to wind or solar projects, the best-known technologies to date. The projects financed are located in France, including Corsica and the French overseas departments.

Today, the bank's renewable energy project financing portfolio represents an outstanding amount of approximately €263 million.

ReS financing granted by Banque Palatine	**31/12/2023**	**31/12/2022**	**31/12/2021**
Share of installed capacity:			
Wind power **(in MWp)**	-	-	55.80
Photovoltaic power **(in MWp)**	3.3	10.58	11.43
Investment amount (in millions of euros)	77.87	73.0	80.2

2.1.3 Corporate customer financing incorporating environmental, social and governance criteria

Banque Palatine wants to enable companies to align their sustainable development policy with their financial policy.

In February 2023, the SME impact loan complemented the already existing syndicated impact loan offering, offering a bonus linked to the non-financial performance of the borrower client and focused on social, environmental or governance themes, each translated into one or more performance indicators. The list of performance indicators is predefined by BPCE and validated by a recognised external body (VIGEO).

One to three performance indicators are chosen between the corporate account manager and his/her customer during the origination phase and are subject to an annual review of the achievement of the criteria.

The customer is responsible for sending, within d-10 business days before the anniversary date, the standard performance appendix, certified by its statutory auditor/chartered accountant.

In 2023, Banque Palatine participated for more than €392 million in “impact loans” and €2 million in green bonds, which represented a total amount of debt raised by borrowers of nearly €8.5 million.

Green bonds finance activities/projects in favour of the ecological transition.

The implementation of financing with ESG criteria accelerated in 2023: at the level of the corporate department, this financing represented 57% of new production in 2023, compared to 42% the previous year.

2.1.4 Supporting customers on environmental issues with real estate partners

The building sector is the largest consumer of energy in France and is therefore naturally a major contributor to greenhouse gas emissions (CO_2). At Banque Palatine, issues related to the energy transition have been taken into account in the offers offered to customers. The real estate engineering offering, in partnership with various experts, aims to make a diagnosis of the technical, legal or tax issues related to the management of a real estate portfolio and to offer personalised advice, such as improving the energy efficiency of buildings.

The green calculator set up since 2021 for all real estate department files presented to the committee makes it possible to raise customer awareness of environmental issues.

2.1.5 Orienting private customers' savings towards a more responsible economy

Banque Palatine reviewed its financial savings offering in 2023 in order to expand its universe and offer its private clients a list of asset management funds selected by its asset management company Palatine asset management. This list includes 62 funds, including:

- 8 article 6 funds (1);
- 47 article 8 funds (2);
- 7 article 9 funds (3).

The multi-management offered under discretionary management is currently classified as “article 6” under the SFDR and therefore does not yet include ESG criteria in its investment strategy. However, all of the funds of the management company Palatine asset management take them into account in their management.

Three EMTN products (4) backed by ESG indices were marketed for €51 million.

With regard to the *private equity* offering (Adaxtra) offered to clients, the Adaxtra teams systematically carry out an ESG analysis of the investment in question.

In addition, work has been carried out to create a new investment solution that will be launched in the first half of 2024 and will offer clients the opportunity to opt for an investment committed to the energy transition. The codeVair is a money market investment in which the funds invested will be allocated to financing green projects. The configuration is being finalised and the allocation of green savings should be operational during the first half of 2024.

From January to may 2023, just over 110 employees took part in sustainable finance training organised by partner Natixis investment managers (nim) Académy.

The responsible approach tends to become a constant when considering offers. 2024 will be in line with this trend.

(1) As a reminder, the SFDR (Sustainable Finance Disclosure Regulation) classifies funds into three categories. “Article 6” investments do not have a sustainable investment objective and do not declare that they take ESG criteria into account. These are all other investments that are neither “Article 8” nor “Article 9”.
(2) Article 8 funds are those that promote environmental and social characteristics by taking ESG criteria into account as part of the investment process.
(3) “Article 9”: includes all products that pursue a sustainable investment objective. They aim to reduce negative impacts on the Environmental, Social and Governance aspect while integrating respect for human rights and the fight against corruption. These funds may, for example, aim to promote the low-carbon transition or promote well-being at work.
(4) Euro Medium Term Notes

2.1.6 Socially responsible investment offering at Palatine asset management

Socially responsible investment, which has taken place at PAM for more than 15 years, has continued to grow and become more robust.

At the end of 2023, SRI management represented more than 90% of assets under management.

The majority of funds managed are “article 8” under the European sfdr regulation, with a European sustainable employment investment strategy classified as “article 9”.

In fact, the last two years have been marked by the consolidation of PAM's differentiating know-how on the "social" dimension of ESG in addition to that on the environment.

To promote a “just transition” that aims to achieve an energy transition without prejudice to social issues, PAM has chosen to focus on social factors in the analysis of companies in order to identify risks in terms of sustainable jobs but also above all to capture investment opportunities in the world leaders of tomorrow.

To achieve this, socially virtuous companies are selected to meet three major long-term challenges (demographic, digital and climate transitions).

Alongside a team of three experienced managers, the team of two SRI analysts, assisted by a work-study participant, conducts quantitative and qualitative analysis of issuers based in part on databases from suppliers such as Moody's, Ethifinance, Humpact and S&P.

2023 was a year of strengthening PAM’s commitment to the availability and quality of social data.

PAM has also set up, in partnership with other management companies including Ostrum and Mirova, two extra-financial rating agencies and a data analysis specialist, an ESG conference on the theme of “just transition and territories” in five major French cities including Paris to promote ESG among clients, advisors and distributors.

As part of the normative, sectoral and controversy exclusion policies, those on thermal coal and oil and gas were strengthened in 2023; a policy of exclusion of companies listed in the Global Oil and Gas Exist List (GOGEL) was also implemented.

PAM is also a signatory to the United Nations principles for responsible investment (SRI) and has just obtained a very encouraging score of at least four out of five stars out of the six modules assessed under their new annual reporting formula.

This assessment confirms the robustness of the ESG investment processes in almost all the portfolios managed by PAM.

In addition, most equity funds and two money market funds have the French government SRI label.

The annual audit of these funds by the label also guarantees the quality and transparency of their SRI management.

Our shareholder engagement, which is based on a voting policy whose principles follow the recommendations of ISS (institutional shareholder services), was extended this year to include us stocks held in our Palatine Amérique fund.

The integration of ESG criteria into PAM’s investment strategies continues to grow.

Socially responsible investing	31/12/2023	31/12/2022	31/12/2021
SRI assets under management (in millions of euros)	4,407	4,624	4,661

2.1.7 Voting rights policy (PAM)

For the exercise of its voting rights, since 2015 PAM has relied on the expertise of institutional shareholder services Europe SA (ISS) to expand its voting scope.

During the 2023 financial year, PAM exercised its voting rights at general meetings involving the companies making up the CAC40 index, the companies making up the assets of SRI-certified UCIS, French companies whose consolidated holding threshold is greater than 0.50% of the market capitalisation, us companies held in the Palatine Amérique mutual fund and, lastly, foreign companies held with a market capitalisation greater than €100 million.

The objective is to promote best ESG practices within the companies in which the funds managed by Palatine PAM are shareholders in order to encourage them to adopt an approach of progress and responsibility. The principles underpinning this voting policy are available at: http://www.Palatine-am.com

During the 2023 financial year, PAM exercised its voting rights at 174 general meetings (+43 GMS compared with 2022), which concerned all of Europe excluding countries with POA (power of attorney) and the USA.

The overall participation rate was 98%, thus complying with the main principles of the voting policy.

2.2 Ensuring the security of customer data and the integrity of tools

2.2.2 Reliability of information

Banque Palatine created a governance department in 2017 supported by data correspondents in each business line. The comprehensiveness and reliability of data in strict compliance with personal data protection regulations is a major concern for the bank to meet the needs of its customers and legal and regulatory constraints.

2.2.3 Collection and use of personal data

The bank guarantees its customers, prospects and employees:

- the security of personal data;
- the respect of choices in terms of solicitation and commercial prospecting;
- transparency regarding the processing of personal data;
- information on data protection rights;
- responses to requests to exercise rights guaranteed by the data protection act and the general data protection regulation (GDPR).

Following the IT migration in October 2020, the integration of Banque Palatine with Groupe BPCE continued throughout 2023. Thus, for community tools, the institution's GDPR compliance is fully embedded in Groupe BPCE's management.

The DPO (data protection officer) receives information from BPCE's DPO network and is also associated with the Banques Populaires DPO club, which enables him/her to discuss and capitalise on personal data protection issues with his/her Groupe BPCE counterparts.

In terms of governance, the DPO reports to the operational risk department. This makes it possible to streamline synergies with the head of information systems security (hiss), who also reports to this department.

The DPO coordinates and steers the community of it and civil liberties officers (RILS), appointed within each department as data protection officers.

For this 2023 financial year, the most significant work focused on the following actions:

- raising awareness of the GDPR through dedicated workshops with the Bank's and network departments;
- monitoring of action plans resulting from the GDPR compliance analysis of the bank's private tools ("IT private remediation" described in 2022);
- the integration of personal data protection from the design stage of a project *(privacy by design)* with, in particular, the creation of a *workflow* tool between the information systems department and the DPO as well as the CISO;
- the local implementation of the 34 processes eligible for a privacy impact assessment (AIVP) as identified by the group. This project was the most significant given the density of the reports to be reviewed, adapted and validated by both the operational units concerned and by the CISO.

This work, in the form of projects, supplements the daily support of the DPO for all projects and requests from the head office and network units, particularly concerning: contracts, customer complaints relating to personal data, support for challenges and commercial operations (product marketing, marketing, communication operations) and projects (with or without tools/applications), etc.

2.3.4 Intrusion in the IT system - cybercrime

Organisation and steering of the ISS function

Within the risk management system related to information and communication technology (ICT), the group information systems security department (DSG) is in charge of the information systems security (ISS) and the fight against cybercrime. The group information systems security department reports to the group general secretariat.

Groupe BPCE's information systems security (ISS) is organised as a function and is managed by the group information systems security department.

Management defines, implements and develops the group's ISS policy.

The ISS:

- coordinates the ISS function, bringing together the HISSS of the affiliated parent companies, subsidiaries and it GIES;
- oversees the level 2 permanent control system and the consolidated control of the ISS network;
- initiates and coordinates group risk reduction projects; and
- represents the group when dealing with the competent interbank or public authorities in its field.

Since March 2020, BPCE-it's governance, risks and second-level controls activity has been transferred to the group information systems security department and is now under its responsibility. The risk and security controls activity is carried out within a new entity reporting to the group security department.

Banque Palatine's hiss and more generally the hiss of all affiliates (parent companies, direct subsidiaries and it EIGS) report functionally to the group hiss. This functional link notably implies that:

- any hiss appointment is notified to the group hiss;
- Groupe BPCE's information systems security policy is adopted by the entities and each local ISS policy is submitted for the opinion of the group hiss prior to its implementation in the institution;
- reporting in relation to the level of compliance of the entities with Groupe BPCE's ISS policy, the permanent ISS control, the level of ISS risks, the main ISS incidents and the actions undertaken are communicated to the group hiss.

Banque Palatine's hiss reports to the operational risk department and is supported by an additional half-time position. It is accompanied by an additional half staff.

Monitoring of risks related to information systems security

Groupe BPCE has developed a group information systems security policy, backed by the group risk, compliance and permanent control charter. This policy defines the guiding principles for the protection of the information systems and specifies the provisions to be respected, on the one hand, by all the group's entities in France and abroad and, on the other, by any third-party entity as of the moment it accesses the information systems of one or various Groupe BPCE establishments.

The Group ISS policy constitutes a minimum base with which each institution must comply. In this respect, Banque Palatine has decided to apply the Group ISSP policy as it stands.

As part of the group's programme to comply with the requirements of the European regulation on the protection of personal data (GDPR), a GDPR support system for projects (including digital projects) is in place with an operation adapted to the agile development cycle.

Groupe BPCE is also particularly vigilant in the fight against cybercrime. A unified group security operation centre (soc) integrating a level 1, operating 24 hours a day, seven days a week, is operational.

Several actions were continued in 2023 in order to strengthen the systems to combat cybercrime:

- work to secure websites hosted externally;
- improved website and application security testing capabilities;
- implementation of a responsible vulnerability disclosure programme by Groupe BPCE cert (computer emergency response team).

Employee awareness of cybersecurity

In addition to maintaining the group's common foundation for raising employee awareness of ISS, 2022 was marked by participation in the "European cybersecurity month".

Within the scope of BPCE SA, in addition to the recurring reviews of application authorisations and rights to is resources (mailing lists, shared mailboxes, shared files, etc.), the monitoring of all websites published on the internet and the monitoring of vulnerability treatment plans have been strengthened, as well as the monitoring of the risk of data leaks by email or the use of online storage and exchange services.

New employee awareness-raising and training campaigns were carried out:

- phishing test, phishing awareness campaign and support for employees in situations of repeated failures;
- participation in induction meetings for new employees;

Work done in 2023

A global management system for security reviews and intrusion tests has been set up to cover 100% of critical IT assets over 4-year cycles. This system now makes it possible to consolidate all the vulnerabilities identified as part of the security reviews and intrusion tests, as well as the related remediation plans in drive (group tool) for centralised monitoring.

In 2023, the ISS mapping project for all of the group's information systems continued.

In this respect, each group institution, in view of its role and context, aims to draw up an ISS map of the is for which it is operationally responsible, based on the group's methodology articulating ISS approaches with that of the business lines.

A permanent level 1 control framework has been specified and made available to all institutions.

Banque Palatine worked on the ISS risk mapping steered by Groupe BPCE's ISS function.

It also worked on updating the rules of the Group ISS policy for which it is responsible (trimming). This action was validated by the group hiss in 2023 so that Banque Palatine can apply the N1 and N2 control plan proposed by the group on the private portion.

2.3 Demonstrate ethics and business leadership

2.3.1 Corruption

The prevention of corruption is part of a financial security system that reflects the commitment of Groupe BPCE, as a member of the united nations global compact.

There are several ways to prevent corruption:

- by means of the corruption risk exposure mapping of the group's entities, the methodology of which was reviewed in 2023; a new mapping will be carried out in 2024 based on this new methodology and an updated library of scenarios;
- thanks to employees' compliance with the rules of professional conduct and ethics set out in the code of conduct and ethics (prevention of conflicts of interest, policies on gifts, benefits and invitations, principles of confidentiality and professional secrecy). Disciplinary sanctions are provided for failure to comply with the professional rules governing the activities of the group's companies;
- by managing relations with third parties: standardised contracts within the group and account agreements with anti-corruption clauses, assessment of suppliers of more than €50 thousand with regard to the risk of corruption, system relating to relations with "politically exposed persons";
- a system for collecting and processing professional alerts on serious incidents, including corruption and influence peddling offences, is made available to employees (including external service providers and occasional employees).
- the procedures were updated in 2023 in order to systematise an anti-corruption analysis for all corporate customers with a risky activity. The integrity of new partners is also assessed by the new product validation and marketing committee;
- through regulatory training on professional ethics and anti-corruption in the form of e-learning.

As part of the organisation of the internal control, permanent control plans contribute to the security of the system.

The group's code of conduct and ethics was enriched at the end of 2022 with specific anti-corruption rules of conduct, including concrete illustrations of the behaviours to be prohibited from the risk scenarios identified by the mapping.

Banque Palatine also has accounting standards and procedures that comply with professional standards. The internal control system relating to accounting information aims to verify the conditions for assessing, recording, storing and making available information, in particular by guaranteeing the existence of the audit trail within the meaning of the decision of 3 November 2014, as amended on 25 February 2021, on internal control. In 2020, a group framework of controls involved in the prevention and detection of fraud and acts of corruption or influence peddling was formalised. In this context, special attention is paid to donations, sponsorship and patronage.

2.3.2 Money laundering/terrorism financing and training schemes

Efforts to combat money laundering and terrorist financing are based on a mapping of non-compliance risks by process and a risk management system whose financial security component includes:

- procedures for the fight against money laundering and the financing of terrorism and for compliance with international sanctions;
- an aml/cft training plan as well as interventions and awareness-raising actions;
- a customer knowledge system at the start of a business relationship and during the course of a business relationship that tends to expand *via* remedial actions and the use of new monitoring tools;
- use of *a priori* and *a posteriori* transaction monitoring tools;
- a system for reporting information to the appropriate administrative authorities, if applicable.

The training system, based on the mapping of non-compliance risks, is based on:

- e-learning courses to combat money laundering and the financing of terrorism provided to new employees;
- an e-learning campaign on anti-money laundering and the financing of terrorism for all employees every two years;
- interventions and awareness-raising actions aimed at those most exposed to the risk of money laundering and the financing of terrorism (branches and head office services).

Banque Palatine group indicators	2023	2022	2021
% Of employees trained in anti-money laundering (excluding LTI)	95*	77791	85

* *The AML/CFT training for the bank's employees takes place in two-year cycles. 1,005 employees completed the training between 2022 and 2023 out of 1,056 employees concerned at 31/12/2023 (excluding LTI) completed the training between 2021 and 2022.*

2.3.3 Fraud

The risk, compliance and permanent control department manages the system for preventing and handling cases of fraud within Banque Palatine through a dedicated unit. This same unit is responsible for listing all of the cases of fraud or attempted fraud detected. This unit is also in charge of prevention actions, notably through training and communication actions.

External fraud is presented to the operational risk and security committee every quarter.

In terms of internal fraud, fraud prevention and monitoring systems were strengthened following the it migration in October 2020, with the integration of the entire system deployed by Groupe BPCE. Anomaly detection requests are processed by this dedicated unit. Internal fraud is reported quarterly to the ccfci (internal control functions coordination committee) and once every six months to the COMEX (Executive committee).

2.3.4 Conflict of interest

The risk of conflicts of interest in banking, financial and insurance institutions is the subject of stricter European union regulations on “markets in financial instruments” (mifid2) and the increasing attention of regulators.

In accordance with regulations, Banque Palatine has formalised and maintains a policy for identifying, preventing and managing conflicts of interest to guarantee the priority of the client’s interests in all circumstances. The summary of this policy is available on the bank’s corporate website.

This conflict of interest policy describes the system for preventing, detecting and managing conflicts of interest implemented within Banque Palatine. In order to ensure the protection and primacy of the customer’s interests in the supply of the products and services offered with regard to the MIFID2 and insurance distribution directive (IDD) regulations, the rules of procedure and the code of conduct of Groupe BPCE, it exhibits in particular:

- circumstances that give rise or may give rise to a conflict of interest that could harm the interests of one or more clients;
- the procedures to be followed and the measures taken by the bank to manage such conflicts and prevent them from harming the interests of the customer.

This policy is based on:

- a normative framework,
  - the rules of procedure of the bank,
  - BPCE’s code of conduct;
  - rules governing the activity based on:
  - principles for defining and governing remuneration rules,
  - a system to manage the personal transactions of the employees concerned and privileged information,
  - a system to regulate gifts and donations,
  - a specific procedure for managing conflicts of interest that may arise at the level of management bodies,
  - a system to specify the rules relating to external interests,
  - a system to specify the rules relating to the marketing of products or services,
  - marketing mechanisms for products and services offered to customers,
  - an “information barrier” system;
- a mapping of potential conflicts of interest in the provision of:
  - investment services,
  - insurance products and services (life and non-life),
  - banking products and services;
- customer information:
  - on the terms of business,
  - on risky potential conflicts of interest.
- the introduction of dedicated training to raise employee awareness of conflict of interest issues and applicable rules and procedures.

The compliance and financial security department:

- analyses the situation of potential or actual conflict of interest on the basis of the information communicated to it in order to assess the various impacts likely to affect the interests of clients;
- proposes a solution to avoid or resolve the conflict of interest;
- updates the register of proven conflicts of interest, specifying, where applicable, the provisions and measures implemented.

The control system ensures the efficiency of the system put in place within Banque Palatine. When the monitoring of conflicts of interest reveals malfunctions, the compliance and financial security department defines an action plan and takes corrective measures.

2.3.5 Customer protection

The customer protection rules exist to correct the information asymmetry between the customer (not always able to correctly assess the advantages, disadvantages and risks associated with a certain product) and the professional (an employee of a financial institution). For professionals, this means adopting fair commercial behaviours and practices, taking into account the interests of the customers, limiting their risks and preventing conflicts of interests to the prejudice of customers.

The measures already outlined in the preceding points (conflicts of interest, transparency, etc.) And the following points (ethics and governance, etc.) Explain the measures in place with regards to customer protection and good commercial practices throughout the commercial process, in particular when dealing with financially vulnerable customers. Nevertheless, the efforts also relate to better customer segmentation and even their management by dedicated subsidiaries, so that employees can lend their better expertise in specific segments.

To this end, employees are regularly trained on customer protection issues in order to maintain the required level of service quality. The training courses aim to pass on a culture of compliance and customer protection to new hires and/or employees of the sales force. Ethics training has been set up for all group employees, entitled “the essentials of professional ethics”. In addition, BPCE has implemented a code of conduct and ethics, which is rolled out to all Groupe BPCE institutions.

Groupe BPCE has set up a mandatory regulatory training system that is reviewed annually.

The new regulations on financial instruments markets (mif2) and on packaged retail investment and insurance-based products (priips), to standardise pre- contractual information on packaged financial products, strengthen investor protection and market transparency. They have an impact on the bank as a distributor of financial instruments by strengthening the quality of customer experience dedicated to financial savings and insurance:

- adaptation of customer data collection and kyc (customer profile, characteristics of the customer’s projects in terms of objectives, risks and investment horizon), update of the kyc knowledge and financial investments experience questionnaire, and of the customer risk appetite and ability to sustain losses questionnaire, thus enabling appropriate advice;
- adaptation of offers related to the financial products and services marketed;
- formalisation of the advice to the customer (statement of adequacy) and its acceptance of the advice (if applicable issuance of alerts informing the customer);
- taking into account the provisions relating to the transparency of fees and charges according to the required granularity;
- preparation of periodic adequacy and value-added reports for customers and on the recording of exchanges in the context of the relationship and advice provided to customers;
- reporting of transactions to regulators and to the market, best execution and best selection obligations;
- participation in the development of employee training and change management related to these new systems.

In addition, the compliance function validates commercial challenges, ensures that conflicts of interest are managed and that the priority of customer interests is taken into account.

The compliance function ensures that sales procedures and processes, as well as commercial policies, at all times and for all customer segments, ensure compliance with the rules of compliance and ethics, in particular that the advice provided to the customer is adapted to his or her needs.

2.3.6 Inclusive finance

Financial inclusion is an important objective of retail banks. Banque Palatine, a subsidiary of Groupe BPCE, which is itself a major player in inclusive finance, is part of this approach, even if the type of its individual customer base does not appear to be financially vulnerable.

In 2022, Banque Palatine has been working with the group entity (BPCE solutions clients), which specialises in these inclusion issues, to benefit from a unit dedicated to fragile customers.

Banque Palatine identifies its individual customers in a financially vulnerable situation based on one of the 3 criteria below:

- **incidents and irregularities in the operation of the account;**
  - at least 15 incident or irregularity fees for three consecutive months and a maximum amount credited to the account during this three-month period equal to three times the monthly net minimum wage,
  - at least 5 incident or irregularity fees during one month and a maximum amount credited to the account during this one-month period equal to the monthly net minimum wage;
- **cheque payment incident criterion:** for 3 consecutive months, registration of at least one unpaid cheque or a declaration of bank card withdrawal in the Banque de France file centralising cheque payment incidents (FCC);
- **over-indebtedness criterion:** admissibility of an application filed with an over-indebtedness commission pursuant to article L. 722-1 of the French consumer code.

Identified vulnerable customers are offered by mail to subscribe to the fragile customer offer (OCF) and therefore benefit from:

- a comprehensive offer of daily banking services billed at a controlled rate of €3 per quarter (€1 per month from 1 January 2022, €3/quarter or €12/year);
- a cap on fees related to payment incidents and irregularities in the operation of the account set at €16.50/month; and
- and the specific cap on intervention fees, per transaction, provided for in article R. 312-4-2 of the French monetary and financial code, i.e. €4 per transaction up to a monthly ceiling of €16.50.

At 31 December 2023, 13 customers were equipped with this offer.

Customers identified as vulnerable who do not wish to subscribe to the ocf nevertheless benefit from a cap on fees related to payment incidents and irregularities in the operation of the account set at €25/month.

As of 31 December 2023, 234 customers were identified and supported as part of the vulnerable customer system.

As of 31 December 2023, 20 customers benefited from basic banking services (SBB).

2.3.7 Ethics and governance

On 26 may 2020, the Board of directors adopted a new governance framework, comprising:

- a corporate governance framework: an umbrella document that formalises the organisation, operating methods and responsibilities of the management bodies by reference to the various policies and texts applicable in the establishment;
- framework rules of procedure of the Board of directors resulting from the merger of the rules of procedure of the Board of directors' committees and the internal rules of procedure of the Board of directors in order to obtain more precise rules regarding the composition, the functioning and duties of the board committees;
- an appointment and succession policy: the role of the Appointments committee in terms of selection (effective managers/directors) is strengthened, as the members of the management body must be selected from among several candidates (have at least one person of each gender among the candidates - Pacte act). The policy established takes into account the system put in place by the group human resources department;
- a policy for assessing the suitability of effective managers and directors: the assessment methods are specified as closely as possible to the ACPR/BCE “fit and proper” file. The role of the Appointments committee in assessing suitability is strengthened;
- a policy for the prevention and management of conflicts of interest for effective managers and directors and a charter for the prevention and management of conflicts of interest for effective managers have been drawn up;
- a director's code of ethics, updated on conflicts of interest.

Directors’ obligations

The actions of the directors must be based solely on the interests of Banque Palatine.

Directors must consider themselves to be the representative of all shareholders and behave as such in the performance of their duties. They must not expose themselves to conflicts of interest in relation to their business relations with the company.

They must be mindful of their contribution to the exercise of their powers by the Board of directors.

The directors ensure compliance with the legal rules relating to the holding of several corporate offices and incompatibilities, as well as those applicable to credit institutions.

The directors, including the directors representing the employees, and all persons present, are bound by an obligation of confidentiality with regard to the proceedings of the board and the specialised committees, without prejudice to the professional secrecy to which they are subject, under criminal law, in relation to certain information pertaining to this secrecy.

The chairman of the meeting may declare the proceedings of a meeting to be confidential whenever regulations or Banque Palatine's interests so require. He or she may require all individuals taking part in a meeting to sign a confidentiality undertaking. He or she does the same within the board's specialised committees. This statement is placed on record in the minutes of the meeting.

If a director fails to comply with one of his or her obligations, in particular the obligation to keep matters confidential, the chairman of the Board of directors refers the matter to the board with a view to issuing a formal warning to said member, independently of any measures taken under the applicable provisions of the law, regulations or articles of association.

The Board of directors may, if so proposed by its chairman, request the dismissal of the director by the relevant body or authority. In the case of a committee member, the Board of directors may, on the proposal of its chairman, terminate his or her duties as a member of the committee.

The member concerned will be informed in advance of the proposed penalties and will be given the opportunity to present observations.

All directors are required to inform the board of any conflict of interest, even potential, and must refrain from voting on the corresponding deliberation.

A conflict of interest situation is defined as a situation in which a member of the Board of directors has a personal interest that diverges, or is likely to diverge, from the interests of all the bank's shareholders.

Unless authorised by BPCE, taken in agreement with the chairman of the board, the office of director of the bank is incompatible with a position of chief executive officer, member of the management board, director or member of the board within another credit institution or another investment services company that is not part of Groupe BPCE.

Directors are expected to participate regularly in the meetings of the Board of directors and its committees and to attend general meetings.

Those who are unable to comply with this attendance rule undertake, in accordance with the responsibilities attached to the position of director, to hand over their office to the board at the request of the chairman.

More generally, a director who considers him- or herself unable to perform his or her duties on the board, or on the committees of which he or she is a member, must resign.

All newly appointed directors undertake to participate in at least one training session that is offered to them within one year of their appointment.

Insider trading

When taking office, the directors sign the code of ethics for directors of Banque Palatine appended to the framework regulations of the Board of directors.

This code of ethics for the directors of Banque Palatine specifically specifies:

- the management of inside information (articles 621-1 and 622-1 of the AMF general regulation);
- transactions on financial instruments issued by Banque Palatine (article 19-1 of regulation no. 596/2014);
- black-out periods on the financial instruments of Groupe BPCE's companies;
- conflicts of interest;
- prevention of insider trading.

Diversity

The directors of Banque Palatine proposed by the central body of the Banques Populaires and Caisses d'Epargne BPCE network are among the group's senior executives and have a wealth of experience in leadership and strategy development.

Their diversity in terms of skills, experience, geographical representation and gender is an essential asset for the board.

Parity

Parity is an important indicator for Banque Palatine's executive management. It is monitored for the Board of directors, for executive management, the Executive management committee and the Executive committee. It is one of the indicators of the up 2024 strategic plan via the percentage of female managers, which in 2023 reached 40.2% of managers.

As at 31 December 2023:

- the percentage of female directors on the Board of directors was 50% and thus complied with the Copé Zimmermann act;
- the Executive management committee had 50% of women managers;
- the Executive committee was made up of 50% women managers;
- Banque Palatine publishes the Rixain index on its institutional website, which reached 50%.

2.4 Always better serving customers over the long term

12 RESPONSIBLE CONSUMPTION AND PRODUCTION
16 PEACE, JUSTICE AND EFFICIENT INSTITUTIONS

2.4.1 Quality of customer relations

Banque Palatine has placed the improvement of service and customer satisfaction at the heart of its strategy and its 2024 up strategic plan.

Its quality policy, called "customer excellence", enacts a permanent focus on customer satisfaction and translates internally as a constant drive for continuous improvement of its processes. Its UP strategic plan reflects two strong ambitions, the ramp-up of customer service and acceleration of customer process improvements towards excellence.

Banque Palatine's "customer experience" approach is designed to work across the group and involves all of the bank's employees. It is a process which encourages the commitment of employees by investing in their expertise and relational qualities and by remunerating performance related to customer satisfaction. In this spirit, the participatory "Olympiads for Excellence" project has made it possible to mobilise dozens of employees around 30 continuous improvement projects and local initiatives.

Furthermore, listening to customers both in qualitative and quantitative terms is one of the founding principles of the approach which allows Banque Palatine to better understand its customers, and provide them with a tailor-made response its comprehensive customer listening system was renovated in 2023 in order to ask all customers to express their level of satisfaction. It enables measurement of customer satisfaction and the effectiveness of the actions taken to improve its quality of service.

With the TS-I (overall satisfaction score), the net promoter score (NPS) remains a key indicator for Groupe BPCE and Banque Palatine because it enables the recommendation and customer experience to be compared with other banking players and other types of service companies. This indicator is internationally recognised and, in addition to measuring customer satisfaction, it gauges the likelihood of their recommending the bank to their friends and family. The NPS is used as the benchmark indicator (the NPS is calculated by removing the percentage of customers who are "detractors" from that of customers who say they are "promoters").

2.4.2 Net promoter score (NPS)

In June 2023, the quality department (now the customer experience - customer relations department) conducted quantitative satisfaction surveys on customers in its two markets (private and corporate customers) in order to measure change in the perception of the bank by its customers, but also to consider changes in the customer relationship in a complex health context.

The levels of the NPS obtained in 2022 (-25 for private customers and +13 for business customers) are marked by the impact of the recent IT migration (October 2020) followed by the network transformation (2022), but confirm the relationship of excellence and partnership that Banque Palatine maintains with its customers.

3 From human capital to employee commitment

3.1 Key issues

After a year in 2022 marked by the transformation of the distribution model resulting in the reorganisation of the branch network and The implementation of a voluntary redundancy plan, 2023 was characterised by the continuity of previous promises and biases, namely " *employee commitment to support commercial development, transformation and strengthening of the quality of service*". In this context, the human resource challenges are to:

- **strengthen cohesion and cultivate meaning:**
  - strengthen exchanges between employees and the "managers/human resources" team with the aim of continuously improving the hr process, starting with integration, in particular by continuing with the Academ'In programme for new recruits;
- **develop new ways of working:**
  - work on the teleworking agreement, with a view to better reconciliation between private and professional life, which required a few adaptations of the previous agreement,
  - pay particular attention to managers in a context of transformation that requires changing management practices and promoting the key role of managers in relation to the hr challenges of their teams, such as attracting, retaining and supporting career paths.

Objective: to create an employee experience that sets us apart from our competitors, in line with a very dynamic job market, high inflation and new recruitment methods that encourage rapid change;

- **modernise and digitise uses**:
  - capitalise on new tools and equipment to develop new ways of working,
  - digitise certain administrative tasks (e.g. development of Docusign) in order to increase efficiency, reduce our carbon footprint and ensure the proper recording of documents related to the employee's life,
  - better steer hr data in order to give meaning to the use of individual and collective data;
- **secure the skills of tomorrow through individualised pathways**:
  - attract and recruit, through extensive partnerships with certain schools in order to become a key player for them,
  - develop a more dynamic work-study policy in conjunction with the business lines to create talent pools,
  - continue to develop our employer brand by:
    - strengthening the presence on social networks such as LinkedIn: the main professional network,
    - making commitments on the transformation of work-study participants into permanent and fixed-term contracts according to the opportunities present,
    - standing out through labels that underpin our hr policy,
    - Deploying recruitment showcases such as welcome to the jungle and DogFinance with up-to-date data on the bank's main challenges, its values, its culture and its business lines,
- **supporting and developing talent through proactive skills management** and individualised professional career paths in order to align our skills with business needs, particularly in terms of moving upmarket to demonstrate that the company is thinking about the future of its teams. "the art of being a leader" courses, "circle of excellence" events and group courses are deployed for identified talents.

3.2 Analysing the workforce structure

5 GENDER EQUALITY

As of 31 December 2023, the bank's headcount comprised 1,088 employees, of whom 91% were on permanent contracts, compared with 93% in 2022. The large proportion of permanent contracts in the total workforce reflects the bank's desire to promote long-term and non-precarious employment.

Women represent 52% of the total workforce, a proportion that has remained stable over the last 3 years. The proportion of executives stood at 74.7% in 2023. Within this professional category of managers, the proportion of women increased from 47% in 2023 (vs 47.5% in 2022).

The recruitment policy for work-study contracts continues, with 63 young employees on apprenticeships or professionalisation contracts within the Palatine teams, i.e. precisely 53 new contracts, including 25 within the branch network and 10 prosecutions in the second year. This is a significant change in our work-study policy in connection with the opportunity, in particular, to create Palatine talent pools. In addition, an integration process for our new work-study trainees was redesigned in 2023 under a new hybrid format with:

- a digital escape game the day before their integration day;
- a day of face-to-face integration at the head office with highlights such as the meeting with the Executive committee, the testimonials of former work-study students and, above all, a new event in connection with CSR, with the deployment of the "climate fresco" workshop.

3.2.1 Breakdown of workforce by contract type, status and gender

Banque Palatine has employees in mainland France; the geographical distribution is therefore not indicated.

N/c: not concerned - n/a: not available

	31/12/2023			31/12/2022			31/12/2021		
Indicators	**BP**	**PAM**	**Ariès**	**BP**	**PAM**	**Ariès**	**BP**	**PAM**	**Ariès**
Total permanent and fixed-term staff including those on work-study programmes	1,088	30	1	1,080	27	1	1,146	27	1
Total permanent and fixed-term staff (not including work-study and internship programmes)	1,027	28	1	1,036	27	1	1,101	25	1
Number of permanent employees	987	28	1	1,005	27	1	1,043	25	1
Permanent employees as a % of the total workforce	91%	93%	100%	93%	100%	100%	91%	93%	100%
Fixed-term employees, including those on work-study programmes	101	2	0	75	0	0	103	2	0
Fixed-term employees as a % of the total workforce	9%	7%	0%	7%	0%	0%	9%	7%	0
Total managers	807	28	0	798	27	0	789	24	0
Managers as a % of the total workforce	74%	93%	0%	74%	100%	0%	69%	89%	0.00%
Total non-managerial employees	281	2	1	282	0	1	357	3	1
Non-managerial employees as a % of the total workforce	26%	7%	100%	26%	0%	100%	31%	11%	100%
TOTAL FEMALE WORKFORCE BREAKDOWN BY AGE GROUP:	**570**	**9**	**1**	**568**	**8**	**1**	**594**	**11**	**1**
18-<26 years of age	47	1	0	34	1	0	37	2	0
26-<31 years of age	72	0	0	70	0	0	66	2	0
31-<36 years of age	92	0	0	82	0	0	92	0	0
36-<41 years of age	78	0	1	91	0	1	84	0	1
41-<46 years of age	73	1	0	70	1	0	76	1	0
46-<51 years of age	66	2	0	64	0	0	62	0	0
51-<56 years of age	38	0	0	38	1	0	53	1	0
56-<61 years of age	81	3	0	97	3	0	103	3	0
61 years of age and older	23	2	0	22	2	0	21	2	0
Female employees as a % of the total workforce	52%	30%	100.0%	53%	30%	100.0%	52%	41%	100.00%
TOTAL MALE WORKFORCE BREAKDOWN BY AGE GROUP:	**518**	**21**	**0**	**512**	**19**	**0**	**552**	**16**	**0**
18-<26 years of age	43	2	NC	37	0	NC	35	0	NC
26-<31 years of age	72	1	NC	69	3	NC	71	3	NC
31-<36 years of age	59	6	NC	65	4	NC	79	3	NC
36-<41 years of age	64	1	NC	68	1	NC	75	1	NC
41-<46 years of age	74	2	NC	62	3	NC	67	1	NC
46-<51 years of age	58	2	NC	65	1	NC	65	1	NC
51-<56 years of age	60	1	NC	51	1	NC	53	2	NC
56-<61 years of age	56	3	NC	67	5	NC	77	5	NC
61 years of age and older	32	3	NC	28	1	NC	30	0	NC
Male employees as a % of the total workforce	48%	70%	0.00%	47%	70%	0.00%	48%	59%	0.00%

For the 2023 financial year, the total number of hires on permanent contracts was 139 employees and 70 on fixed-term contracts, excluding work-study contracts. This represents a decrease in the total number of new hires by 11% compared to 2022.

The majority of those hired on permanent contracts were managers (93% of permanent hires in 2023 compared to 83% in 2022). For fixed-term contracts, the share of recruitments with executive status is stable, with the rate at 36% as in 2022.

Hires are equal. In 2022, women accounted for 50% of permanent hires, whereas they represented 49% of permanent hires in 2022.

The breakdown of permanent hires by age group is less concentrated on young employees. Those under the age of 35 represent 52% of permanent hires, compared with 56% in 2022.

Indicators	31/12/2023 BP	31/12/2023 PAM	31/12/2023 Ariès	31/12/2022 BP	31/12/2022 PAM	31/12/2022 Ariès	31/12/2021 BP	31/12/2021 PAM	31/12/2021 Ariès
Total number of managers hired on permanent contracts	101	6	0	116	6	0	41	4	0
Total number of managers hired on fixed-term contracts	25	6	0	35	1	0	28	0	0
Total number of non-managerial employees hired on permanent contracts	38	0	0	23	0	0	17	1	0
Total number of non-managerial employees hired on fixed-term contracts	45	0	0	62	0	0	81	0	0
Total number of women hired on permanent contracts	69	3	0	68	1	0	22	2	0
Total number of women hired on fixed-term contracts	46	0	0	61	0	0	69	0	0
Total number of men hired on permanent contracts	70	3	0	71	5	0	36	3	0
Total number of men hired on fixed-term contracts	24	1	0	36	1	0	40	0	0

3.2.2 Breakdown of departures by contract, reason and gender

The number of departures on fixed-term contracts in 2023 decreased compared to 2022: 61 departures on fixed-term contracts were recorded in 2023 compared to 124 in 2022, a decrease of 51%.

With regard to permanent contracts, 157 departures in 2023 compared to 177 in 2022 were recorded, i.e., a decrease of 11%.

Permanent staff departures will be lower in 2023 than in 2022, as the bank's headcount reduction trajectory under the up 2024 strategic plan comes to an end. More than 40% of these departures concern the sales network, notably as part of the voluntary departure plan, and 60% of departures concern central functions, with almost 30 retirements as part of the downsizing.

Indicators	31/12/2023 BP	31/12/2023 PAM	31/12/2023 Ariès	31/12/2022 BP	31/12/2022 PAM	31/12/2022 Ariès	31/12/2021 BP	31/12/2021 PAM	31/12/2021 Ariès
Number of employees on permanent contracts leaving the entity	157	5	0	177	4	0	132	4	0
Of which number of people retiring	21	0	0	36	0	0	24	0	0
Departures for retirement as % of total permanent employees	2.1%	0.00%	0.0%	3.6%	0.00%	0.0%	2.3%	0.00%	0.0%
Of which redundancies	8	0	0	11	0	0	7	1	0
Redundancies as % of total permanent employees	0.8%	0.0%	0.0%	1.1%	0.0%	0.0%	0.67%	4.00%	0.0%
Average length of service of permanent employees leaving the entity	11.73	15.39	0	1,166	3.03	0	13.28	7.93	0
DEPARTURES AMONG WOMEN WITH PERMANENT CONTRACTS BY REASON	**81**	**2**	**0**	**83**	**2**	**0**	**56**	**1**	**0**
Resignation	43	2	0	36	2	0	22	0	0
Termination	6	0	0	7	0	0	4	0	0
Transfer within the group	8	0	0	14	0	0	6	0	0
Retirement	11	1	0	17	0	0	15	0	0
Voluntary redundancy	8	1	0	4	0	0	8	0	0
End of probation period	3	0	0	5	0	0	1	1	0
Other reason	2	0	0	0	0	0	0	0	0
DEPARTURES AMONG MEN WITH PERMANENT CONTRACTS BY REASON	**76**	**3**	**0**	**94**	**2**	**0**	**76**	**3**	**0**
Resignation	41	2	0	46	0	0	36	2	0
Termination	2	1	0	4	0	0	3	1	0
Transfer within the group	13	0	0	15	0	0	16	0	0
Retirement	10	0	0	19	0	0	9	0	0
Voluntary redundancy	1	2	0	6	2	0	8	0	0
End of probation period	9	0	0	4	0	0	2	0	0
Other reason	0	0	0	0	0	0	2	0	0

3.3 Promoting quality of life at work and employee well-being

3.3.1 Quality of life and working conditions (QVCT)

The bank signed its first agreement on quality of life at work in November 2017 and renewed the measures with a new agreement signed on 1' December 2020 with an end date of 31 December 2023; for this reason, new negotiations will be conducted in 2024. It should be noted that numerous existing systems within the bank contribute to the improvement of working conditions, the reconciliation of working time and the development of the quality of life at work: teleworking agreement, flexible working hours arrangements, on-call agreement, social worker, psychological counselling unit, group jobs and skills management planning agreement (GEPP)[1], etc.

The bank has perpetuated the main measures resulting from the initial agreement and broken down below:

- strengthen communication on the various mechanisms and measures leading the QVCT with, in particular, the organisation of a "questionnaire to better know employees who are caregivers" campaign, which was held from 1 to 15 June 2023 with 101 respondents;
- the existence of a QVCT contact person within the company and reporting to the human resources department in order to promote and coordinate the quality of life and working conditions policy in the company;
- administer an annual QLW survey. Administered in December 2023 via a digital Wittyfit tool that assesses two indicators: job satisfaction and stress. The work satisfaction indicator is estimated at 6.4/10 on average (vs. 5.6/10 on average in 2022 and 5.4/10 in 2021); and
- 76% of employees are rather satisfied or very satisfied at work in 2023. The main strengths lie in the atmosphere, meaning and values, managerial support and work/life balance.

Seven major chapters structure the agreement, which focuses on:

- **support for family caregivers** with the provision of a specific guide, on-call social workers, conferences and dedicated workshops, and the introduction of authorised absences;
- **the donation of days** with the creation of a solidarity fund matched by the bank;
- **the integration and retention of people with disabilities** with the appointment of a disability officer;
- **Support for change**, particularly in anticipating its impacts in terms of working conditions and workload with the involvement of stakeholders (upstream and downstream questionnaire, working group, etc.), the deployment of training on better coping with changes, a change management guide distributed on the bank's intranet, the dissemination of a webinar on the project culture, training for organisers on the analysis of workload and impacts on working conditions;
- **the right to disconnect**, with the provision of a practical guide on the subject outlining good practice and a dedicated question in employees' annual interviews;
- **spaces for expression** with the update and distribution to employees of the practical guide right & spaces for expression;
- **prevention of health risks at work** with the regular updating of DUERPs) [2] and the rollout of PSR [3] awareness training for new arrivals.

A new teleworking agreement was signed in November 2023 between management and the social partners. This agreement includes changes to meet the expectations of the social body, in particular to facilitate access to teleworking for as many people as possible and to offer greater flexibility. It extends the possibility of teleworking if the necessary conditions are met for all employees on permanent, fixed-term or work-study contracts, and even to employees on probation, whether they work from their main or secondary residence: up to two fixed teleworking days a week, with the possibility of floating teleworking days for greater flexibility in certain professions.

3.3.2 Work-life balance

The weekly working hours, for employees working on the basis of a collective working hours system, are 39 hours. The allocation of working time reduction days brings the average length of work down to 35 hours over the year. The working time of managers is calculated in days, and they are required to work 206 days per year.

Employees may also choose to work on a part-time basis.

At the end of 2023, 40 employees on permanent contracts had adjusted working hours in the form of part-time work, making up 3.6% of all employees on permanent contracts, of which 90% were women. The number of part-time employees decreased in 2023, both in terms of number of people and as a percentage of the bank's total workforce.

Within the framework of the agreements on QLW and jobs and skills management planning (*Gestion Prévisionnelle des Emplois et des Compétences* - GEPP), Banque Palatine initiated new ways of organising working time: the 4-day week and end-of-career leave set up in 2018 continued in 2023.

These methods of organising working time are in addition to the variable working hours system already in place for non-managerial employees at head offices.

(1) Employment and career path management
(2) Single risk assessment document
(3) Psychosocial risks

Indicators	31/12/2023 Bp	31/12/2023 PAM	31/12/2023 Ariès	31/12/2022 Bp	31/12/2022 PAM	31/12/2022 Ariès	31/12/2021 Bp	31/12/2021 PAM	31/12/2021 Ariès
Breakdown of female permanent employees on the payroll at 31/12 by working hours	37	0	0	39	3	0	47	2	0
20%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
30%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
40%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
50%	*7*	*0*	*0*	*8*	*0*	*0*	*12*	*0*	*0*
60%	*1*	*0*	*0*	*1*	*1*	*0*	*1*	*1*	*0*
70%	*2*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
80%	*24*	*0*	*0*	*27*	*1*	*0*	*29*	*1*	*0*
85%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
90%	*3*	*0*	*0*	*3*	*0*	*0*	*5*	*0*	*0*
Breakdown of male permanent employees on the payroll at 31/12 by working hours	3	0	0	4	1	0	5	1	0
20%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
30%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
40%	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
50%	*1*	*0*	*0*	*1*	*0*	*NONE*	*1*	*0*	*NONE*
60%	*1*	*0*	*0*	*1*	*0*	*NONE*	*0*	*0*	*NONE*
70%	*1*	*0*	*0*	*0*	*0*	*NONE*	*0*	*0*	*NONE*
80%	*0*	*0*	*0*	*2*	*0*	*NONE*	*2*	*0*	*NONE*
90%	*0*	*0*	*0*	*0*	*1*	*NONE*	*0*	*1*	*NONE*
Number of women on part-time permanent contracts for the non-managerial population	22	0	0	22	0	NC	27	0	NC
Number of women on part-time permanent contracts for the managerial population	15	0	0	17	2	NC	21	2	NC
Number of men on part-time permanent contracts for the non-managerial population	2	0	0	2	0	NC	0	0	NC
Number of men on part-time permanent contracts for the managerial population	1	0	0	2	1	NC	3	1	NC

Since 2018, Banque Palatine has been a signatory of the life-time balance charter, thereby recognising the fundamental importance of work-life balance. This priority was reaffirmed in the QLW agreement of 1 December 2020.

In particular, the bank:

- implements information campaigns on best practices to adopt in terms of digital tools;
- makes managers aware of the right to disconnect and in particular of:
  - exemplarity,
  - the need to discuss the right to disconnect at least once a year (during open discussion meetings),
  - work requests and deadlines forcing employees to work evenings or weekends,
  - workload compatible with compliance with the provisions relating to rest periods;
- includes a section on the right to disconnect in the annual staff interview and in the annual QLW survey.

3.3.3 Psychosocial risks (PSR)

Given the complexity of the phenomenon of stress at work, the multiplicity of individual reactions to the same factors, the interpenetration of stress arising outside any professional activity, it is established that the main psychosocial risk factors are as follows:

- organisation of the activity: change of position, organisational changes and support, difficulties in personal organisation, workload and, in particular, occasional increased activity, time pressure;
- the modes of management and level of personal responsibility: low autonomy or excessive autonomy and little control or excessive control, risk of error, uncertainty, quality and pace of directives;
- internal relations: manager/employee relations, relations between colleagues;
- customer relations: incivility;
- sexual harassment and sexist behaviour;
- work-life balance: family constraints;
- health and environmental factors: physical environment.

Numerous systems exist within the bank for these different factors, including:

An external support unit: "Qualisocial support unit";

- development of managerial skills;
- a training offer dedicated to quality of life at work and the prevention of PSR;
- an awareness campaign on well-being at work;
- provision of advice sheets on movements and postures related to occupational health services;
- the development of teleworking;
- the appointment of sexual harassment and sexist behaviour officers within the bank.

As part of its prevention policy, the bank has put in place a procedure (tertiary prevention) for handling situations of violence at work and PSR.

This operating method is based on 3 procedural guarantees:

- confidentiality of exchanges;
- individual interviews conducted by a maximum of 2 people;
- the drafting of a confidential report strictly reporting the comments made, dated and signed by all participants.

This procedure includes several steps:

- **alert and referral:** any employee who considers him- or herself to be in a potential situation of violence at work, harassment or PSR can directly contact his or her manager, human resources manager (hr manager), the contacts (from the human resources department or the social and economic committee - sec) in the fight against sexual harassment and sexist behaviour or a member of the health, safety and working conditions commission (Commission de Santé, Sécurité et Conditions de Travail - CSSCT);
- **interviews:** alerted directly or via the manager or a member of the CSSCT, or the sec officer in matters of sexual harassment and sexist behaviour, the hr manager or the hr officer acknowledges receipt of the alert within 48 hours and receives the employee as soon as possible for an interview, in order to qualify and identify the alert and collect the factual elements while respecting confidentiality;
- **investigation:** following this interview, the hr officer or the hr advisor continues with the investigation of the file, with the preparation of a report submitted to the employees for approval. The HR manager or the hr officer reviews the situation at each stage of the process with the CSSCT member or the CSE officer who received the alert if he or she is not present at the interviews. The hr manager or the hr officer and the CSSCT member or the CSE officer present at the interviews draw up a report with the necessary corrective actions and recommendations in terms of prevention, with the help of external prevention stakeholders, if needed. The objectives of this investigation are to collect the facts and evidence in a precise manner, to interview any witnesses, to meet the persons involved in an impartial manner and to ensure fair treatment;
- **conclusions and recommendations:** the conclusions of the PSR procedure are presented by their authors in a meeting of the CSSCT in respect of the confidentiality of individuals. In support of the recommendations, the bank determines the appropriate measures to be implemented.

All new hires at the bank also benefit from an awareness-raising session on “prevention of psychosocial risks”.

As part of the management of this health crisis, the bank continued to reiterate the recommendations relating to “barrier gestures” and best practices. It regularly updated its annual risk assessment document.

3.3.4 Compliance with labour law and professional ethics

The bank, like all responsible players, complies with the requirements of labour law. No collective disputes are to be deplored and, if differences of interpretation arise, they are dealt with through social dialogue.

The bank also signed seven collective agreements and amendments for the year 2023:

- agreement on mandatory annual negotiations for 2024 within the Banque Palatine UES;
- agreement on the conditions for granting and paying a value sharing bonus in 2023 within the Banque Palatine UES;
- Palatine asset management incentive agreement;
- amendment no 1 to the Palatine asset management incentive agreement;
- amendment no 4 to the agreement on the supplementary pension plan of UES Banque Palatine;
- incentive agreement for Banque Palatine in 2023;
- agreement on teleworking within the Banque Palatine UES.

3.3.5 Compliance with the International Labour Organization (ILO) conventions

In relation to its activities in France and internationally, Banque Palatine is committed to complying with the provisions of the ILO conventions:

- respect for freedom of association and right to collective bargaining;
- elimination of discrimination in employment and occupation.

In accordance with the signature and the commitments undertaken under the global compact, Banque Palatine will not use forced labour, compulsory labour or child labour within the meaning of the international labour organisation, even when this is permitted by local regulations.

Further, under its procurement policy, Groupe BPCE refers to its sustainable development policy and its membership of the global compact as well as the founding texts, i.e., the universal declaration of human rights and the international conventions of the international labour organization (ILO). Suppliers agree to comply with these texts in the countries in which they operate by signing contracts containing a specific clause in this respect.

3.3.6 Accidents at work, occupational health and safety

The number of workplace accidents increased from four in 2022 to six in 2023.

However, this development must be linked to the classification of reported accidents and their severity. In fact, only an accident gives rise to sick leave.

	31/12/2023			31/12/2022			31/12/2021		
Indicators	**BP**	**PAM**	**Ariès**	**BP**	**PAM**	**Ariès**	**BP**	**PAM**	**Ariès**
Number of accidents at work recorded during the year with and without time off	6	0	0	4	0	0	5	0	0
Number of fatal accidents recorded during the year	0	0	0	0	0	0	0	0	0
Number of working days lost*	109	0	0	3	0	0	54	0	0
Severity rate	0.056	0	0	0.002	0	0	0.026	0	0
Frequency rate	3.11	0	0	2.04	0	0	2.40	0	0

** The number of workdays lost is stated as the number of calendar days. It relates solely to workplace accidents and excludes travel accidents.*

3.3.7 Absenteeism

After an increase of 1.17 points between 2021 and 2022, 2023 was marked by a slight decrease in the absenteeism rate for Banque Palatine. This can be seen in particular by the number of days of sick leave. On the other hand, the absenteeism rate at PAM has remained on the rise since 2021.

	31/12/2023			31/12/2022			31/12/2021		
Indicators	**BP**	**PAM**	**Ariès**	**BP**	**PAM**	**Ariès**	**BP**	**PAM**	**Ariès**
% of absenteeism: days of absence/(business days *employees registered at 31/12)	4.92%	3.80%	Nc	5.37%	2.66%	Nc	4.2%	1.4%	nc

3.3.8 Overtime

Regular awareness training for managers since 2015 and research into new ways of organising working time have resulted in a reduction in the number of overtime hours worked for the fifth consecutive year.

In 2023, the number of overtime hours reached a record low. A decrease of more than 80% was observed between 2020 and 2023.

	31/12/2023			31/12/2022			31/12/2021		
Indicators	BP	PAM	Ariès	BP	PAM	Ariès	BP	PAM	Ariès
Overtime (hours)	1,872	0	0	3,580	0	0	5,292	0	0
Number of persons concerned	71	0	0	120	0	0	117	0	0

3.3.9 Working environment

During the refurbishment of its premises, the bank is continuing its desire to offer employees greater comfort at work, particularly with appropriate acoustic treatments, the provision of meeting rooms, refurbished bubbles and friendly spaces.

In terms of the working environment, the new branch office model continues to be rolled out according to renovations or new leases. The new concept has a dual purpose: more user-friendly spaces to refocus on consulting and showcase new technologies. The Banque Palatine branch must allow the customer to take his or her own banking in hand (using digital technology) while also offering personalised support, retaining the human touch. Comfortable enclosed private spaces will be created where clients can talk easily with their advisor (via video conferencing, if necessary), reception rooms made available to employees, and individual offices for advisers are eliminated. The working space for all employees is open plan, encouraging synergies and collaborative working.

The purpose of the nfa2 (new branch format) concept deployed since 2018 is to:

- offer a high-end customer/user experience while reducing the bank's carbon footprint;
- offer clients, whether internal or external, a successful experience: a high-end bank that will meet their expectations;
- welcoming customers to a lounge decorated with bespoke and high-end codes to strengthen the experience and brand;
- promote both informal exchanges and conviviality by integrating a hybrid space and also making it possible to host external parties or organise events;
- position a totemic element on each site in order to differentiate the sites from each other;
- offer employees and customers a real living space and no longer just a bank branch;
- limit the volume of material used in order to propose an evolving concept incorporating a CSR and participatory dimension;
- reduce energy consumption by installing more thermal glazing and insulating peripheral walls with biosourced materials (hemp wool in particular);
- install a voluntary delivery centre with bespoke receptacles;
- listen to internal customers (employees) and external customers (customers) by relying on working groups to refine the concept via a continuous improvement approach.

To meet the QLW challenges and transformation objectives in line with the network's strategic plan, the following sites were either (partially or totally) created or renovated:

- Paris Rive Gauche;
- Paris Opera;
- Paris Matignon;
- Lille;
- Alps (Annecy, Meylan, Chamonix);
- Paris Malesherbes;
- Paris Courcelles (partial redevelopment);
- Lyon Premium;
- Lyon Confluence;
- Saint Germain en Laye.

At the same time, Banque Palatine carried out a major action to reduce the real estate footprint, namely:

- closure of the Marseille Prado, Lyon Brotteaux, Grenoble, and Raspail sites with the aim of grouping these sites in buildings with a better environmental footprint (either via relocation or via works).

As the transformation of the network is almost complete, Banque Palatine plans to overhaul the real estate footprint of its head offices. A process was undertaken in the first half of 2023 to relocate the administrative headquarters in Val de Fontenay. A lease was signed on 16 June 2023 in a building with multiple environmental certifications. This building, the Joya, also located in Val de Fontenay, will reduce the carbon footprint of the Val de Fontenay sites by more than 50%.

Co-construction work was initiated in the second half of the year to propose a working environment that meets the latest standards and improves quality of life and working conditions. The move is planned for the first half of 2024.

As part of the future move, the bank has chosen a future head office that complies with the new environmental standards.

The bank continues, with the refurbishment of its premises, to increase work comfort with better lighting, the availability of a meeting room and redesigned spaces.

3.3.10 Office automation and teleworking

In the wake of 2022, Banque Palatine adapted the working conditions of its employees and continued to equip them with it and office equipment in order to allow teleworking under the best possible conditions. In addition, it also allows its employees to benefit from a reimbursement of small equipment if some wish to supplement the equipment already provided.

- **Laptop computer**

Since September 2020, all employees have been equipped with laptop computers.

- **Telephony:**

Since September 2020, all the bank's permanent employees have been equipped with a professional smartphone.

- **Communication tools:**

Taking advantage of the health crisis, the bank has rolled out video conferencing tools and shared documents.

Since 2021, the bank has made available to its employees a new it solution (Beemyflex) allowing simpler and faster declaration of working methods (working on site/teleworking), thus providing a global and real-time view of the working situation of employees.

3.4 Ensuring the employability and inclusion of employees

3.4.1 Our employer brand, an asset to recruit and retain talent

The Banque Palatine employer brand, launched in 2018, reinforces the bank's appeal through a strong visual identity and regular long-term momentum.

It highlights its differentiating assets in terms of values, corporate culture and human resources policy: opportunities for functional and geographical development, tailor-made career path, support and training with a personalised approach adapted to the uniqueness of each individual.

For 2023, several major actions were carried out to strengthen the already strong employer brand dynamic. Here are a few examples:

- a renewal in June 2023 of the phygital event initially organised on 31 may 2022 with two partners, DogFinance and viseet, the aim of which was to invite candidates shortlisted by the service providers in line with the specifications defined beforehand and to encourage recruitment in a more creative and less formal format. The challenge was also to work on a dual format:
  - face-to-face with candidates invited to the premises located on rue de Courcelles in Paris for a cocktail and the opportunity to, discuss their expectations and questions with members of the Executive management committee, managers and the HR team,
  - remotely with candidates who conducted remote interviews with managers and recruiters;

In concrete terms, this event was less of a success than the previous year, which led us to rethink the approach *via*, in particular, the reflection of an "after-work in-house" based on the attractiveness of the co-optation bonus revalued to €1,500; an ongoing project that will be rolled out in q1 2024;

- our partnerships signed in the summer of 2022 with DogFinance and welcome to the jungle are maintained with these two professional networks. The challenge is to target the right candidates at the right time and to have distribution channels to receive quality CVS in line with specific needs.
- since the 4th quarter of 2022, weekly communication has been introduced through posts on the LinkedIn network, featuring attractive visuals of branch locations and team photos. The objective was to promote Banque Palatine's opportunities while working on an image of excellence and proximity. This convincing approach, worked with business line players through the co-construction of pitches and visuals, was repeated throughout 2023 in order to have a strong and regular animation dynamic on this social network.

The human resources department continued this work aimed at attracting new talent from well-known establishments.

In addition, the signing of the Groupe BPCE contract with LinkedIn should enable us to increase the volume of applications in 2024 and benefit from an even broader showcase of target candidates.

In terms of career management, close individual support and an ambitious training plan enable Banque Palatine to offer its employees training and development programmes that help to build loyalty.

The effectiveness of its actions is reflected in the figures over the last 3 financial years:

- in a context of highly competitive recruitment and an upturn in the job market, the resignation rate at Banque Palatine, although on the rise, remains moderate at 6.59% in 2023 compared with 6.27% in 2022;
- all job offers were filled thanks to this external notoriety and internal mechanisms: loyalty (circle of excellence system, strengthening of job links via training) and co-optation. More than ever, Banque Palatine's employees are its best ambassadors and this common thread is widely shared during the Academin and induction days for new work-study students.

3.4.1.1 Integration of new employees

In 2022, a new system for integrating new Academin employees was launched and continued in 2023 with key moments such as:

- an onboarding programme of 2 to 5 days, face-to-face:
  - two basic days for all business lines and which benefit from the participation of around ten speakers such as members of general management, the hr department, communications, compliance, transformation, marketing, etc.
  - 3 additional days for the private customer and corporate market lines. Around twenty experts who take turns to acculturate them to the tools, products, management approach, business management, etc.;

This format provides new entrants with a qualitative welcome to ensure successful integration;

- job immersions continue and have become excellent levers for an employee experience that is appreciated both by the employee concerned and by the players in the host department, who are happy to share their jobs, challenges and ambitions. They promote networking, cross-functionality and play a key role in validation, with an *a posteriori* hr interview for a change in job, if desired. In addition, they sometimes allow recruitment in a more spontaneous format via encounters with people and the emergence of common interests.
- the “Welcom'In” application with the Furetcompany partnership continues to be offered to future employees prior to their physical integration (discovery of the company, mini-challenges to overcome, visuals to familiarise themselves in a fun way with the future environment); this whilst awaiting the rollout in 2024 of the BPCE HEYTEAM group tool.

In 2023, a major effort was made to build the induction day offered to new work-study trainees on 29 November 2023, with two new features in particular:

- an escape game the day before;
- a workshop on climate fresco in the afternoon.

Lastly, Banque Palatine is also continuing its relations with schools and, for example, has anticipated the 2023 work-study campaign from November 2022 with the publication of all its offers by 31 January 2023.

The challenge is to work on recruitment plans over several years with the creation of pools in various professions, to anticipate the sourcing of the best profiles and the shortage of certain professions over the coming years; this is why the 2024 campaign also promises to be a key challenge in maintaining this ambitious dynamic.

3.4.1.2 Career management and mobility

In 2023, strong attention was maintained on recruitment both internally and externally given the sustained turnover rate linked to a macroeconomic environment marked by:

- a dynamic labour market (see a low unemployment rate not reached in nearly 40 years);
- significant pressure on certain banking sector profiles, particularly commercial jobs and support functions such as risks;
- strong expectations of candidates for high levels of remuneration.

In an increasingly complex and competitive job market, recruiters must support managers in moving from a selection process to a process of seduction; support that requires patience, education and resilience; this is why in 2023 we organised a workshop for managers in a 1-hour teams format with 10 participants. This collaborative workshop makes it possible to familiarise managers with changes in best practices related to recruitment and the use of LinkedIn while raising their awareness of the challenges of short- and long-term recruitment with a qualitative approach combining their selection o soft skills and hard skills. This workshop will continue in 2024 to ensure that all managers are supported in this key hr issue for the future.

In addition, three major additional initiatives were carried out in 2023 on recruitment in line with the desire to create a differentiating career dynamic:

- re-evaluation of the co-optation bonus to €1,500 from 1 July 2023 to encourage employees to network and promote high-quality applications;
- a major work-study campaign with a higher number of recruitments than usual. Some key figures: 63 work-study participants at 31 December 2023 *versus* 44 at 31 December 2022, a conversion rate for permanent/fixed-term contracts of 36% compared with 25% in 2022;
- professionalisation of our internal and external recruitment process with the development of the *test assess first* which allows us to have a more accurate analysis of profiles.

At the same time, we continued to support employees in their professional projects according to the opportunities present within the bank, while encouraging them to dare to move towards managerial positions, new business lines or new regions in order to boost each employee's professional momentum.

The team of human resources managers remained highly mobilised throughout 2023, with business lines close to both managers and employees, sometimes with targeted retention actions depending on the profiles to be retained that are widely approached by the competition.

Lastly, Groupe BPCE's new GEPP agreement, signed in July 2022, remains the guiding principle for the actions of the human resources department and, more specifically, the human resources managers; an agreement that they implement on a daily basis at local level with employees and management according to the needs expressed both in terms of activities and the profiles expected for the positions to be filled.

A quarterly steering of key indicators has been put in place to ensure sustained momentum on the subject regardless of the themes of the agreement, in particular: seniors, career plans, new arrivals, recruitment, etc.

More than ever, the key challenges for HRMS remain:

- attract and retain validated potentials;
- offer tailored HR support;
- share concrete development trajectories and encourage development prospects within Banque Palatine in line with the regular opportunities to be seized.

In concrete terms, in 2023, Palatine's "great stories" section continued with video interviews to highlight employees who have made internal transfers and promote internal mobility through convincing career development experiences.

	31/12/2023	31/12/2022	31/12/2021
• of which geographical	8	18	18
• of which functional	80	280	126
• of which geographical and functional	14	68	29
• of which transfers within the group	21	29	21
TOTAL TRANSFERS	**123**	**395**	**194**

In summary, the human support provided has made it possible to fine-tune individual monitoring to provide a better understanding of everyone and their needs while remaining aligned with the needs of the bank and its strategy. These numerous local exchanges enable us to cultivate a quality relationship with all our internal customers and to reinvent a differentiating employee experience.

3.4.1.3 Retention and recognition

In 2019, the bank has introduced an innovative policy of retention and recognition among the sales force in the private banking, corporate banking and specialised markets.

The “circle of excellence” aims to recognise and promote, internally, the 10 best sales representatives in each market. These employees are recognised not only for their commercial achievements, but also for their know-how, by observing 8 soft skills adopted by the bank (efficiency, sense of responsibility, autonomy, commitment, exemplary manner, solidarity, courage, listening skills).

In 2023, 23 employees were recognised and received financial rewards in addition to their variable remuneration, but also non-financial measures.

3.4.1.4 Training: supporting skills development and employability

The training policy fully supports Banque Palatine’s ambitions for the training and skills development of its employees. In a changing and demanding banking sector, with a desire to move upmarket accentuated by the new up 2024 strategic plan.

The bank has made significant investments in training to develop the skills of its employees.

The volume of training hours provided amounted to 40,298 hours in 2023 compared to 46,353 hours in 2022.

In 2023, the training department supported the bank’s strategic challenges, with the implementation of an ambitious training plan as part of the transformation of the network.

In this respect, 19 training sessions for more than 360 employees concerned, for a total of nearly 20,000 hours, were deployed (including 6 510 in 2023).

The year 2022 was marked by a return to face-to-face training, with strong demand from employees.

3.4.1.4.1 Private Customer Market and Corporate Market

As mentioned above, in addition to a “traditional” skills development plan, a skills improvement system was initiated as part of the network transformation plan.

To accentuate and promote synergies between the 2 markets and in the context of future mixed agencies (dual-market), cross-training on the business lines continued.

Private banker assistants received special support during 2023, with the implementation of additional training to support them in this new business line (created with the network transformation plan) on the theme of real estate loans.

For Palatine premium employees: a training course on “developing a pro-active customer relationship remotely” was set up, involving 21 employees, including managers.

All employees in the private sector also received specific support for personal loans, in connection with the launch of a new loan offer for private customers.

This support was based on three areas: the product offering, the sales stance and the presentation of the input screens.

The professionalisation of corporate teams remains an important training area for the bank, both in terms of know-how and soft skills.

On the subject of know-how:

- training sessions in financial analysis were rolled out for 10 groups, for 101 employees;
- KYC training was provided to 36 employees (including managers).

On soft skills:

- continuation of the support launched in 2022 on relationship excellence, which involved 66 employees in the corporate sector.

The agency directors and their deputies received specific training on the commercial real estate proposal.

3.4.1.4.2 Cross-functional training

New training methods, set up in 2021 to promote the involvement and autonomy of employees in their training needs, were continued and even reinforced in 2023.

The solution offered by ICEDAP (Click & Clear file) was maintained to offer all Banque Palatine employees an open-access banking knowledge base.

In the same vein, a digital content and training solution for it department employees[1] has been deployed (ENI), so that they benefit from a knowledge base focused on it needs, accessible at all times.

A self-training solution, LinkedIn learning, which was rolled out to more than 900 employees with the support of Groupe BPCE, was maintained. This solution makes it possible to make more than 16,000 training content items available to employees, accessible in full autonomy. For 2023, 142 training courses were the subject of interest (based on a progression rate > 50%) by 189 employees.

The individual coaching format tested since 2021 (MyPersoCoach), highly appreciated by employees, has been extended to 2023.

As part of the integration of new employees, Banque Palatine has set up the Academin programme. This year, three sessions were held to introduce the bank to 105 new recruits.

3.4.1.4.3 Regulatory training

The banking activity is particularly regulated, especially on the subject of mandatory training. The completion and proper monitoring of these training courses by employees has been a key issue for the training section for several years, in conjunction with the compliance department.

Indeed, it is a question of ensuring the proper completion of these mandatory training courses in connection with the activities carried out. In 2023, 13,053 hours of regulatory training were provided.

Since 2020, a synergy between the training department and the compliance department has been put in place to optimise the FRO system[2]. The automation of FRO processes, according to defined business groups, was maintained at all new positions.

In addition, an FRO upgrade campaign was carried out for all employees (excluding taking up positions) present at 31 December 2022.

3.4.1.4.4 Support for managers

Due to the creation of new positions and promotions to managerial positions, numerous individual support measures have been put in place.

In this context, 16 new managers benefited from this individualised support programme.

In addition, in 2023, a class of 10 employees (six men and four women) was included in the art of being a leader (AEL) course.

This programme consists of individual and collective coaching phases, inspiring speeches and conferences, and co-development workshops. Employees are identified through joint action by managers and HRMS and are selected on presentation of a motivation file and oral defence.

This programme is aimed at employees on whom the bank strives to achieve excellence, either in terms of management or their expertise. The programme is run by a duo of coaches composed of one woman and one man to work on the feminine and masculine polarities and their respective strengths and weaknesses.

(1) Information systems department
(2) Mandatory regulatory training

3.4.1.4.5 *Training hours*

Indicators	31/12/2023 Bp	31/12/2023 PAM	31/12/2023 Ariès	31/12/2022 Bp	31/12/2022 PAM	31/12/2022 Ariès	31/12/2021 Bp	31/12/2021 PAM	31/12/2021 Ariès
Average hours of training per employee, “managers”	35.42	12.77	-	30.56	10.96	-	31.05	12.46	-
Average hours of training, “non-managerial” staff	30.31	-	17	17.81	-	16	22.01	10.2	17
Average number of hours of training per employee	34.45	12.77	17	27.07	10.96	16	28.27	12.29	17
Average number of hours of training by gender	35.03	13.79	-	29.42	10.85	-	30.91	14.26	-
Women	33.81	10.94	17	24.71	9.99	16	23.12	9.43	17

3.4.1.5 Business continuity and key know-how

Banque Palatine has created an organisation to ensure the continuity of its business lines in the event of a crisis, the emergency and business continuity plan (EBCP), which applies to all of the company’s business lines. There is a specific action plan for human resources: the human impacts management plan (HIMP). The purpose of this plan is to define the system for managing human impacts, which will be implemented in the event of the EBCP being triggered.

The responses are based on how a specific crisis affects the availability of human resources according to a set of crisis scenarios, predefined in the Banque Palatine business continuity plan.

The plan is updated by a business continuity manager, who leads a team of correspondents charged with putting it into practice and passing on the information if it needs to be activated.

3.4.2 Gender equality diversity and inclusion

3.4.2.1 Gender equality

On 16 December 2020, the human resources department signed an agreement on gender equality. This agreement, as an extension of previous agreements, sets out the actions and objectives for growth in the following areas:

- recruitment;
- vocational training;
- professional development and career path;
- link between professional activity and personal life and in particular parenthood;
- awareness-raising and communication actions;
- actual remuneration and elimination of remuneration gaps.

It renews the provisions of previous agreements and introduces a new method for identifying pay gaps. This method, the result of joint work, is based on 4 steps:

- **step 1:** preparation of a summary table by Palatine jobs, Palatine job groupings or AFB benchmark business lines measuring the pay differential, restated for structural effects;
- **step 2:** allocation of points according to the median salary of the AFB employment/groupings/business lines and according to age, length of service in the job and bank seniority;
- **step 3:** addition of all the points to obtain a total and to rank the employees in a decreasing manner, and to identify the situations to be analysed;
- **step 4:** individual qualitative analysis carried out by the human resources department based on professional situations.

In addition, the following measures are maintained:

- long-term sustainability of the agreement by the body examining individual situations;
- maintaining employees' remuneration when on paternity leave;
- developing so-called employee development training programmes and setting up training specific to the return from maternity leave;
- a partnership with a network of nationwide day-care centres to facilitate employees' access to this type of care (the “les petits chaperons rouges” system);
- CESU vouchers.

With regard to the body examining individual situations carried out in the last quarter of 2023, this individual examination revealed 24 situations of employees to be reassessed, i.e.:

- 6 men and 18 women;
- 12 employees from the branch network and 12 from head offices or specialised functions;
- 2 technicians and 22 managers.

The budget allocation of €50,000 was used to the tune of €55,500, i.e. 111% use with an average percentage increase of 4.85%; salary adjustments made to the payroll for December 2023.

The universal employment services cheque (Chèque Emploi Service Universel - CESU), set up through a collective agreement on 25 November 2016, is paid by the employer up to 90% of the exemption cap authorised by the French Social security and family allowance contribution collection offices (Union de Recouvrement des Cotisations de Sécurité Sociale et D'allocations Familiales offices - URSSAF).

It enables participation in the financing of the following services:

- childcare for children under 8 in the home and outside the home (day-care centre, day nursery, kindergarten, extra-curricular child-minding, outdoor centre for children under 6);
- assistance services for disabled employees.

In 2023, the average amount of the scheme increased significantly to 210 employees (+10.8%).

	31/12/2023	31/12/2022	31/12/2021
Number of beneficiaries	210	241	248
Average amount of the provision paid	€1,502	€1,356	€1,382
Total amount paid	€315459	€326,799	€342,761

3.4.2.2 Gender equality index

Mandatory since 1 March 2019, the index published in March 2024 for the 2023 financial year once again gives a result of 95 points out of 100, proof of Banque Palatine's commitment to ensuring gender equality in the workplace.

	Index for 2023	Index for 2022	Index for 2021	Maximum number of points for the indicator
Pay gap	35	35	37	40
Gaps in individual salary increases	20	20	20	20
Promotions gap	15	15	15	15
% Of female employees receiving an increase on return from maternity leave	15	15	15	15
Male/female breakdown among the 10 highest earners	10	10	10	10
Totals	**95**	**95**	**97**	**100**

3.4.2.3 Organisation of the gender balance policy

The gender equality label was obtained in 2016, recognising actions in relation to gender balance: management practices favouring gender equality, reduction in the pay gap, balance between private and professional life, etc. The interim audit in 2023 confirmed this label.

This new audit allowed us to examine our practices and ambitions while highlighting several key points:

- the pro equality index, which fluctuates between 95/100 and 97/100 over the last 3 years;
- an engineering of training programmes adapted to professional equality topics such as the "the art of being a leader" course;
- the corporate network Palatine pluriel (Palatine mixed network) whose task is to promote parity, equality, creativity, solidarity, business, trust and excellence. There is also the essentiel's network (Groupe BPCE network), which offers conferences with inspiring people.
- a stronger internal and external communication dynamic to highlight the bank's concrete commitments in both the sports and audiovisual fields;
- finally, the diversity guide is available to all employees on the intranet in the hr/our commitments section, which makes it possible to see both the key indicators and the concrete actions taken.

Indicators	31/12/2023 BP	31/12/2023 PAM	31/12/2023 Ariès	31/12/2022 BP	31/12/2022 PAM	31/12/2022 Ariès	31/12/2021 BP	31/12/2021 PAM	31/12/2021 Ariès
Ratio of permanent contracts to non-executive employees (average salary m/average salary F)	0.99	NC	NC	0.99	NC	NC	1.00	NC	NC
Ratio of permanent contracts to managers (average salary m/average salary F)	1.11	1.00	NC	1.12	1.04	NC	1.09	1.13	NC
Number of female employees taking parental leave in the last year	8	0	0	7	0	0	10	0	0
Number of male employees taking parental leave in the last year	0	0	NC	0	0	NC	0	0	NC
Number of female employees returning to work after parental leave	5	0	0	6	0	0	7	0	0
Number of male employees returning to work after parental leave	0	0	NC	0	0	NC	0	0	NC

3.4.2.4 Disability

Banque Palatine is involved in the employment of disabled people. In this regard, it has always provided local confidential support to meet the demands of employees.

In 2023, a disability action plan was implemented, including:

- the appointment of the disability officer: Charles CHABOD;
- an interview proposal with employees recognised as disabled workers in order to ensure tailored support in line with their specific needs;
  - a communication plan for the European disability employment week (EEPH) in November 2023 with several highlights such as:
  - the Handiquiz to take stock of the level of information and knowledge relating to the subject of “disability”,
  - the inspiring talk by Gaelle EDON; paralympic champion supported by Banque Palatine via the performance pact,
  - the transmission of the disability guide to raise awareness and communicate on the procedures to be carried out in conjunction with all stakeholders, in particular the occupational health department and the social worker who can help compile files.

In direct connection with this awareness, it should be recalled that when job offers are published on the Groupe BPCE website via the job boards, advertisements are sent to the HandiBanque, talents handicap, job in live, in relation to our diversity commitments; which generates applications from people with disabilities.

In coordination with the occupational physician, Banque Palatine enables a large number of employees to benefit from individualised working time and/or shift arrangements in order to maintain them in employment.

The quality of life at work agreement signed in December 2020 strengthened the measures directly or indirectly related to disability (one day of leave per year to carry out procedures relating to the recognition of the disabled worker status: RQTH, CESU handicap, gift of days, caregiver guide, caregiver label, etc.).

More broadly, it is important to coordinate this hr policy regularly and more prominently in favour of diversity, inclusion and the fight against discrimination. To this end, the “recruit without discrimination” training offered by the defender of rights was attended by all human resources managers and recruiters in order to raise awareness of this topic. In addition, as part of the workshops rolled out to managers in 2023 entitled “LinkedIn and recruitment”, we emphasise the risks of discrimination and the challenge of becoming aware of the cognitive biases that may influence our assessments. This workshop makes it possible to share concrete cases and give new meaning to compliance with the legislation.

Indicators	31/12/2023 BP	31/12/2023 PAM	31/12/2023 Ariès	31/12/2022 BP	31/12/2022 PAM	31/12/2022 Ariès	31/12/2021 BP	31/12/2021 PAM	31/12/2021 Ariès
Number of employees with disabilities excluding ESAT	24	2	0	28	3	0	31	2	0
% Of employees reported as disabled excluding ESAT/total workforce (permanent)	2.43%	7.14%	0	2.79%	11.11%	0	2.97%	8.00%	0

3.4.2.5 Anti-discrimination policy

Policy for carers

On 4 October 2019, Banque Palatine obtained the caregiving employees label co-created with Klésia and Handéo following an audit of its practices conducted in may 2019. This label recognises the policy to support carers who have been employed for several years. It also represents a commitment for the future and an incentive to continue to make progress in this area.

On the strength of this label, the bank decided to reinforce the measures in favour of carers in the QLW agreement of December 2020 with, in particular:

- special attention paid to the requests for part-time work, geographical mobility and teleworking from caregivers;
- the granting of 3 days of paid leave per year to caregiver employees, enabling the support of a loved one in the event of medical appointments or hospitalisation;
- a priority in the provision of paid holidays and RTT;
- the granting of caregiver CESU vouchers with a face value of €300 and financed by the employer (up to 60%);
- the possibility of identifying non-professional skills mobilised as caregivers in the context of professional assessments;
- the setting up of a solidarity fund for donations of days supplemented by the bank.

The audit for the renewal of this ‘company committed to its employees who help others’ label was carried out at the beginning of 2023 to encourage a continuous improvement approach for employees who help others, in order to enhance the support measures and facilitate the balance of life times that can sometimes be fragile. Following this audit of the caregivers policy in 2023, this momentum was rewarded by the renewal of the label.

In order to support employees who are caregivers, the social worker also offers quarterly hotlines dedicated to this topic to answer any questions, inform them about the rights of caregivers and elderly dependent or disabled persons, and direct them to existing systems according to needs. For example, the social worker offered a webinar to present the Prev&Care system as well as a practical demonstration of the dedicated platform in October 2023.

To find out more about all the measures dedicated to caregivers, a practical guide dedicated to employee caregivers was sent out in mid-November 2023.

3.5. A comprehensive and competitive remuneration system aligned with the interests of the bank and its customers

3.5.1 Basic pay

In 2023, the bank experienced a significantly higher increase in basic remuneration than in previous years. At an average rate of 2.33%, this is 0.5 points higher than the previous year, and is even 5.33% over three years.

3.5.2 Additional remuneration

In 2021, the variable component set up in 2015 was profoundly modified. For support functions, which do not have a commercial focus, the variable portion has been included in the basic pay. Commercial-oriented functions retain the benefit of the variable remuneration scheme.

In 2022, the variable component system was further developed to take into account the creation of new business lines as part of the restructuring of the sales network. These new contribution profiles benefit from motivating variable remuneration levels in line with the upmarket ambitions set out in the up 2024 strategic plan.

To supplement this system, and to measure the necessary loyalty of the sales forces that generate results, the bank set up in the summer of 2019 an innovative system for the recognition and retention of commercial populations in the private customer markets and corporate customers: the “circle of excellence”, which aims to recognise and promote internally the top 10 sales representatives in each market.

These individual remuneration components are supplemented by a collective remuneration package consisting of an incentive agreement and a profit-sharing agreement. Payments made in 2023 under employee savings plans were up sharply compared with payments in 2022 (+72%).

Variable compensation payments were also up 4.3% compared to last year.

	31/12/2023	31/12/2022	31/12/2021
in thousands of euros	**Bp**	**Bp**	**Bp**
Incentive plans, profit sharing and employer’s contribution (paid in respect of the year indicated)	9,561	5,536	3,150
Variable remuneration (excluding the Executive management committee)	5,299	5,082	5,919

In 2023, employees working the full year once again received their individual employee statement. The statement lays out all direct or indirect components of remuneration received by each employee:

- summary of the training undertaken by the employee during year n-1;
- direct and additional remuneration;
- deferred remuneration;
- employer contribution to the financing of the various social protection schemes.

Moreover, the individual employee statement also included information on the “Apetiz” digital lunch voucher system, benefits in the form of CESU vouchers for employees providing personal services and a list of useful contacts (mutual insurance, personal protection, works council, housing promotion scheme, etc.).

For the first time, the 2022 edition of the individual social report was produced using Groupe BPCE tools and teams.

	31/12/2023			31/12/2022			31/12/2021		
Indicators	**Bp**	**PAM**	**Ariès**	**Bp**	**PAM**	**Ariès**	**Bp**	**PAM**	**Ariès**
Average basic salary of men on permanent contracts for the managerial population (in thousands of euros)	63	77	-	62	73	-	61	68	-
Average basic salary for men on permanent contracts for the non-managerial population (in thousands of euros)	37	NC	-	36	NC	-	36	NC	-
Average basic salary of women on permanent contracts for the managerial population (in thousands of euros)	57	77	-	55	70	-	55	67	-
Average basic salary of women on permanent contracts for the non-managerial population (in thousands of euros)	38	0	48	36	0	45	36	0	44
Median basic salary of men on permanent contracts for the managerial population (in thousands of euros)	58	69	-	57	69	-	57	62	-
Median basic salary for men on permanent contracts for the non-managerial population (in thousands of euros)	37	NC	-	36	NC	-	37	NC	-
Median basic salary of women on permanent contracts for the managerial population (in thousands of euros)	52	58	-	50	58	-	51	53	-
Median basic salary of women on permanent contracts for the non-managerial population (in thousands of euros)	38	0	45	36	0	45	36	0	44
Change in the median basic salary N/N-1 of men on permanent contracts for the managerial population.	2.6%	0%	-	(0.4%)	6%	-	3.3%	3.5%	-
Change in median basic salary N/N-1 of men on permanent contracts for the non-managerial population.	1.9%	NC	-	(0.2%))	NC	-	3.9%	NC	-
Change in the median basic salary N/N-1 of women on permanent contracts for the managerial population	3.9%	0%	-	(1.7%)	4.6%	-	0.5%	(3.5%)	-
Change in the median basic salary N/N-1 of women on permanent contracts for the non-managerial population	3.6%	NC	-	2.4%	NC	-	3.0%	NC	-

3.5.3 Executive remuneration

With regard to the executive remuneration, the methods for determining and changing this are not identical to those of employees and are not the responsibility of the human resources department.

The Remuneration committee is responsible for making proposals to the Board of directors concerning:

- the remuneration, allowances and benefits of any kind granted to the chief executive officer and the deputy chief executive officer;
- the criteria included in the variable portion for the chief executive officer and the deputy chief executive officer and which take into account one or more CSR indicators. In recent years, the CSR criteria have been as follows:
  - for 2021: professional equality index,
  - for 2022: increase in SRI assets,
  - for 2023: share of impact loans, including green loans, in Banque Palatine's production and arrangement excluding loans to individuals, employee commitment rate as part of the diapason survey,
  - for 2024: green, quality strategy and construction of the new strategic plan with the teams.

4 Banque Palatine's national footprint

4.1 Developing responsible purchasing: a socio-economic footprint as a buyer

4.1.1 Ethics and suppliers, subcontractors, service providers

The procurement unit undertook to respect an ethical charter by fulfilling 9 commitments since 2018:

- select the best suppliers through a transparent and equitable process based on clear and identical selection criteria;
- treat suppliers with the utmost fairness and never take personal interests into account in order to avoid any risk of conflict of interest or corruption with a declaration of links if existing since 2023 ;
- to contribute to the company's commitment by paying special attention to suppliers with strong CSR initiatives and or partnerships with sheltered workshops;
- maintain an atmosphere of mutual respect with suppliers and immediately inform suppliers who have not been selected;
- promote loyalty among strategic and local suppliers and foster partnerships;
- respect the confidentiality of the commercial and technical information provided by suppliers;
- listen to the market to identify innovative companies (in social or technological areas);
- actively promote ways to improve performance;
- help support local start-ups or small businesses;
- limit business lunches/dinners when these are wholly paid for by the supplier.

This ensures a sustainable and equitable relationship with suppliers and prevents conflicts of interests.

The purchasing function also relies on a charter defined in the “expenditure commitments” procedure, which is being.

The main changes concerning this charter are as follows:

- overhaul of the purchasing process (modification of the purchasing intervention threshold);
- implementation of consultation processes or calls for tenders;
- centralisation of the contract management activity for contracts with third parties (intermediaries or suppliers) within the purchasing team, which is responsible for:
  - managing contracting,
  - ensuring the consistency of contractual clauses,
  - representing the key function within Groupe BPCE,
  - being the correspondent for regulatory aspects related to supplier relations,
  - managing pre-litigation in conjunction with the legal department,
  - identifying risks (contractual, legal, commercial) and propose hedging measures while complying with the administrative and legal clauses in force;
- carrying out simplified supplier due diligence to ensure the quality of the supplier with whom the entity has signed a contract or is about to enter into a relationship, particularly with regard to the risks of corruption, economic dependence, financial inadequacy and conflicts of interest.

At each call for tender, the procurement unit:

- sends candidates a questionnaire to identify all their shareholders and their shareholdings so as to limit conflicts of interest and, if applicable, identify the source of their funds. It ensures that the service providers sign a confidentiality agreement or includes an obligation of confidentiality in the consultation document and an ethics clause in order to prevent potential conflicts of interest. It also validates their legal compliance by automating the collection, verification and monitoring of supplier's documents.
- incorporates the societal approach that the bank wishes to see supported by the candidate;
- candidates and therefore future service providers are encouraged to comply with the various standards and regulations in force in terms of social responsibility. The tender file specifies the actions that Banque Palatine wishes each candidate to take and commit to continuing throughout the lifetime of the partnership. A questionnaire evaluating the CSR performance of each supplier and their offerings is sent to bidders to identify CSR risks and opportunities in a pro-active way and incorporate this performance into the overall ranking of suppliers. All these points are considered during bid presentations and candidate selection. The CSR criterion is therefore used to choose between bidders in calls for tenders;

- the procurement unit also commissions a survey on the positioning of bidding candidates on their environment in the form of a Banque de France or Groupe BPCE rating. Groupe BPCE ratings take account of the candidate's reputations as well as their financial positioning. In order to monitor all these procedures, the purchasing function has also set up a quarterly control file to verify, with the departments, the compliance of suppliers, to control the commitment of expenditure with the latter and to validate the proper implementation of contracts and integration into the tool listing contracts;
- when signing contracts, the purchasing function supports the business lines and integrates all contractual clauses in connection with the various areas of expertise such as the GDPR, anti-corruption, the hiss policy, etc.

4.1.2 The purchasing function and the inclusion market

The geopolitical context did not allow the bank to increase its use of the adapted sector. In addition, the transformation of Banque Palatine's business model, in particular the elimination of ATMS and the reduction of the number of sites, has reduced the number of activities entrusted to this sector.
Nevertheless, Banque Palatine is continuing to develop inclusive purchasing with the introduction of a voluntary drop-off centre in its network, which is run by a suitable company, the management of a concierge service that employs people who are RQTH and the collection of furniture when sites are refurbished.

4.1.3 Payment terms

In 2023, BPCE Achats continued the group-wide surveys to measure payment terms.

The payment period declared in 2023 is 43 days. This deterioration is partly explained by significant technical malfunctions encountered in the invoice digitisation tool, which affected invoice processing throughout the first half of the year.

To remedy this, the bank adjusted the management of the activity (more regular monitoring of the team, the business lines and the settlement campaign); the development of a tool for monitoring the invoice cycle for the business lines and accounting; and awareness-raising campaigns for the business lines throughout the year.

	2023	2022	2021
Payment terms (number of days)	43	31	41

4.2 Committing to a better life: a societal footprint as a sponsor

4.2.1 Social actions

As part of its partnership actions, Banque Palatine joined the Cancer@Work network in 2020 and has renewed its contract every year since joining. This is the first network of companies, created in 2012, committed to the subject of cancer and work, and which proposes to its members to take action to promote the integration of sick people into the world of work.

Lastly, Banque Palatine offers its employees the opportunity to round up their salary each month by making micro-donations of their net payables in favour of associations that support the cause of women. Every month, Banque Palatine employees can make a donation on their payslip to Fondation des Femmes or to Institut Curie. Banque Palatine matches all donations, all of which goes to the two beneficiary associations. In 2023, 35 employees of the bank took part in this operation. A reminder campaign was carried out in January 2024 to raise awareness of the transaction internally.

Between September and October 2023, Banque Palatine enabled its customers to make free transfers to the Moroccan people who were affected by an earthquake. It also introduced free transfers to and from war-affected Ukraine and Moldova. This operation is still in progress in 2024.

4.2.2 Sport and equity

A premium partner of the Paris 2024 Olympic and Paralympic Games, Banque Palatine would like to work more with sportsmen and women. Thus, since September 2019, it has supported four French athletes likely to participate in the 2024 Olympic or Paralympic Games.

In this respect, the financial support provided to Fondation Pacte de performance offers sportsmen and women with insufficient resources the chance of receiving an annual grant. This would thus allow them to fully concentrate on their sport.

Banque Palatine is therefore pleased to support two Olympic and two paralympic athletes, two women and two men, through sponsorship, training and retraining initiatives.

Elodie Clouvel, in modern pentathlon

Camille Jaguelin, in riding

Alexandre Léauté, para-cycling

Nicolas Muller, in golf

In 2021, Banque Palatine's commitment to sports was strengthened: it became the first sponsor of Fondation Alice Milliat, under the aegis of Fondation du Sport Français. Through a multi-year sponsorship agreement, Banque Palatine undertakes to support the development of the actions of Fondation Alice Milliat, whose aim is to contribute to the recognition of the place of women in sports and that of women athletes in national and international media.

In 2022, la Banque Palatine, committed to working alongside entrepreneurs, wished to strengthen its commitments by creating a mentoring system intended to support female athletes and para-athletes undergoing retraining with a business project: Palatine Women Project.

The first intake of four female entrepreneurs began with a nine-month course, during which they received comprehensive support to help them bring their various projects to life in the best possible conditions.

They were able to count on a collective of committed mentor partners to share their experiences and networks, as well as on Palatine employees.

Convinced by the spirit and relevance of this approach, Paris 2024 has agreed to become one of the contributors via its “athletes-entrepreneurs” incubation programme dedicated to high-level athletes.

Following the success of this first edition, seven athletes joined a second intake in March 2023.

4.2.3 Support for the arts

Since 2011, Banque Palatine has been a sponsor of the “directors’ fortnight” organised by société des réalisateurs de films (SRF) during the Cannes film festival.

Among the various films selected by the Cannes film festival, the directors' fortnight, since it was set up in 1969, stands out for its freedom of spirit, its non-competitive nature and its focus on being open to the public.

For Banque Palatine, this is a new way of contributing to encouraging talent and diversity in film.

In addition, Banque Palatine supports French cinema indirectly through SOFICA Palatine etoile, co-founded with CINE NOMINE, or directly through its recognised expertise in the financing of film and audiovisual professionals, with loan outstandings of €148 million at end 2023.

At the 76th Cannes film festival, which took place from 16 to 27 may 2023, four of the twenty films selected for the official competition were supported by Banque

As for the 48th Césars ceremony, 17 of the 23 awards went to films supported by the bank.

Since 2022, Banque Palatine has been associated with Série Séries as part of the organisation of the gloria prize, which rewards a fiction series project with an ambitious approach to the representation of women, whether at the heart of the creative process and/or through the subject matter of the work. This partnership demonstrates Banque Palatine’s strong commitment to gender equality in the audiovisual industry, particularly in writing and production functions.

Lastly, in 2023, Banque Palatine became a patron of culture in Paris and the regions, in order to help promote the innovation and excellence dynamic of contemporary art in the regions. It supports the museum of contemporary art in Bordeaux, the museum of contemporary art in Lyon, the museum of arts in Nantes, the Frac Sud in Marseille, and the Opéra-comique in Paris.

4.2.4 Promotion of physical and sports activities

With the aim of making each employee the first ambassador for the Paris 2024 games, Groupe BPCE has implemented an ambitious internal mobilisation system. Called IMAGINE 2024, it has several objectives: to encourage employees to take part in sport, strengthen cohesion between teams from a wide range of backgrounds and initiate a commitment momentum for the Paris 2024 games. With this in mind, a team imagine 2024 collaborative platform was created for all Groupe BPCE employees, with 298 registered for Banque Palatine as of December 31, 2023.

An internal engagement programme entitled “imagine 2024 team members” was also launched at the Paris 2024 Olympic and paralympic games. This initiative allows employees to take part in an exceptional adventure and participate in the operational success of the systems deployed by the group during the Paris 2024 games.

In addition, as a premium partner of the Paris 2024 Olympic and paralympic games, Banque Palatine is offering 12 employees the opportunity, via Groupe BPCE, to take part in this exceptional adventure by volunteering.

Lastly, Banque Palatine also offered two employees a bib for the 42km race and a bib for the 10km race of the Paris 2024 “Marathon Pour Tous”. One employee and one employee were selected to respect parity, a strong value driven by Banque Palatine and Paris 2024.

In addition to the initiatives put in place for Paris 2024, a number of initiatives to promote physical activity and sport have been put in place within the bank, most of them by the CSE (social and economic committee). For example, in 2023, employees were invited to take part in the sporting challenges organised by Groupe BPCE several times a year, depending on the discipline (e.g., tennis, trail running, golf, futsal, etc.). In addition, the CSE proposes the reimbursement of part of the registration fees for running events when the employee registers on an individual basis.

Banque Palatine also organised the participation of 35 employees in the Odysséa solidarity walk and run, the proceeds from which are donated to the Gustave Roussy institute, Europe's leading Cancer centre, committed to research into breast cancer.

4.3 Caring for the environment: an environmental footprint as an actor in society

4.3.1 Environmental footprint and the group

Reducing Groupe BPCE's environmental footprint in its own operations is one of the pillars of its CSR strategy for 2021-2024.

As part of its up 2024 strategic plan, Banque Palatine has set itself a target of a 10% reduction in its greenhouse gas emissions.

This intention is reflected by a robust and proven system for group environmental reporting and the many campaigns to raise awareness of good practices.

With this in view, awareness raising sessions were run by Groupe BPCE, open to all business lines:

- raising awareness of CSR, energy and climate challenges;
- training in CSR reporting;
- training on the tool used to calculate the group's greenhouse gas emissions.

4.3.2 Environmental approach of the bank

Banque Palatine has strengthened its environmental commitment thanks to the measures that are detailed in the following chapters. Among the flagship measures:

- decision to switch to a group contract for energy supply for 2023, maintaining a 100% green energy supply at all sites;
- strengthening of recycling initiatives: sorting of waste by employees; re-use of it and telephone equipment during network redevelopments; donation of landline telephones to other group entities; donation of furniture to employees;
- as part of refurbishment work, the bank removes 'dynamic' display screens in windows and illuminated signs are deactivated;
- donating furniture to employees, associations, recycling centres or processed via Valdelia, an eco-organisation that contributes to the implementation of a circular economy that capitalises on recycling, reuse and eco-design using so-called secondary raw materials (SRM). Valdelia's mission is to reduce pollution from professional furniture waste and avoid the waste of precious natural resources while generating local activity and jobs in the region.
- implementation of awareness-raising actions among employees (lowering temperatures to 20°c, implementation of awareness-raising campaigns for employees, lowering temperatures to 20°c, reducing the cooling of our data centres by around 1°c, switching off buildings at central sites, etc. ;
- closure of part of the central sites for 15 days during the summer and winter periods;
- provision, in cafeterias at central sites, of "AUUM-S" machines for cleaning and disinfecting glasses. This French solution is an ecological alternative to plastic bottles and cardboard cups. Each employee has a double-walled insulating glass to keep drinks hot or cold longer;
- maintained installation of refrigerated vending machines offering fresh dishes from short circuits and put in reused glass jars. Unsold items are redistributed and waste recovered;
- migration of all mobile telephony equipment to refurbished mobiles;
- cleaning day action in the summer of 2023 with a service provider that collects and recycles professional waste and is also approved by the insertion company;
- use of biosourced materials as part of branch renovations and insulation of the hull of sites under construction;
- a DPE (energy performance assessment) is systematically carried out after the works in order to validate the improvement of the energy label, and highlight the impact of our work on our consumption;
- implementation of courier services with a strong environmental approach, namely:
  - iso 14001 certification,
  - adapting the vehicle type to regular volumes to reduce the co2 footprint,
  - target 100% of the fleet of vehicles equipped with a powertrain emitting less than 130g CO_2/km;
- over the past few years, Val de Fontenay employees have had the pleasure of welcoming beehives and bees on the roof terrace of their workplace. This initiative in favour of biodiversity is part of a sustainable development approach and addresses the challenges of environmental protection. In 2023, 30 kilogrammes were produced.
- in addition, still with the aim of raising awareness, Ecologic collection boxes (eco-organisation approved by the French state) have been installed in the cafeterias of the central sites to collect obsolete or defective electronic devices from employees for recycling or reconditioning by Ateliers du bocage (Emmaüs Group).

Lastly, the association's fun, collaborative awareness-raising tool, the climate fresco, has been deployed at Banque Palatine since March 2022. A team of around ten trained employees run the workshops, and more than 300 employees have been made aware of the issue since deployment began.

Based on scientific data from the IPCC (intergovernmental panel on climate change), the set of 42 cards makes it possible to understand the cause and effect links of climate change with a time for discussion between employees on the levers of action faced with this environmental challenge.

4.3.3 Fuel consumption

Business transport is one of the most important items in terms of greenhouse gases and energy consumption. In 2023 business travel by car represented: 59,863 litres of fuel in 2022. This is largely due to the resumption of training and face-to-face meetings.

Banque Palatine actions

- Banque Palatine encourages its employees to use means of transport that are cleaner than private cars, in particular by favouring trains and public transport;
- the teams solution is used for video conferences, which makes it possible to limit and optimise business travel;
- the bank's vehicle fleet is being greened;
- users of service and/or company vehicles have an in-house eco-driver guide;
- the corporate travelling plan or mobility plan encourages the use of transport modes other than the private car. Its implementation is encouraged by the public authorities. It has a large number of advantages for employees and companies. Banque Palatine is in line with this approach at its central site with more than 100 employees;
- reimbursement of bicycle mileage allowances and the increase in the payment of transport subscriptions for the employees of the two offices;
- in order to provide a cheque processing solution to our customers, cheque collection runs with partners using clean vehicles as much as possible have been set up.
- Banque Palatine continues to improve the energy performance of its buildings through annual regulatory checks.

The preventive measures related to the health crisis (teleworking, limited travel) taken by Banque Palatine impact indicators such as business travel.

Banque Palatine indicators	31/10/2023	31/10/2022	31/10/2021
Petrol consumed by company cars **(in litres)**	13,450	17,238	12,626
Petrol consumed by fleet cars **(in litres)**	24,324	13,994	8,577
Diesel consumed by company cars **(in litres)**	14,729	25,072	23,860
Diesel consumed by fleet cars **(in litres)**	26,501	37,253	35,708
Business travel by private car **(km)**	59,863	35,118	45,620
Average grammes of CO_2 per km for company and fleet cars	108	108	103
Business travel by train **(in km)** (2)	2,551,339 (1)	1,250,164	284,788
Business travel by air, short-haul **(km)**	426,023 (1)	254,112	33,940
Business travel by air, medium- and long-haul **(km)**	0	0	0

(1) Resumption of training, bank events (conventions) and meetings.

(2) Business travel by train (in km): the data sent by the SNCF in 2021 and 2022 was calculated on the basis of a top 60 of our journeys. In 2023, we took a more comprehensive data source through our travel agency EGENCIA.

4.3.4 Raw materials consumption

The extension of the use of secure printing, better management of printing services (better management of prints) and use of electronic document management (EDM) explains the decrease in the number of reams of paper used. The preventive measures related to the health crisis (teleworking) significantly reduced the number of prints.

The paper consumed is 100% recycled and labelled.

Banque Palatine group indicators	31/10/2023	31/10/2022	31/10/2021
Total paper consumption **(tonnes)**	7.2	8.01	12.56
Total paper consumption for total workforce **(in kg)**	7.16	7.65	9.97
Of which total consumption of recycled paper or FSC or PEFC-certified paper **(tonnes)**	7.2	8.01	12.56

4.3.5 Consumption of electrical energy and natural gas

Banque Palatine, aware of the challenges inherent in climate change, is continuing to implement various actions:

- selection of new real estate sites for sites with a better carbon footprint and overhaul of the branch network;
- reducing the real estate footprint of current sites through improvement work (change of joinery, insulation, etc.) ;
- encouraging employees to limit their energy consumption at its main sites;
- in terms of the risk of light pollution, Banque Palatine refers to the regulations which, since 1 July 2013, have limited light pollution and energy consumption, as well as the night-time lighting of non-residential buildings such as shops and offices;
- timers have been set up from 7.30am to 9.00pm;
- light presence detectors have been installed on landings and in sanitary facilities at central sites;
- changing from fluorescent lights to led lights, which consume less energy, for the lighting of hallways, offices and meeting rooms;
- switch to green energy at all sites (100%).

Banque Palatine group indicators	31/10/2023	31/10/2022	31/10/2021
Total final energy consumption **(kwh)**	1,615,242	2,338,564	2,884,566
Total energy consumption per heated/occupied m² **(kwh)**	76.2	102.3	93
Total natural gas consumption **(kwh)**	More gas	89,760	84,580
Total electricity consumption **(kwh)**	1,615,242	2,257,699	2,728,064
Share of renewable energy in total final energy consumption (blue meters) **(in kwh)**	1,615,242	2,338,564	2,812,644

4.3.6 Cleaning expenses

The actions implemented are as follows:

- installation of paper towels;
- regular checks with service providers.

A call for tenders was launched in 2023 to find a new cleaning service provider using products that comply with standards and the environment and an adjustment of working hours with a view to improving the working conditions of agents.

Groupe Banque Palatine indicators **(in thousands of euros)**	31/10/2023	31/10/2022	31/10/2021
Total spending on cleaning services	683	654	734

4.3.7 Pollution and waste management

As part of the actions to promote the circular economy, the management and recycling of waste are a priority for the bank's environmental approach. This action also involves communicating to employees and encouraging them to reduce their use of plastic cups and bottles.

Banque Palatine has rolled out voluntary collection bins at its central sites to further the selective sorting, traceability and recycling of waste.

In fact, the sorting process is even more refined: paper, other waste, goblets, small cans/bottles, toner. To make this approach even more virtuous, Banque Palatine has partnered with Triéthic, an adapted company (EA).

Banque Palatine is continuing its approach by deploying voluntary contribution baskets in its branch network with the company Elise.

As part of the future move to the new head office, Cleaning operations were organised during the summer period.

Banque Palatine indicators	31/10/2023	31/10/2022	31/10/2021
Total amount of waste management expenses by service provider **(in thousands of euros excl. Tax)**	94	176*	94
Total ordinary industrial waste (OIW) **(tonnes)**	10	15	18
Total recycled waste W3E **(tonnes)**	2.25	3	2
Total waste produced by the entity **(OIW + W3E in tonnes)**	12.25	18	20

** Invoicing of services recorded in 2022 for 2021.*

In accordance with legal provisions, all waste electrical and electronic equipment generated by Banque Palatine's activities is recycled by the company RECYCLEA. In addition, in order to improve its waste management, the bank has entrusted its service provider with the destruction of confidential documents throughout its network.

Banque Palatine implements measures to avoid all forms of pollution and damage to natural resources caused by its operations. It is committed to reducing and streamlining the consumption of raw materials and seeks to maximise the efficiency of its waste management system in order to produce less waste. Equipment is recovered during branch closures.

	31/10/2023	31/10/2022	31/10/2021
Total recycled d3e waste (tonnes)	2.25 (2)	2.9 (1)	2.2

(1) the increase is largely due to the overhaul of the network and the consolidation of central sites in 2021 and 2022.

(2) the cause of this decrease is linked to the recycling of equipment recovered in the various branches closed in 2023.

4.3.8 Recycling

The volume of recycled cartridges and toner has fallen continuously since 2017. This reduction shows the more exact control of the printing services and the virtuous start to printing lesser volumes.

The goal of Banque Palatine is still to recover and recycle all cartridges and toner waste generated by the company, making Banque Palatine a positive contributor to the circular economy.

Banque Palatine group indicators	31/10/2023	31/10/2022	31/10/2021
Number of recycled ink and toner cartridges **(tonnes)**	0.08	0.17	0.14
Batteries collected **(kg)**	No collection	0.009	No collection

4.3.9 Responsible digital technology

Banque Palatine has taken full account of the environmental and social impacts of digital technology by including a responsible digital component in its plan to reduce its environmental footprint by 2024. Some actions that can be mentioned:

- **optimising the growth of equipment fleets and controlling the impacts of their use.**

  An extended workstation standby solution was implemented by BPCE it. This unified group-wide solution provides energy savings while enabling remote distribution of software updates. The lifespan of pcs has also been extended (from 3 to 4 years). The number of copiers was greatly reduced as a result of the closure of certain branches and the pooling of head offices.
- **promoting responsible digital purchasing**, for example by signing a partnership with a supplier to equip the bank's 1,000 employees with refurbished smartphones;
- **set up a recycling circuit for all discarded equipment**, being handled by RECYCLEA to be either returned to service or recycled;
- **raise employee awareness of digital eco-gestures**, by providing employees with educational training offered by the Institut du Numérique Responsable, freely accessible in their *Click & Learn* training space and by inviting them to participate throughout the year in digital data cleaning operations with a highlight organised in March during the *digital clean-up day.* It is a global day of awareness of the environmental footprint of digital through action, which takes place in March each year. The aim is to generate awareness of the digital pollution caused by our use of it by inviting individuals, schools, communities, companies and associations to take concrete action by cleaning their data and/or offering a second life to all their digital equipment that sleeps in drawers. At Banque Palatine, this awareness day took place over the week of 13 March 2023.

4.3.10 Carbon footprint

Since 2013, Banque Palatine has carried out an annual assessment of its greenhouse gas emissions using a dedicated sector tool. This tool allows the greenhouse gas emissions statement to be drawn up using a method compatible with that of the ADEME (the French agency for the environment and energy resources), the ISO 14 064 standard and the greenhouse gas protocol.

The tool makes it possible to estimate the ghg emissions of the bank's branch and head office operations. The result obtained is therefore that of the “office life” of the company. Emissions caused by banking products and services are excluded from the scope of the analysis.

The methodology provides:

- an estimate of the greenhouse gas emissions at the company level;
- a mapping of these emissions:
- per item: energy, purchases of goods and services, travel, fixed assets and others,
- by scope.

This tool makes it possible to know the level and evolution of emissions each year and to establish a reduction plan.

With regard to greenhouse gas emissions, Banque Palatine emitted 3,819 teq CO_2, a decrease of 15.91% compared to 2022.

This decrease between 2022 and 2023 is partly due to the reduction in:

- the “travel of persons” item, in fact the decrease in commuting is linked to the restructuring of branches and head offices and the decrease in the number of employees. In terms of business travel, replacing diesel vehicles with petrol vehicles also contributed to;
- the “fixed assets” item linked to the elimination of all ATMS[(1)] at the end of 2022 and the reduction in the number of it equipment;
- the “freight and waste” item due to the elimination of cash transport, as well as the decrease in recycled and non-recycled NHIW.

	2023 tonnes eq CO_2	2022* tonnes eq CO_2	2021* tonnes eq CO_2	Development 2022/2023
Energy	224	304	433	- 26.31%
Purchases and services	1,225	1,244	1,651	- 1.52%
Travel	1,276	1,732	1,346	- 26.32%
Non-current assets	938	1,040	1,378	- 9.80%
Freight and waste	154	253	605	- 39.13%
TOTAL	**3,819**	**4,542**	**5,413**	**- 15.91%**

** The 2021 and 2022 data take into account the application of pro forma measures resulting from the quality of the values of our indicators as well as changes in methods for certain emission factors; in order to be comparable with 2023.*

Greenhouse gas emissions fell by -29.45% between 2021 and 2023.

(1) ATM machine; automated teller machine

4.4 Identifying economic activities eligible for the European taxonomy from an environmental standpoint: publication of new indicators

4.4.1 Regulatory framework

In order to promote sustainable investments, EU regulation 2020/852 of 18 June 2020 (taxonomy regulation) established a classification system common to the European union to identify economic activities considered to be environmentally sustainable.

The taxonomy regulation (article 8) includes an obligation to provide information on the manner and extent to which the company's activities are associated with economic activities that can be considered environmentally sustainable, for companies subject to the NFRD *(Non-Financial Reporting Directive),* which is set out in France in the declaration of non-financial performance (DPEF). As of financial years beginning after 1 January 2024, this system will be incorporated into the sustainability report pursuant to the CSRD *(Corporate Sustainability Reporting Directive)* published on 16 December 2022.

An activity is considered "eligible" for the taxonomy if it is included in the European commission's evolving list. These are activities that can make a substantial contribution to at least one of the following six environmental objectives:

- climate change mitigation;
- adaptation to climate change;
- sustainable use and protection of aquatic and marine resources;
- the transition to a circular economy;
- pollution prevention and reduction;
- the protection and restoration of biodiversity and ecosystems.

To be effectively considered as sustainable from an environmental point of view, an eligible activity must be "aligned" with the taxonomy, i.e., it must meet the following three cumulative conditions:

- demonstrate its substantial contribution to one of the six environmental objectives and thus comply with the technical review criteria defined in delegated acts;
- demonstrate that it does not cause significant harm to any of the other environmental objectives (Do Not Significantly Harm or DNSH) in accordance with the technical review criteria defined in the delegated acts;
- Be exercised in compliance with the minimum social guarantees provided for in the regulation (*i.e.* in compliance with the social rights guaranteed by international law).

The technical criteria to be met to document the environmentally sustainable nature of an activity are set by means of delegated acts. To date, two delegated regulations have been adopted for this purpose:

- the delegated regulation on climate of 4 June 2021 (2021/2139), including the technical review criteria for economic activities that contribute substantially to the first two environmental objectives: adaptation to climate change and mitigation of its effects. It has been applied since 1 January 2022.

It was first amended on 9 March 2022 by delegated regulation 2022/1214 including, under strict conditions, specific activities related to nuclear energy and gas on the list of economic activities covered by the union taxonomy. It has been applied since 1 January 2023.

A second amendment was published on 27 June 2023 (delegated regulation 2023/2485) supplementing the technical review criteria for certain activities that were not initially identified as eligible (in particular, manufacture of essential equipment for low-carbon transport or electrical equipment). It comes into force on 1 January 2024;

- the environment delegated regulation of 27 June 2023 (2023/2486) sets out the criteria for the technical examination of economic activities considered to make a substantial contribution to one or more of the four other environmental objectives (other than climate): the sustainable use and protection of aquatic and marine resources, the transition to a circular economy, the prevention and reduction of pollution, the protection and restoration of biodiversity and ecosystems. It comes into force on 1 January 2024.

The content of sustainability indicators (key performance indicators or KPIS) and the information to be published by non-financial and financial companies (asset managers, credit institutions, investment firms and insurance and reinsurance companies) subject to these transparency obligations are specified, for each of these economic players, in delegated regulation article 8 of 6 July 2021 (2021/2178). The format of the publishable tables falls under delegated regulation environment 2023/2486.

Additional information is required for companies that carry out, finance or are exposed to specific activities related to nuclear energy and fossil gas (delegated regulation 2022/1214).

In addition, the European commission communications published in the official journal of 20 October 2023 aim to interpret certain provisions relating to the implementation of article 8 of the taxonomy regulation (c/2023/305) and the delegated act on the climate component of the taxonomy (c/2023/267).

On 21 December 2023, the commission published a draft communication on the interpretation and implementation of article 8 taxonomy, which clarifies the expectations of the information to be provided. In view of its late publication and the resulting implementation work, the analysis of this text is under way and certain provisions will be applied for the coming period.

The taxonomy regulation provides for the gradual application of information transparency requirements according to economic players. As a company in the financial sector, the Palatine group is subject to disclosure requirements that are delayed by one year compared to non-financial companies. This principle allows financial companies to use the eligibility and alignment data provided by the counterparties themselves subject to these disclosure requirements (NFRD counterparties) in order to weight their investments, financing and other exposures.

The Palatine group publishes the disclosures applicable to financial companies - credit institutions.

Main indicator - GAR (*Green Asset Ratio*)

For the first two financial years (2021 and 2022), the main indicator to be published - the *Green Asset Ratio* (GAR), indicated the proportion of activities deemed “eligible” for the first two environmental objectives, according to the criteria of the taxonomy regulation.

The gar established at 31 December 2023 includes, for the first time, taxonomy alignment data. It is presented in accordance with the tabular formats required by regulations. This requires it to be presented once on the basis of the “turnover” KPI and once on the basis of the “capex” (capex) KPI of the counterparties subject to NFRD.

Information on eligibility for the four non-climate objectives (sustainable use and protection of aquatic and marine resources, transition to a circular economy, pollution prevention and reduction, protection and restoration of biodiversity and ecosystems) is based on data published by non-financial companies, which are publishing this information for the first time in 2024. As of 31 December 2023, this information is not provided by Groupe BPCE or Caisses d’Epargne/Banques Populaires and the columns in the regulatory tables relating to this information are not presented. Similarly, the tables presenting information relating to the comparative period, which are not required at 31 December 2023 for financial companies, are not presented. Therefore, the flux gar, the calculation methods of which were provided by the faq published by the commission on 21 December 2023, is not presented at 31 December 2023.

The Palatine group will publish all this information on 31 December 2024.

The regulations also provide for the publication of indicators based on the trading book and fees and commissions by 2026 (based on 2025).

Breakdown of gar outstandings by business sector (NACE code)

This table presents, by sector (NACE code), the gross carrying amount of bank exposures of non-financial counterparties subject to NFRD, and their share aligned with the taxonomy criteria.

KPIS of off-balance sheet exposures (financial guarantees given and assets under management)

These two indicators were published for the first time at 31 December 2023. They indicate, like the gar, the proportion of eligible outstandings aligned with the taxonomy.

Information on activities related to nuclear energy and fossil gas

Five detailed tables must be provided, once on the basis of the main KPI - GAR (revenue base), once on the basis of the main KPI - GAR (CapEx base).

As of 1 January 2024, in view of the clarifications provided by the European commission, these tables will also be presented for the KPIS relating to the gar flows and off-balance sheet exposures (financial guarantees given and assets under management).

4.4.2 Mandatory gar

Principles

The main indicator applicable to credit institutions is the *Green Asset Ratio* (GAR). Expressed as a percentage, it indicates the share of assets that finance or are invested in taxonomy-aligned economic activities relative to the total assets covered.

Scope of financial assets subject to eligibility and alignment analysis

Based on the prudential scope established in accordance with FINREP regulations (investments in insurance companies controlled by Groupe BPCE are consolidated using the equity method), assets are presented at their gross value, i.e. before impairment, provisions and amortisation.

The eligibility and alignment analysis applies to an asset scope determined following a series of exclusions specified by the regulations:

Assets subject to eligibility analysis and taxonomy alignment analysis	Assets not subject to eligibility/alignment analysis	Assets excluded from the denominator and numerator
Exposures to: • non-financial companies subject to NFRD • financial companies subject to NFRD • retail customers - home loans, renovation loans and motor vehicle loans granted from 01/01/2022 • local governments • real estate collateral obtained by taking possession.	Assets excluded from the numerator for GAR calculation (but included in the denominator): • hedging derivatives • exposures to non-financial and financial companies not subject to NFRD • interbank demand loans • cash and cash equivalents • other assets (goodwill, tangible and intangible fixed assets, etc.)	• exposures to central governments, central banks and supranational organisations • financial assets held for trading, including derivatives in this portfolio.
Assets subject to eligibility analysis and taxonomy alignment analysis 15.27% of total assets	DENOMINATOR Total assets of the GAR 90.54% of total assets	TOTAL ASSETS 100%

The above exposures subject to eligibility and alignment analysis therefore include assets presented in the balance sheet among the following accounting categories:

- financial assets at amortised cost, financial assets measured at fair value through equity, financial assets designated as measured at fair value through profit or loss and non-trading financial assets required to be measured at fair value through profit or loss;
- investments in joint ventures and associates (the controlled insurance companies are presented using the equity method for the presentation of the prudential scope);
- fixed assets, with regard to real estate collateral obtained by taking possession.

Methodology used

In accordance with the principles of the regulations and the capacity to implement them, the eligibility and alignment of assets subject to eligibility and alignment analysis are determined:

- for non-financial counterparties subject to NFRD regulation, as identified from the database provided by Bloomberg:
  - for unallocated financing, by applying to the gross amount of outstandings the alignment and taxonomy eligibility rates (revenue KPI database and CapEx KPI database) available in Bloomberg, these data correspond to the indicators published by these counterparties the previous year (determined in accordance with the criteria of the climate and environment delegated regulations). In the absence of available data distinguishing eligibility and alignment rates by environmental objective, the choice was made to assign them to the climate change mitigation objective,
  - for allocated funding, the taxonomy criteria as defined by the European commission should be analysed based on the information provided by the counterparties. For the 2023 financial year, the Palatine group did not conduct these *ad hoc* analyses;
- for financial counterparties subject to NFRD regulations.

Eligibility and alignment were measured only from data available in Bloomberg. This data is not always exhaustive, in particular for data on the eligibility of financial undertakings. The group's eligibility ratio is penalised by this lack of data.

- For retail customers (or households):
  - outstandings subject to taxonomy eligibility and alignment analysis correspond to financing secured by residential real estate (including guaranteed loans), renovation loans and motor vehicle loans granted from 1 January 2022. For households, the GAR only applies for the first “climate change mitigation” objective.
  - the alignment of loans secured by residential property (or guaranteed) is determined with regard to the criteria set by the regulations and the interpretations accepted by the market, which in practice consists in using:

    For the documentation of the criterion of substantial contribution to climate change mitigation relating to real estate financing:

    - financed goods whose primary energy consumption is less than 135 kwh/m^2 per year (corresponds to goods with an energy performance assessment rated a, b and part c). The Palatine group is starting from a methodological approach in which the collection of DPE data on loans secured by real estate is based on the DPE collected from customers, supplemented by the DPE provided by the CSTB (Centre Scientifique et Technique du Bâtiment) and collected in the ADEME database for individual housing for which we have certainty as to the address of the financed property. For collective housing, in the absence of customer DPES issued after 2021, the Palatine Group uses the DPES calculated by the CSTB, in accordance with the 2021 reform, based on the characteristics of the buildings concerned and the rating of its various building lots,
    - if this information is not available and for financing construction properties, the Palatine group determines primary energy consumption by applying the applicable construction standards (RT 2012 regulation applicable to buildings between 1 January 2013 and 31 December 2020 and re 2020 applicable to buildings from 1 January 2022). In the absence of information on the date of filing of the building permit for the financed property, the Palatine group identifies it from the date of granting of the financing by applying a margin of two years. For the 2021 construction year, in the absence of information, no exposure was considered as aligned.

    The analysis of alignment with the taxonomy criteria must then be supplemented by technical criteria to demonstrate that the activity does not significantly harm the other objectives of the taxonomy (DNSH criterion):

    - for real estate loans, this analysis is mainly based, for retail real estate activities, on the analysis of physical risk. After assessing the exposure of the group’s financial activities to physical climate risks, the acute “flood” physical risk was assessed as the most material with regard to Groupe Palatine’s portfolio. Properties with the highest level of flood risk are therefore excluded to determine the alignment of mortgages. The risk of flooding related to housing has been classified in so-called “high nuts (nomenclature of territorial units for statistics)” according to a classification of acute flooding risks by the European central bank. Thus, once a high flood risk has been identified for a financed asset, the corresponding outstanding amount will not be considered as aligned even though it meets the energy performance criteria described above;

    The renovation loan alignment analysis was not performed in the absence of data available to document compliance with the taxonomy criteria.

    Alignment analysis of motor vehicle loans was not performed in the absence of available data (co2 emissions/km);
- for local administrations:
  - housing financing is considered eligible. As this is not a property development activity, the alignment analysis must be carried out, where it is possible to establish a link between the financing and the financed asset, in the same way as above for the financing of real estate with retail clients. However, for operational constraints, alignment could not be measured this year.
  - for other financing, in the absence of available analysis data, no outstandings were considered neither eligible nor aligned;
- the real estate securities obtained by taking possession have not been analysed with regard to their non-material amounts;
- investments in subsidiaries, joint ventures and associates are, in the absence of the line-by-line analysis, presented as equity instruments not subject to eligibility and alignment analysis;
- exposures to Groupe BPCE entities were not weighted by the alignment and eligibility rates of the counterparties concerned, particularly BPCE, given operational constraints at December 31, 2023.

GAR summary

At 31/12/2023

GAR - summary	Amount in millions of euros	% total assets	% total assets of GAR (denominator)
Total assets	19,148	100%	-
Assets not included in the GAR calculation	1,812	9.46%	-
Total assets of the GAR	17,337	90.54%	100%
Assets excluded from the numerator for GAR calculation (but included in the denominator)	14,413	75.27%	83.14%
GAR - assets covered by numerator and denominator: assets subject to eligibility and alignment analysis	2,924	15.27%	16.86%
(Revenue base of NFRD counterparties)			
Of which to sectors relevant for the taxonomy (eligible for the taxonomy)	1,669	-	9.63%
Of which environmentally sustainable (aligned with the taxonomy)	827	-	4.77%
(Capex database of NFRD counterparties)			
Of which to sectors relevant for the taxonomy (eligible for the taxonomy)	1,741	-	10.04%
Of which environmentally sustainable (aligned with the taxonomy)	843	-	4.86%

At 31/12/2023

	in millions of euros			in % of total assets	
Details of GAR - revenue base	Loans	Of which eligible	Of which aligned	Of which eligible	Of which aligned
GAR - assets covered by numerator and denominator: assets subject to eligibility and alignment analysis	**2,924**	**1,669**	**827**	**9.63%**	**4.77%**
O/w exposures to:					
• Financial companies subject to NFRD	154	0	0	0.00%	0.00%
• Non-financial companies subject to NFRD	815	115	43	0.66%	0.25%
• Households	1,916	1,516	784	8.74%	4.52%
• Local government financing	38	38	0	0.22%	0.00%
• Collateral obtained by foreclosure: residential and commercial real estate	0	0	0	0.00%	0.00%

At 31/12/2023

	in millions of euros			in % of total assets	
Details of the GAR - CapEx database	Loans	Of which eligible	Of which aligned	Of which eligible	Of which aligned
GAR - assets covered by numerator and denominator: assets subject to eligibility and alignment analysis	**2,924**	**1,741**	**843**	**10.04%**	**4.86%**
O/w exposures to:					
• Financial companies subject to NFRD	154	3	0	0.02%	0.00%
• Non-financial companies subject to NFRD	815	184	59	1.06%	0.34%
• Households	1,916	1,516	784	8.74%	4.52%
• Local government financing	38	38	0	0.22%	0.00%
• Collateral obtained by foreclosure: residential and commercial real estate	0	0	0	0.00%	0.00%

The information relating to the gar is presented in accordance with the template tables applicable to credit institutions as presented in annex vi of delegated regulation 2023/2486.

4.4.3 off-balance sheet indicators: financial guarantees given and assets under management

Principles

From 31 December 2023, in accordance with section 1.2.2. Of annex V of delegated regulation 2021/2178, credit institutions shall publish additional indicators on exposures not recognised on the assets side of the balance sheet relating to:

- financial guarantees granted;
- assets under management.

Methodology used

The methodology for calculating KPIS given and KPIS assets under management consists in applying counterparty eligibility and alignment rates to exposures subject to NFRD.

Summary of off-balance sheet KPIS

At 31/12/2023

	in millions of euros			in % of total assets	
Breakdown of GAR on off-balance sheet exposures - revenue	Loans	Of which eligible	Of which aligned	Of which eligible	Of which aligned
Financial guarantees	1,272	1	0	0.05%	0.03%
Assets under management	0	0	0		

At 31/12/2023

	in millions of euros			in % of total assets	
Details of the GAR on off-balance sheet exposures - CapEx	Loans	Of which eligible	Of which aligned	Of which eligible	Of which aligned
Financial guarantees	1,272	0	0	0.03%	0.03%
Assets under management	0	0	0		

The information relating to KPIS financial guarantees and KPIS assets under management is presented in accordance with the template tables applicable to credit institutions as presented in annex vi of delegated regulation 2023/2486.

4.4.4 Activities related to nuclear energy and fossil gas

Principles

Additional information is required for companies that carry out, finance or are exposed to specific activities related to nuclear energy and fossil gas (delegated regulation 2022/1214). The tabular format is required by the regulations. The commission requests the publication of these tables, for each applicable KPI.

As of 31 December 2023, Palatine Group presents this information for the main KPI - the GAR establishes in stock once based on the turnover KPI of the counterparties and once based on the CapEx KPI of the counterparties.

Subsequently, this information should also be presented for the main KPI - GAR in flow view, as well as for the off-balance sheet KPIS: financial guarantees given and assets under management.

Methodology used

Publication of template 1 is mandatory. This model identifies the specific activities of the gas and nuclear sector covered by delegated act 2022/1214 of the taxonomy regulation.

In the absence of assets financing such activities at 31 December 2023, only model 1 of the regulatory tables is presented.

4.4.5 Alignment policy (requirement of annex XI of delegated regulation 2021/2178) with the Taxonomy regulation:

Groupe BPCE intends to change its balance sheet over the long term as part of a strategy to mitigate the climate impact of its activities and financed, invested or insured assets.

Groupe BPCE's climate strategy is described in this chapter, “being a major player in the environmental transition”, particularly in terms of commitments with customers and counterparties.

The publication of aligned activities will enhance its internal climate measures and its green commitments. Groupe BPCE also takes into account the European taxonomy in the design of its “green” offers and services, and aims to comply as much as possible with the alignment criteria. This requirement requires the collection of significant relative information; as well as detailed and documented analyses for which further work will be carried out in the next financial year.

4.4.6 Tables to be published in accordance with article 8 of the taxonomy regulation

The Palatine Group publishes the tables required by the taxonomy regulation applicable to credit institutions in the tabular formats presented in annex vi of delegated regulation 2023/2486.

Tables to be published in accordance with article 8 of the taxonomy regulation

The Palatine Group publishes the tables required by the taxonomy regulation applicable to credit institutions in the tabular formats presented in annex VI of delegated regulation 2023/2486.

1. Template 0 - summary of KPIS to be published in accordance with article 8 of the Taxonomy regulation

		Total environmentally sustainable assets	KPIS [(4)]	KPIS [(5)]	% coverage (relative to total assets) [(3)]	% of assets excluded from the gar numerator (article 7(2) and (3) and appendix v section 1.1.2)	% of assets excluded from the gar denominator (article 7(1) and section 1.2.4 of appendix v)
Primary KPI	**Green asset ratio (GAR)**	**827**	**4.77%**	**4.86%**	**90.54%**	**75.27%**	**9.46%**

	Total environmentally sustainable activities	KPI	KPI	% coverage (relative to total assets)	% of assets excluded from the gar numerator (article 7(2) and (3) and appendix v section 1.1.2)	% of assets excluded from the gar denominator (article 7(1) and section 1.2.4 of appendix v)
Additional KPIS						
Gar (flow)						
Trading book [(1)]						
Financial guarantees		0.03%	0.03%			
Assets under management						
Fees and commissions received [(2)]						

(1) For credit institutions not meeting the conditions of article 94(1) or article 325a(1) of the CRR.

(2) Fees and commissions on services other than loans and asset management.

Institutions shall provide forward-looking information for those KPIS, in particular on the targeted targets, and relevant explanations on the methodology applied.

(3) % of assets covered by the KPI, compared to total bank assets.

(4) Based on the KPI of the counterparty turnover.

(5) Based on the KPI of the counterparty’s capex, except for general lending activities, for which the turnover KPI is used.

Note 1: in all templates, blackened boxes should not be filled.

Note 2: the KPIS relating to fees and commissions (sheet 6) and the trading book (sheet 7) only apply from 2026. SMES will only be included in these KPIS subject to the positive outcome of an impact assessment.

2. Model 1 - assets included in the calculation of the gar (revenue base)

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

		a	b	c	d	e	f
		Reference date of information T					
			Climate change mitigation (CCM)				
			Of which to sectors relevant for the taxonomy (eligible for the taxonomy)				
				Of which environmentally sustainable (aligned with taxonomy)			
in millions of euros		Total [gross] carrying amount			Of which use of the product	Of which transitional	Of which authorising
1	Loans and advances, debt securities and equity instruments held for purposes other than sale and eligible for GAR calculation	2,924					
2	**Financial companies**	**154**					
3	Credit institutions	22					
4	Loans and advances	1					
5	Debt securities, including those with specific use of issue proceeds (UoP)	20					
6	Equity instruments	0					
7	Other financial companies	133					
8	of which investment firms						
9	Loans and advances						
10	Debt securities, including those with specific use of issue proceeds (UoP)						
11	Equity instruments						
12	of which management companies						
13	Loans and advances						
14	Debt securities, including those with specific use of issue proceeds (UoP)						
15	Equity instruments						
16	of which insurance companies	0					
17	Loans and advances	0					
18	Debt securities, including those with specific use of issue proceeds (UoP)	0					
19	Equity instruments	0					
20	**Non-financial corporations**	**815**					
21	Loans and advances	811					
22	Debt securities, including those with specific use of issue proceeds (UoP)	0					
23	Equity instruments	4					
24	**Households**	**1,916**					
25	o/w loans secured by residential property	1,516					
26	o/w building renovation loans	0					
27	o/w loans for motor vehicles	0					
28	**Local government funding**	**38**					
29	Financing of homes	38					
30	Other local government financing	0					
31	**Collateral obtained by seizure: residential and commercial real estate**	**0**					

	g	h	i	j	ab	ac	ad	ae	af
	Reference date of information T								
	Climate change adaptation (CCA)				**Total (CCM + CCA + RAM + EC + PRP + ORGANIC)**				
	Of which to sectors relevant for the taxonomy (eligible for the taxonomy)								
		Of which environmentally sustainable (aligned with taxonomy)				**Of which environmentally sustainable (aligned with taxonomy)**			
			OF WHICH USE OF THE PRODUCT	**OF WHICH AUTHORISING**			**Of which use of the product**	**Of which transitional**	**Of which authorising**
					1,669	827			
					0	**0**			
					0	0			
					0	0			
					0	0			
					0	0			
					0	0			
					0	0			
					0	0			
					115	**43**			
					115	43			
					0	0			
					1,516	**784**			
					1,516	784			
					0	0			
					0	0			
					38	**0**			
					38	0			
					0	0			
					0	**0**			

in millions of euros	a	b	c	d	e	f
	Reference date of information T					
		Climate change mitigation (CCM)				
		Of which to sectors relevant for the taxonomy (eligible for the taxonomy)				
			Of which environmentally sustainable (aligned with taxonomy)			
	Total [gross] carrying amount			Of which use of the product	Of which transitional	Of which authorising
32 Assets excluded from the numerator for GAR calculation (but included in the denominator)	**14,413**					
33 Financial and non-financial companies	**12,492**					
34 SMES and non-financial enterprises (other than SMES) not subject to NFRD disclosure requirements	12,252					
35 Loans and advances	12,092					
36 o/w loans secured by commercial real estate	1,298					
37 o/w building renovation loans	0					
38 Debt securities	156					
39 Equity instruments	5					
40 Third country counterparties not subject to NFRD disclosure requirements	240					
41 Loans and advances	191					
42 Debt securities	49					
43 Equity instruments	0					
44 Derivatives	**7**					
45 Interbank demand loans	**1,736**					
46 Cash and cash equivalents	**5**					
47 Other asset classes (goodwill, commodities, etc.)	**172**					
48 TOTAL ASSETS OF THE GAR	**17,337**	**1,669**	**827**			
49 Assets not included in the GAR calculation	**1,812**					
50 Central governments and supranational issuers	**1,402**					
51 Exposures to central banks	**0**					
52 Trading portfolio	**410**					
53 TOTAL ASSETS	**19,148**	**1,669**	**827**			
Off-balance sheet exposures - corporates subject to NFRD disclosure requirements						
54 Financial guarantees	1,272	1	0			
55 Assets under management						
56 o/w debt securities						
57 equity instruments						

	g	h	i	j	ab	ac	ad	ae	af
	Reference date of information T								
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)				
	Of which to sectors relevant for the taxonomy (eligible for the taxonomy)								
		Of which environmentally sustainable (aligned with taxonomy)				Of which environmentally sustainable (aligned with taxonomy)			
			Of which use of the product	Of which authorising			Of which use of the product	Of which transitional	Of which authorising
					1,669	827			
					1,669	827			
					1	0			

3. Model 1 - assets included in the calculation of the gar (capex base)

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

	a	b	c	d	e	f
	Reference date of information T					
		Climate change mitigation (CCM)				
		Of which to sectors relevant for the taxonomy (eligible for the taxonomy)				
			Of which environmentally sustainable (aligned with taxonomy)			
in millions of euros	Total [gross] carrying amount			Of which use of the product	Of which transitional	Of which authorising
1 Loans and advances, debt securities and equity instruments held for purposes other than sale and eligible for GAR calculation	2,924	1,741	843			
2 Financial companies	**154**	**3**	**0**			
3 Credit institutions	22	0	0			
4 Loans and advances	1	0	0			
5 Debt securities, including those with specific use of issue proceeds (UoP)	20	0	0			
6 Equity instruments	0					
7 Other financial companies	133	3	0			
8 of which investment firms						
9 Loans and advances						
10 Debt securities, including those with specific use of issue proceeds (UoP)						
11 Equity instruments						
12 of which management companies						
13 Loans and advances						
14 Debt securities, including those with specific use of issue proceeds (UoP)						
15 Equity instruments						
16 of which insurance companies	0	0	0			
17 Loans and advances	0	0	0			
18 Debt securities, including those with specific use of issue proceeds (UoP)	0	0	0			
19 Equity instruments	0					
20 Non-financial corporations	**815**	**184**	**59**			
21 Loans and advances	811	184	59			
22 Debt securities, including those with specific use of issue proceeds (UoP)	0	0	0			
23 Equity instruments	4					
24 Households	**1,916**	**1,516**	**784**			
25 o/w loans secured by residential property	1,516	1,516	784			
26 o/w building renovation loans	0	0	0			
27 o/w loans for motor vehicles	0	0	0			
28 Local government funding	**38**	**38**	**0**			
29 Financing of homes	38	38	0			
30 Other local government financing	0	0	0			
31 Collateral obtained by seizure: residential and commercial real estate	**0**	**0**	**0**			

	g	h	i	j	ab	ac	ad	ae	af
	Reference date of information T								
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)				
	Of which to sectors relevant for the taxonomy (eligible for the taxonomy)								
		Of which environmentally sustainable (aligned with taxonomy)				Of which environmentally sustainable (aligned with taxonomy)			
			Of which use of the product	Of which authorising			Of which use of the product	Of which transitional	Of which authorising
					1,741	843			
					3	**0**			
					0	0			
					0	0			
					0	0			
					3	0			
					0	0			
					0	0			
					0	0			
					184	**59**			
					184	59			
					0	0			
					1,516	**784**			
					1,516	784			
					0	0			
					0	0			
					38	**0**			
					38	0			
					0	0			
					0	**0**			

in millions of euros	a	b	c	d	e	f
	Reference date of information T					
		Climate change mitigation (CCM)				
		Of which to sectors relevant for the taxonomy (eligible for the taxonomy)				
			Of which environmentally sustainable (aligned with taxonomy)			
	Total [gross] carrying amount			Of which use of the product	Of which transitional	Of which authorising
2 Assets excluded from the numerator for GAR calculation (but included in the denominator)	**14,413**					
33 Financial and non-financial companies	**12,492**					
34 SMES and non-financial enterprises (other than SMES) not subject to NFRD disclosure requirements	12,252					
35 Loans and advances	12,092					
36 o/w loans secured by commercial real estate	1,298					
37 o/w building renovation loans	0					
38 Debt securities	156					
39 Equity instruments	5					
40 Third country counterparties not subject to NFRD disclosure requirements	240					
41 Loans and advances	191					
42 Debt securities	49					
43 Equity instruments	0					
44 Derivatives	**7**					
45 Interbank demand loans	**1,736**					
46 Cash and cash equivalents	**5**					
47 Other asset classes (goodwill, commodities, etc.)	**172**					
48 TOTAL ASSETS OF THE GAR	**17,337**	**1,741**	**843**			
49 Assets not included in the GAR calculation	**1,812**					
50 Central governments and supranational issuers	**1,402**					
51 Exposures to central banks	**0**					
52 Trading portfolio	**410**					
53 TOTAL ASSETS	**19,148**	**1,741**	**843**			
Off-balance sheet exposures - corporates subject to NFRD disclosure requirements						
54 Financial guarantees	1,272	0	0			
55 Assets under management						
56 o/w debt securities						
57 equity instruments						

	g	h	i	j	ab	ac	ad	ae	af
	Reference date of information T								
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)				
	Of which to sectors relevant for the taxonomy (eligible for the taxonomy)								
		Of which environmentally sustainable (aligned with taxonomy)				Of which environmentally sustainable (aligned with taxonomy)			
			Of which use of the product	Of which authorising			Of which use of the product	Of which transitional	Of which authorising
					1,741	843			
					1,741	843			
					0	0			

4. Template 2 - Breakdown Of GAR Outstandings By Business Sector

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

		a	b	c	d
		Climate change mitigation (CCM)			
		Non-financial corporations (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
		[Gross] carrying amount		*[gross] Carrying amount*	
	Breakdown by sector - NACE 4 digit level (code and title)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
1	01.21 - Cultivation of vines	1			
2	10.20 - Processing and conservation of fish, crustaceans and molluscs	2			
3	10.51 - Dairy operations and cheese manufacturing	3			
4	10.85 - Manufacture of prepared dishes	0			
5	11.02 - Production of wine (grape)	16			
6	13.20 - Weaving	4			
7	14.13 - Manufacture of outerwear	0			
8	16.10 - Sawing and planing of wood	4			
9	17.12 - Manufacture of paper and cardboard	3			
10	17.23 - Manufacture of stationery	2			
11	17.29 - Manufacture of other articles of paper or paperboard	1			
12	18.12 - Other printing works (labour)	5			
13	20.14 - Manufacture of other basic organic chemicals	1			
14	20.42 - Manufacture of fragrances and toiletries	1			
15	20.53 - Manufacture of essential oils	2			
16	22.19 - Manufacture of other rubber articles	0			
17	22.23 - Manufacture of plastic components for construction	1			
18	22.29 - Manufacture of other plastic articles	0			
19	23.51 - Manufacture of cement	10	0		
20	23.99 - Manufacture of other non-metallic mineral products n.e.c.	0	0		
21	24.20 - Manufacture of steel tubes, pipes, hollow profiles and related accessories	6			
22	24.42 - Aluminium metallurgy	2	2		
23	24.44 - Copper metallurgy	2	1		
24	25.11 - Manufacture of metal structures and parts of structures	0	0		
25	25.62 - Machining	0			
26	25.62 - Machining	11	0		
27	25.93 - Manufacture of articles of wire, chains and springs	5	0		
28	25.99 - Manufacture of other metal products n.e.c.	1			
29	26.12 - Manufacture of assembled electronic boards	0			
30	26.20 - Manufacture of computers and peripheral equipment	0			
31	27.40 - Manufacture of electric lighting appliances	1			
32	28.13 - Manufacture of other pumps and compressors	0			
33	28.14 - Manufacture of other taps	2			

	e	f	g	h	y	z	aa	ab
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)			
	Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD		Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	Carrying amount Gross		*[Gross] Carrying amount*		Carrying amount Gross		*[gross] Carrying amount*	
	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
					1			
					2			
					3			
					0			
					16			
					4			
					0			
					4			
					3			
					2			
					1			
					5			
					1			
					1			
					2			
					0			
					1			
					0			
					10	0		
					0	0		
					6			
					2	2		
					2	1		
					0	0		
					0			
					11	0		
					5	0		
					1			
					0			
					0			
					1			
					0			
					2			

	a	b	c	d
	Climate change mitigation (CCM)			
	Non-financial corporations (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	[Gross] carrying amount		*[Gross] Carrying amount*	
Breakdown by sector - NACE 4 digit level (code and title)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
34 28.22 - Manufacture of lifting and handling equipment	9			
35 28.25 - Manufacture of industrial air and refrigeration equipment	0			
36 28.99 - Manufacture of other special purpose machinery n.e.c.	1			
37 29.32 - Manufacture of other automotive equipment	28	0		
38 32.50 - Manufacture of medical and dental instruments and supplies	5			
39 33.16 - Repair and maintenance of aircraft and spacecraft	0			
40 33.20 - Installation of industrial machinery and equipment	0	0		
41 35.11 - Electricity production	19	0		
42 35.14 - Electricity trading	0	0		
43 38.11 - Collection of non-hazardous waste	8	5		
44 38.21 - Treatment and disposal of non-hazardous waste	0	0		
45 38.22 - Treatment and disposal of hazardous waste	0	0		
46 38.32 - Recovery of sorted waste	8	7		
47 41.10 - Property development	40	8		
48 41.10 - Property development	6	0		
49 41.20 - Construction of residential and non-residential buildings	4			
50 41.20 - Construction of residential and non-residential buildings	1	0		
51 42.22 - Construction of electricity and telecommunications networks	0	0		
52 42.99 - Construction of other civil engineering works n.e.c.	0	0		
53 43.22 - Plumbing and heating and air conditioning installation	0	0		
54 43.29 - Other installation work	0			
55 43.32 - Joinery work	0	0		
56 45.11 - Trade in cars and light motor vehicles	1			
57 45.19 - Trade in other motor vehicles	0			
58 45.32 - Retail sale of automotive equipment	0			
59 46.19 - Intermediaries in trade in miscellaneous products	0			
60 46.19 - Intermediaries in trade in miscellaneous products	1			
61 46.34 - Wholesale of beverages	1			
62 46.37 - Wholesale of coffee, tea, cocoa and spices	0			
63 46.41 - Wholesale of textiles	0			
64 46.45 - Wholesale of perfumery and beauty products	0			
65 46.46 - Wholesale of pharmaceutical products	5			
66 46.49 - Wholesale of other domestic goods	7			

	e	f	g	h	y	z	aa	ab
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)			
	Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD		Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	Carrying amount Gross		*[gross] Carrying amount*		Carrying amount Gross		*[gross] Carrying amount*	
	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
					9			
					0			
					1			
					28	0		
					5			
					0			
					0	0		
					19	0		
					0	0		
					8	5		
					0	0		
					0	0		
					8	7		
					40	8		
					6	0		
					4			
					1	0		
					0	0		
					0	0		
					0	0		
					0			
					0	0		
					1			
					0			
					0			
					0			
					1			
					1			
					0			
					0			
					0			
					5			
					7			

	a	b	c	d
	Climate change mitigation (CCM)			
	Non-financial corporations (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	[Gross] carrying amount		*[gross] Carrying amount*	
Breakdown by sector - NACE 4 digit level (code and title)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
67 46.51 - Wholesale of computers, peripheral computer equipment and software	1			
68 46.69 - Wholesale of other machinery and equipment	0			
69 46.69 - Wholesale of other machinery and equipment	1			
70 46.71 - Wholesale of fuels and related products	2	0		
71 46.72 - Wholesale of minerals and metals	1			
72 46.73 - Wholesale of wood, building materials and sanitary appliances	0			
73 46.90 - Non-specialized wholesale trade	0			
74 47.59 - Retail sale of furniture, lighting appliances and other household items in specialised stores	0			
75 47.71 - Retail sale of clothing in specialised stores	1			
76 47.75 - Retail sale of perfumery and beauty products in specialised stores	0			
77 47.91 - Distance selling	0			
78 47.91 - Distance selling	3			
79 49.41 - Road freight transport	0			
80 50.20 - Maritime and coastal freight transport	28	0		
81 52.10 - Warehousing and storage	0			
82 52.10 - Warehousing and storage	24	2		
83 52.29 - Other services auxiliary to transport	0			
84 55.10 - Hotels and similar accommodation	10			
85 56.10 - Restaurants and mobile food services	0			
86 58.11 - Publishing books	0	0		
87 58.21 - Publishing electronic games	19			
88 58.29 - Publishing other software	5			
89 59.11 - Production of motion picture films, video and television programs	10			
90 59.11 - Production of motion picture films, video and television programs	6			
91 59.13 - Distribution of motion picture films, video and television programs	0			
92 60.20 - Television programming and television broadcasting	8	0		
93 61.10 - Wireline telecommunications	0	0		
94 62.01 - Computer programming	4	0		
95 62.02 - IT consulting	10	0		
96 62.03 - Management of IT facilities	0	0		
97 62.09 - Other IT activities	4	0		
98 64.20 - Activities of holding companies	17	0		
99 64.30 - Investment funds and similar financial entities	21			

	e	f	g	h	y	z	aa	ab
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)			
	Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD		Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	Carrying amount Gross		*[Gross] Carrying amount*		Carrying amount Gross		*[Gross] Carrying amount*	
	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
					1			
					0			
					1			
					2	0		
					1			
					0			
					0			
					0			
					1			
					0			
					0			
					3			
					0			
					28	0		
					0			
					24	2		
					0			
					10			
					0			
					0	0		
					19			
					5			
					10			
					6			
					0			
					8	0		
					0	0		
					4	0		
					10	0		
					0	0		
					4	0		
					17	0		
					21			

Breakdown by sector - NACE 4 digit level (code and title)	a	b	c	d
	Climate change mitigation (CCM)			
	Non-financial corporations (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	[Gross] carrying amount		*[Gross] Carrying amount*	
	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
100 64.92 - Other credit distribution	14	0		
101 64.99 - Other financial services activities, excluding insurance and pension funds, n.e.c.	0			
102 66.19 - Other activities auxiliary to financial services, excluding insurance and pension funds	24			
103 66.19 - Other activities auxiliary to financial services, excluding insurance and pension funds	1			
104 66.30 - Fund management	13			
105 68.10 - Activities of real estate dealers	14	0		
106 68.20 - Rental and operation of own or leased real estate	0	0		
107 68.20 - Rental and operation of own or leased real estate	111	1		
108 68.31 - Real estate agencies	0			
109 68.32 - Property management	6	0		
110 69.20 - Accounting activities	0			
111 70.10 - Activities of head offices	70	0		
112 70.22 - Business and other management advice	31	0		
113 71.12 - Engineering activities	21	13		
114 72.11 - Biotechnology research and development	0			
115 74.20 - Photographic activities	2			
116 74.90 - Other specialized, scientific and technical activities n.e.c.	0			
117 77.29 - Rental and leasing of other personal and household goods	17			
118 77.39 - Rental and leasing of other machinery, equipment and tangible goods n.e.c.	9			
119 78.20 - Activities of temporary employment agencies	0			
120 78.30 - Other provision of human resources	7	0		
121 81.29 - Other cleaning activities	0			
122 82.99 - Other business support activities n.e.c.	17			
123 86.10 - Hospital activities	1	0		
124 87.10 - Medical accommodation	34			
125 88.10 - Social action without accommodation for the elderly and disabled	0			
126 93.29 - Other recreational and recreational activities	17	1		
127 95.11 - Repair of computers and peripheral equipment	0			
128 Unidentified NACE code	4			

	e	f	g	h	y	z	aa	ab
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)			
	Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD		Non-financial companies (subject to NFRD)		SMES and other non-financial enterprises not subject to NFRD	
	Carrying amount Gross		*[gross] Carrying amount*		Carrying amount Gross		*[gross] Carrying amount*	
	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)	in millions of euros	Of which environmentally sustainable (CCM)
					14	0		
					0			
					24			
					1			
					13			
					14	0		
					0	0		
					111	1		
					0			
					6	0		
					0			
					70	0		
					31	0		
					21	13		
					0			
					2			
					0			
					17			
					9			
					0			
					7	0		
					0			
					17			
					1	0		
					34			
					0			
					17	1		
					0			
					4			

5. Model 3 - GAR KPI aum (Revenue base)

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

		a	b	c	d	e
		Reference date of information T				
		Climate change mitigation (CCM)				
		Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				
			Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)			
	% (Of total hedged assets in the denominator)			Of which use of the product	Of which transitional	Of which authorising
	GAR - assets covered by numerator and denominator					
1	Loans and advances, debt securities and equity instruments held for purposes other than sale and eligible for GAR calculation	57.08%	28.29%			
2	**Financial companies**	**0**	**0**			
3	Credit institutions	0	0			
4	Loans and advances	0	0			
5	Debt securities, including those with specific use of issue proceeds (UoP)	0	0			
6	Equity instruments					
7	Other financial companies	0	0			
8	of which investment firms					
9	Loans and advances					
10	Debt securities, including those with specific use of issue proceeds (UoP)					
11	Equity instruments					
12	of which management companies					
13	Loans and advances					
14	Debt securities, including those with specific use of issue proceeds (UoP)					
15	Equity instruments					
16	of which insurance companies	0	0			
17	Loans and advances	0	0			
18	Debt securities, including those with specific use of issue proceeds (UoP)	0	0			
19	Equity instruments					
20	**Non-financial corporations**	**14.06%**	**5.29%**			
21	Loans and advances	14.13%	5.31%			
22	Debt securities, including those with specific use of issue proceeds (UoP)	0	0			
23	Equity instruments					
24	**Households**	**79.13%**	**40.93%**			
25	o/w loans secured by residential property	100.00%	51.72%			
26	o/w building renovation loans	0	0			
27	o/w loans for motor vehicles	100.00%	0			
28	**Local government funding**	**99.25%**	**0**			
29	Financing of homes	100.00%	0			
30	Other local government financing	0	0			
31	**Collateral obtained by seizure: residential and commercial real estate**	**0**	**0**			
32	**TOTAL ASSETS OF THE GAR**	**9.63%**	**4.77%**			

	f	g	h	i	aa	ab	ac	ad	ae	af
	Reference date of information T									
	Climate change adaptation (CCA)				**Total (CCM + CCA + RAM + EC + PRP + ORGANIC)**					
	Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				**Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)**					
		Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)				**By total hedged assets dedicated to financing taxonomy relevant sectors (aligned with taxonomy)**				
			Of which use of the product	**Of which authorising**			**Of which use of the product**	**Of which transitional**	**Of which authorising**	**Share of total hedged assets**
					57.08%	28.29%				15.27%
					0	**0**				**0.81%**
					0	0				0.11%
					0	0				0.01%
					0	0				0.11%
										0
					0	0				0.69%
					0	0				0
					0	0				0
					0	0				0
										0
					14.06%	**5.29%**				**4.26%**
					14.13%	5.31%				4.24%
					0	0				0
										0.02%
					79.13%	**40.93%**				**10.00%**
					100.00%	51.72%				7.92%
					0	0				0
					99.25%	**0**				**0.20%**
					100.00%	0				0.20%
					0	0				0
					0	**0**				**0**
					9.63%	**4.77%**				**90.54%**

6. Model 3 - ICP GAR outstandings (CAPEX Figure database)

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

		a	b	c	d	e
		Reference date of information T				
		Climate change mitigation (CCM)				
		Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				
			Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)			
% (of total hedged assets in the denominator)				Of which use of the product	Of which transitional	Of which authorising
GAR - assets covered by numerator and denominator						
1	Loans and advances, debt securities and equity instruments held for purposes other than sale and eligible for GAR calculation	59.54%	28.82%			
2	**Financial companies**	**1.96%**	**0**			
3	Credit institutions	0	0			
4	Loans and advances	0	0			
5	Debt securities, including those with specific use of issue proceeds (UoP)	0	0			
6	Equity instruments					
7	Other financial companies	2.27%	0			
8	of which investment firms					
9	Loans and advances					
10	Debt securities, including those with specific use of issue proceeds (UoP)					
11	Equity instruments					
12	of which management companies					
13	Loans and advances					
14	Debt securities, including those with specific use of issue proceeds (UoP)					
15	Equity instruments					
16	of which insurance companies	0	0			
17	Loans and advances	0	0			
18	Debt securities, including those with specific use of issue proceeds (UoP)	0	0			
19	Equity instruments					
20	**Non-financial corporations**	**22.53%**	**7.20%**			
21	Loans and advances	22.64%	7.24%			
22	Debt securities, including those with specific use of issue proceeds (UoP)	0	0			
23	Equity instruments					
24	**Households**	**79.13%**	**40.93%**			
25	o/w loans secured by residential property	100.00%	51.72%			
26	o/w building renovation loans	0	0			
27	o/w loans for motor vehicles	100.00%	0			
28	**Local government funding**	**99.25%**	**0**			
29	Financing of homes	100.00%	0			
30	Other local government financing	0	0			
31	**Collateral obtained by seizure: residential and commercial real estate**	**0**	**0**			
32	**TOTAL ASSETS OF THE GAR**	**10.04%**	**4.86%**			

	f	g	h	i	aa	ab	ac	ad	ae	af
	Reference date of information T									
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)					
	Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)					
		Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)				BY TOTAL HEDGED ASSETS DEDICATED TO FINANCING TAXONOMY RELEVANT SECTORS (ALIGNED WITH TAXONOMY)				
			Of which use of the product	Of which authorising			Of which use of the product	Of which transitional	Of which authorising	Share of total hedged assets
					59.54%	28.82%				15.27%
					1.96%	**0**				**0.81%**
					0	0				0.11%
					0	0				0.01%
					0	0				0.11%
										0
					2.27%	0				0.69%
					0	0				0
					0	0				0
					0	0				0
										0
					22.53%	**7.20%**				**4.26%**
					22.64%	7.24%				4.24%
					0	0				0
										0.02%
					79.13%	**40.93%**				**10.00%**
					100.00%	51.72%				7.92%
					0	0				0
					99.25%	**0**				**0.20%**
					100.00%	0				0.20%
					0	0				0
					0	**0**				**0**
					10.04%	**4.86%**				**90.54%**

7. Template 5 - KPI of off-balance sheet exposures (Revenue Basis)

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

	a	b	c	d	e
	Reference date of information T				
	Climate change mitigation (CCM)				
	Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				
		Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)			
% (to total eligible off-balance sheet assets)			Of which use of the product	Of which transitional	Of which authorising
1 Financial guarantees (FinGuar KPI)	0.05%	0.03%			
2 AuM (KPI AuM)					

8. Model 5 - KPI of off-balance sheet exposures (basis of CAPEX Figure)

The table presented below is not identical to the original template. Columns with no information have been deleted to make the table easier to read.

	a	b	c	d	e
	Reference date of information T				
	Climate change mitigation (CCM)				
	Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				
		Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)			
% (To total eligible off-balance sheet assets)			Of which use of the product	Of which transitional	Of which authorising
1 Financial guarantees (FinGuar KPI)	0.03%	0.03%			
2 AuM (KPI AuM)					

	f	g	h	i	aa	ab	ac	ad	ae
Reference date of information T									
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)				
	Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				
		Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)				Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)			
			Of which use of the product	Of which authorising			Of which use of the product	Of which transitional	Of which authorising
					0.05%	0.03%			

	f	g	h	i	aa	ab	ac	ad	ae
Reference date of information T									
	Climate change adaptation (CCA)				Total (CCM + CCA + RAM + EC + PRP + ORGANIC)				
	Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				Share of total hedged assets dedicated to financing taxonomy relevant sectors (taxonomy eligible)				
		Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)				Share of total assets covered dedicated to financing taxonomy relevant sectors (aligned with taxonomy)			
			Of which use of the product	Of which authorising			Of which use of the product	Of which transitional	Of which authorising
					0.03%	0.03%			

9. Gas and nuclear - Model 1 - Activities related to nuclear energy and fossil gas

	Activities related to nuclear energy	
1.	The company carries out, finances or is exposed to research, development, demonstration and deployment of innovative installations for the production of electricity from nuclear processes with a minimum of waste from the fuel cycle.	NO
2.	The company carries out, finances or is exposed to the activities of construction and safe operation of new nuclear power or industrial heat production facilities, in particular for district heating purposes or for industrial processes such as hydrogen production, including their safety upgrades, using the best available technologies.	NO
3.	The company operates, finances or is exposed to activities for the safe operation of existing nuclear installations for the production of electricity or industrial heat, in particular for district heating purposes or for the purposes of industrial processes such as the production of hydrogen, from nuclear energy, including their safety upgrades.	NO
	Fossil gas-related activities	
4.	The company carries on, finances or is exposed to the activities of the construction or operation of installations for the production of electricity from gaseous fossil fuels.	NO
5.	The company carries out, finances or is exposed to the construction, refurbishment and operation of facilities for the combined production of heat/cold and electricity from gaseous fossil fuels.	NO
6.	The company engages in, finances or is exposed to the construction, refurbishment or operation of heat production facilities that produce heat/cold from gaseous fossil fuels.	NO

Contributing to the state's tax revenue: a corporate citizen footprint

16 PEACE, JUSTICE AND EFFICIENT INSTITUTIONS

The economic dimension of taxes and tax transparency

Tax practices are an important part of Corporate Social Responsibility and its ethical commitment. The regulatory requirements, the expectations of customers, citizens and society in general, are increasingly stringent in terms of transparency, fiscal “citizenship” and the fight against evasion.

Fair tax payment and tax transparency are an integral part of Banque Palatine's social responsibility.

Banque Palatine declares and pays all its taxes in France.

In addition, Banque Palatine has a tax partnership with the administration. This partnership was signed by BPCE in March 2019 and is binding on its wholly- owned subsidiaries. It allows large companies to have access to a privileged rescript mechanism as soon as they commit themselves to an increased level of transparency with regard to the tax administration.

Lastly, the implementation of the DAC 6[(1)] regulation within Banque Palatine will make it possible to further combat tax evasion.

(1) CAR 6 is a European Union directive establishing the obligation to declare to the tax authorities any cross-border system that, in view of the criteria it defines, is potentially aggressive from a tax point of view.

5 Appendix

5.1 Associated key performance indicators

A review of the degree of control of Banque Palatine's main CSR risks was carried out with the experts of the business lines concerned, which were able to detail the commitments made in respect of each risk.

Priority risks	Financing the environmental transition	
Description of the risk	Lack of a definition of a strategy to support customers towards the environmental and energy transition and its implementation at all operational levels	
Description of the associated risks/commitment control systems	See section 2.1: supporting customers by taking into account economic, social and environmental issues	
Key indicators:	**Outstanding financing of the energy transition (renewable energies)**	**Outstanding SRI assets under management**
2021 data	€230 million	€4,661 million
2022 data	€250 million	€4,624 million
2023 data	€263 million	€4,407 million

Priority risks	Management of employability and career change	
Description of the risk	Misalignment of the company's needs with those of employees to respond to changes in the business lines	
Description of the associated risks/commitment control systems	See section 3.4. Ensuring the employability and inclusion of employees	
	Number of hours training by FTE employee	
Key indicators:	**Banque Palatine**	**Palatine asset management**
2021 data	28.27	12.29
2022 data	27.07	10.96
2023 data	34.45	12.77

Priority risks	Respect of laws, business ethics and transparency
Description of the risk	Non-compliance with regulations, lack of a system to combat corruption and fraud or to prevent unethical practices and inaccessibility of information
Description of the associated risks/commitment control systems	See section 2.3: demonstrate ethics and business leadership
Key indicators	**% of employees trained in anti-money laundering (excluding LTI)**
2021 data	85
2022 data	91
2023 data	95

Priority risks	Security and confidentiality of data
Description of the risk	Lack of systems to protect the bank against cyber threats, to protect the personal data of employees and customers and ensure business continuity
Description of the associated risks/commitment control systems	See section 2.2: ensuring the security of customer data and the integrity of tools
Key indicators	**GDPR systems**
2021 data	Continuation of monthly phishing testing campaigns for all employees, individual awareness-raising in the event of failure, reinforcement of awareness-raising actions due to remote work (emails, intranet), dissemination of best practices, review of authorisations. Carrying out intrusion tests/code reviews on private applications exposed on the internet. Distribution of GDPR fact sheets, private IT remediation Specific awareness-raising actions during the cyber security month (October)
2022 data	Continuation of phishing test campaigns for all employees, awareness-raising and implementation of the “phishing” eLearning for employees who failed tests. Awareness-raising actions during the cyber-month dissemination of best practices. Review of authorisations. Intrusion tests/code reviews as part of the IT remediation project on the bank’s private applications exposed on the internet. Distribution of GDPR fact sheets
2023 data	Continuation of phishing test campaigns for all employees, awareness-raising and implementation of the “phishing” eLearning for employees who failed tests. Awareness-raising actions according to the various threats. Review of authorisations. Intrusion tests performed by our service providers on the applications provided.

Priority risks	Sustainability of customer relationships
Description of the risk	Lack of mechanisms to ensure sustainable and satisfactory quality of service to customers
Description of the associated risks/commitment control systems	See section 2.4: serving customers better over the long term
Key indicators	**Annual customer net promoter score and trend**
2021 data	Senior executives of medium-sized companies +53 Private customers - 3 Corporate customers + 3
2022 data	No survey conducted among senior executives of medium-sized companies in 2022 Private customers - 9 corporate customers + 6
2023 data	No survey conducted among senior executives of medium-sized companies in 2023 Private customers - 25 Corporate customers + 13

Priority risks	Accessibility of products and inclusive finance
Description of the risk	Lack of provision of an offer for all audiences, both geographically and technologically
Description of the associated risks/commitment control systems	See section 2.3: demonstrate ethics and business leadership (inclusive finance)
Key indicators	**Number of customers with “vulnerable customer offering”**
2021 data	11 customers equipped
2022 data	6 customers equipped
2023 data	13 customers equipped

Priority risks	Customer protection and transparency of offer
Description of the risk	Lack of transparency of offers, inappropriate sale of financial products and services that do not meet the customer's needs
Description of the associated risks/commitment control systems	See section 2.3: demonstrate ethics and business leadership (customer protection)
Key indicators	**% of complaints for "information/advice" reasons processed in 2023 with a favourable response out of total complaints processed in 2023.**
2021 data	5.2%
2022 data	3.4%
2023 data	3.7%

Priority risks	Integration of ESG criteria in decisions concerning loans and/or investment
Description of the risk	Non-integration of ESG criteria in sectoral policies and analysis of financing and/or investment files
Description of the associated risks/commitment control systems	See section 2.1: supporting customers by taking into account economic, social and environmental issues (SRI offering at PAM)
Key indicators	**Rate of SRI assets/total assets under management**
2021 data	90%
2022 data	90%
2023 data	91.34%

Priority risks	Employee working conditions	
Description of the risk	Development of occupational risks that include: • psychosocial risks, moral and/or sexual harassment; • accidentology, unsuitable working environment; • inadequate organisational and disciplinary measures; • consequences related to health risks.	
Description of the associated risks/commitment control systems	See section 3.3: promoting quality of life at work and employee well-being	
Key indicators	**Number of workplace accidents with or without lost time**	**Absenteeism rate = days of absence/(business days * employees registered at 31 December).**
2021 data	5	4.19%
2022 data	4	5.37%
2023 data	6	4.92%

Priority risks	Equal treatment, diversity and inclusion	
Description of the risk	Lack of mechanisms to implement equal treatment of hiring candidates and employees within the company	
Description of the associated risks/commitment control systems	See section 3.4: ensuring the employability and inclusion of employees	
Key indicators:	**Gender equality index**	**Percentage of female managers**
2021 data	97/100 (index produced in 2022 for the year 2021)	46%
2022 data	95/100 (index produced in 2023 for the year 2022)	47.5%
2023 data	95/100 (index produced in 2024 for the year 2023)	47.1%

Priority risks	Employer attractiveness		
Description of the risk	Unattractive career development management, unattractive remuneration policy, negative employer brand assessments, difficulty attracting talent in a competitive market		
Description of the associated risks/commitment control systems	See section 3.4: ensure the employability and inclusion of employees; see section 3.5: a comprehensive, competitive remuneration system aligned with the bank's interests		
Key indicators:	**Emission rate**	**Recruitment lead times (based on the average lead time per position for permanent hires only**	**The rate of conversion of work-study participants into fixed-term contracts (including work-study contracts) and permanent contracts**
2021 data	5.56%	36.8 days	28.-%
2022 data	6.27%	32.6 days	25%
2023 data	6.59%	53 days	36%

Priority risks	Involvement in the governance of invested companies
Description of the risk	Absence of a definition and application of rules of intervention, voting within the governance of the companies in which Palatine asset management holds a stake
Description of the associated risks/commitment control systems	See section 2.1.7: PAM voting rights policy
Key indicators:	**% of companies for which the vote is exercised compared to the total number of companies held in the portfolios**
2021 data	95%
2022 data	94%
2023 data	98%

5.2 CSR methodology of the reporting of Banque Palatine

The information in the report is the result of a collective effort by various departments. Those efforts have resulted in CSR indicators that are relevant to the activities, specific features and aims of Banque Palatine.

The information published reflects Banque Palatine group's desire to achieve transparency and describe objectively its most relevant actions, undertaken in the past as well as new ones, which show its ongoing commitment to CSR.

5.2.1 Reporting period

The data published covers the period from 1 January 2023 to 31 December 2023, except for the environmental data, which is provided for the period from 1 November 2022 to 31 October 2023, and the data for the purchasing item of the carbon footprint, which is provided for the period from 1 October 2022 to 30 September 2023.

5.2.2 Scope of reporting

The reporting scope concerning part 3 of the SNFP "from human capital to employee commitment" includes the Banque Palatine SEU, namely Banque Palatine, Palatine asset management and Ariès Assurances.

The reporting scope concerning part 4 of the SNFP "Banque Palatine's national footprint" includes only Banque Palatine.

5.2.3 Choice of indicators

Banque Palatine relies on an analysis of its non-financial risks proposed by BPCE.

This analysis is updated each year to take into account:

- the recommendations expressed by the CSR function;
- changes in regulations.

The BPCE framework is the subject of a user guide on which Banque Palatine relied for the preparation of its statement of non-financial performance. For carbon data, it was also based on the methodological guide provided by BPCE.

5.2.4 Details on workforce-related data

- the total staff figures are a snapshot at 31 December 2023 of the people linked to each entity by an employment contract or corporate office (permanent, fixed-term, professional development and apprenticeship contracts), including those leaving on that date and employees whose employment contracts have been suspended. Fixed-term contracts do not include fixed-term work-study contracts (professional development contracts and apprenticeships);
- hires include external hires and people moving from fixed-term contracts or work-study programmes to permanent contracts. People moving from fixed-term to permanent contracts are recorded as a departure from the fixed-term category and a new hire in the permanent category. If a person goes from one fixed-term contract to another with no break, only the first is recorded as a hire;
- departure data take into account people on permanent contracts having left between 31 December 2022 and 31 December 2023 for any reason. Breakdowns are given for the following reasons: resignation, termination, transfer within the group, retirement, voluntary redundancy, end of probation period and other reasons
- average basic salary (permanent contract) represents the theoretical gross annual salary taken into account. Variable remuneration is not taken into account in the calculation. In the denominator, the workforce figure used is the number of people on permanent contracts at 31 December 2023. Corporate officers are not included in the indicator;
- to calculate the indicator relating to absences, the following are taken into account: illness, long illness without permanent disability, maternity and paternity leave, accidents at work, accidents while travelling, authorised leave (family events, time in lieu, over-55 leave) and exceptional authorised absences (recuperation);
- the calculation of the training indicator takes into account the hours of face-to-face, virtual classroom and e-learning training provided to permanent and fixed-term employees and work-study students of the Banque Palatine UES.

5.2.5 Details on environmental data

- all paper consumed is in A4 format and the calculation procedure is unchanged.
- water consumption and the consumption of heating/cooling networks will not be reported in 2023 due to the absence of reliable data.
- waste: the data are now accessible via the service providers.
- greenhouse gas emissions:
  - in 2022, work to refine the carbon footprint data was carried out to improve the quality of the indicators monitored since 2019, extend the monitoring of carbon emissions to certain indicators (such as smartphones, tablets, etc.) And take into account the useful life for the depreciation of IT equipment rather than accounting depreciation, encouraging the extension of the useful life. The data for 2019 to 2021 have been aligned accordingly,
  - in addition, the emission factors have been updated for the carbon footprint calculation in line with the changes in ADEME's calculations and based on the expertise of specialised consulting firms,
  - lastly, the result of the assessment of the carbon footprint of the portfolios is not included in this SNFP. The emissions reported are based on the items analysed.

5.2.6 Exclusions

- taking into account Banque Palatine's business, some issues covered by the decree of 24 April 2012 were considered immaterial:
  - measures to prevent, reduce or remedy air, water and soil emissions severely affecting the environment: issues of little relevance to Banque Palatine's own activities but considered in its financing business, notably in application of the equator principles;
  - noise pollution and other forms of pollution, and land use: as a service-based business, Banque Palatine is not concerned by issues relating to the prevention of noise pollution and land use. Its offices and commercial premises often cover several floors, so its ground occupancy is much smaller than that of an industrial activity spread over a single level;
  - food waste, given the bank's service-based business.

B Table of results for the last five financial years

Article R. 225-102 of the French commercial code

in thousands of euros	2019	2020	2021	2022	2023
SHARE CAPITAL AT YEAR-END					
Share capital	688,803	688,803	688,803	688,803	688,803
Number of shares [(1)]	34,440	34,440	34,440	34,440	34,440
OPERATIONS AND NET INCOME FOR THE YEAR					
Revenue	510,989	435,184	501,213	612,846	1,158,262
Income before tax, employee profit-sharing, depreciation, amortisation, impairment and provisions	7,700	(10,015)	75,359	84,483	145,481
Income taxes	(3,420)	2,398	(9,068)	(3,226)	48,936
Income after tax, employee profit-sharing, depreciation, amortisation, impairment and provisions	22,492	(28,481)	38,410	(2,740)	124,243
Distributed income [(2)]	18,253	-	-	-	50,364
EARNINGS PER SHARE (IN EUROS)					
Revenue	14.84	12.64	14.55	17.79	33.63
Income after tax, employee profit-sharing, but before depreciation, amortisation, impairment and provisions	(0.09)	(0.31)	1.74	2.61	6.16
Income taxes	(0.10)	0.07	(0.26)	(0.09)	1.42
Income after tax, employee profit-sharing, depreciation, amortisation, impairment and provisions	0.65	(0.83)	1.12	(0.08)	3.61
	0.53				1.46
PERSONAL					
Average headcount	1,255	1,293	1,182	1,105	1,098
of which managerial	*818*	*839*	*807*	*777*	*822*
of which non-managerial	*437*	*454*	*375*	*328*	*276*
Total payroll	74,049	77,851	79,992	71,594	68,516
Amount of employee benefits during the period	36,649	38,031	36,122	37,193	36,527

(1) The earnings per share are calculated based on the number of shares outstanding at the date of the general meeting.
(2) Subject to approval by the general meeting.

C Information on supplier and customer payment periods

Invoices received and not paid at the end of the financial year and whose term is past due (table provided for in I of article D. 441-6-1)	- day (indicative)	1 At 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
Number of invoices concerned	131	78	46	23	62	209
Total amount, inclusive of vat, of the invoices concerned (in euros)	862,807	1,562,901	1,026,841	150,865	137,983	2,878,589
Percentage of the total amount of purchases, inclusive of vat, for the financial year	1.12%	2.03%	1.33%	0.20%	0.18%	3.73%

Invoices received that were late in payment during the financial year (table provided for in II of article D. 441-6-1)	- day (indicative)	1 At 30 days	31 to 60 days	61 to 90 days	91 days and over	Total (1 day and over)
Number of invoices concerned	1,906	2,179	982	442	609	4,212
Total amount, inclusive of vat, of the invoices concerned (in euros)	25,649,595	26,764,659	11,197,444	4,402,135	5,391,118	47,755,356
Percentage of the total amount of purchases, inclusive of vat, for the financial year	33.25%	34.69%	14.51%	5.71%	6.99%	61.90%

This information does not include banking transactions and related transactions. For Banque Palatine customer receivables and liabilities, see appendix 4.14 to section 2 on the maturity of loans and borrowings, which provides information on their residual maturity.

D Allocation of net income for the 2023 financial year

Sources	
Net profit	€124,243,055.35
Carried forward	€216,110,738.65
TOTAL	**€340,353.794.00**

Appropriation	
Allocation to the legal reserve	€6,212,152.77
Distribution	€50,364,346.09
Carried forward	€283,777,295.14
TOTAL	**€340,353.794.00**

E Information on inactive accounts

Articles L. 312-19, L. 312-20, and R. 312-21 of the French monetary and financial code

From 1 January to 31 December 2023

Number of dormant accounts at the bank: 5,567.

Total amount of deposits and assets in these accounts: €27,358,550.93

Number of accounts for which deposits and assets are deposited with Caisse des dépôts et consignations (CDC): see table below.

Total amount of deposits and assets deposited with Caisse des dépôts et consignations: see table below.

Year 2023	Number of accounts whose assets are deposited with CDC	Amount of funds deposited with CDC
Quarter 1	24	128,318.77
Quarter 2	49	386,442.92
Quarter 3	24	106,881.27
Quarter 4	38	184,417.06
TOTAL TO BE DECLARED	**135**	**806,060.02**

F List of branches

PARIS		
Auteuil Branch	65, rue d'Auteuil	75016 Paris
Paris Rive Gauche Branch	147, boulevard Saint Germain	75006 Paris
Courcelles Branches	86, rue de Courcelles	75008 Paris
Matignon Branch	12, avenue Matignon	75008 Paris
Opéra Branch	24 bis avenue de l'Opéra	75001 Paris
PARIS REGION		
Nogent-Sur-Marne Branch	1, avenue de Lattre de Tassigny	94130 Nogent-Sur-Marne
Saint-Germain-en-Laye Branch	4, rue d'alsace	78100 Saint-Germain-en-Laye
Versailles Branch	13, rue Colbert	78004 Versailles cedex
ALSACE LORRAINE		
Metz Branch	1, rue des Messageries	57000 Metz
Strasbourg Branch	1, avenue de la Liberté	67000 Strasbourg
AQUITAINE		
Bordeaux Branch	27, cours Georges Clemenceau	33064 Bordeaux cedex
BOURGOGNE		
Dijon Branch	20, boulevard de Brosses	21024 Dijon cedex
BRETAGNE		
Rennes Branch	37, boulevard Solférino	35708 Rennes cedex 7
CENTRE		
Orléans Branch	123, rue de la Juine	45160 Olivet cedex
LANGUEDOC-ROUSSILLON		
Sud Midi Branch	2, place Paul Bec	34000 Montpellier
	Other site: 3, rue de la Balance	84010 Avignon cedex 1
MIDI-PYRENEES		
Toulouse Branch	8, rue du Poids de l'huile	31000 Toulouse
NORD		
Lille Agency	56, boulevard de la Liberté	59000 Lille
NORMANDIE		
Caen Branch	12, rue Ferdinand-Buisson	14280 Saint-contest
PAYS DE LOIRE		
La Roche-Sur-Yon Branch	2, rue Benjamin Franklin	85000 La-Roche-sur-Yon
Nantes Branch	2, rue Voltaire	44021 Nantes cedex 1

List of branches

PROVENCE COTE D'AZUR			
Marseille Provence Branch	Mediterranean Tour 65, avenue Jules Cantini	13006	Marseille
Nice Côte d'Azur Branch	470 promenade des Anglais AIR PROMENADE Building	06200	Nice cedex
RHONE-ALPES			
Alpes - Annecy Branch	15-17, rue du président-favre	74008	Annecy cedex
	Other site: 7 avenue du Mont Blanc	74400	Chamonix
	Other site: 18 chemin de Malacher	38240	Meylan
Lyon Confluence Branch	12 ter, quai Perrache	69002	Lyon
Lyon Centre Branch	1, place des Cordeliers	69002	Lyon
Saint-Etienne Branch	1, boulevard Dalgabio	42000	Saint-Etienne
Remote branches			
Premium Paris Branch			
Premium Lyon Branch			
Premium Marseille Branch			
Premium Nice Branch			

6

DRAFT RESOLUTIONS SUBMITTED TO THE ORDINARY GENERAL MEETING

First resolution

The general meeting, having reviewed the Board of directors' management report and corporate governance report, and the statutory auditors' report on the annual financial statements of Banque Palatine for the year ended 31 December 2023, approves the annual financial statements showing a loss of €124,243,055.35.

Pursuant to article 223 quater of the French general tax code, the general meeting approves the expenditure and charges covered by paragraph 4 of article 39 of said code, totalling €143.50.

Second resolution

The general meeting, having reviewed the Board of directors' management report and corporate governance report, and the statutory auditors' report on the consolidated financial statements of Banque Palatine for the year ended 31 December 2023, approves the IFRS consolidated financial statements showing net income group's share of €100,728,692.18.

Third resolution

The general meeting approves the appropriation of the earnings for the year ended 31 December 2023, as proposed by the Board of directors:

Net profit	€124,243,055.35
Carried forward	€216,110,738.65
TOTAL	**€340,353.794.00**
Allocation to the legal reserve	€6,212,152.77
Distribution	€50,364,346.09
Carried forward	€283,777,295.14
TOTAL	**€340,353,794.40**

Following this allocation, the balance of the legal reserve amounted to €59,059,059.969 and the balance of retained earnings to €283,777,295.14.

In application of article 243 bis of the French tax code, shareholders are reminded that the dividends paid in respect of the last three financial years were as follows:

Year ended	Par value	Number of shares	Dividend/income distributed per share
31/12/2020	€20	34440134	-
31 December 2021	€20	34440134	-
31/12/2022	€20	34440134	-

Fourth resolution

The general meeting, having reviewed the statutory auditors' special report on the agreements referred to in article L. 225-38 of the French commercial code, duly notes this report and approves said agreements and the terms of said report.

Fifth resolution

The general meeting, having reviewed the Board of directors' corporate governance report, issues a favourable opinion on the overall package for all types of remuneration paid during the year ended 31 December 2023 to all staff members belonging to the regulated population, amounting to €8,489,013.69.

Sixth resolution

The general meeting sets the total annual amount of remuneration paid to the members of the Board of directors at the sum of €134,500, applicable for 2024.

Seventh resolution

The general meeting ratifies the provisional co-opting by the Board of directors on 30 August 2023 of Sabine Calba, as a director for the remainder of her predecessor's term of office, i.e. until the ordinary general meeting of shareholders to be held in 2026 and to approve the financial statements for the year ending 31 December 2025.

Eighth resolution

The general shareholders' meeting acknowledges the end of BPCE's term of office as director and resolves to renew it for a period of (4) years ending at the end of the ordinary general shareholders' meeting to be held in 2028 and to approve the financial statements for the fiscal year ending 31 December 2027.

Ninth resolution

The general meeting notes the end of the term of office of Frédérique Destailleur as director and resolves to renew her term of office for a period of (4) years ending at the end of the ordinary general meeting of shareholders to be held in 2028 and to approve the financial statements for the year ending 31 December 2027.

Tenth resolution

The general shareholders' meeting, deliberating in accordance with the quorum and majority requirements for ordinary general shareholders' meetings, having reviewed the report of the Board of directors, resolves, pursuant to articles L. 821-40 et seq. of the French commercial code, to appoint PricewaterhouseCoopers audit as statutory auditor responsible for certifying sustainability-related information for a period, pursuant to article 38 of order no. 2023-1142 of 6 December 2023, of a financial year equivalent to that of the remaining term of office in respect of the audit of the annual and consolidated financial statements and will end at the end of the ordinary general shareholders' meeting convened in 2025 to approve the financial statements for the 2024 financial year.

Eleventh resolution

The general meeting grants full powers to the bearer of a copy or extract of the minutes of this meeting in order to carry out the publication formalities provided for by law.

Notes

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