CONSOLIDATED FINANCIAL STATEMENTS

31.12.2022

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I. Consolidated statement of financial position

IN THOUSANDS OF EURO	Notes	31.12.2022	31.12.2021
Cash due from central banks		191 816	279 061
Hedging derivatives	6.1	455 263	94 903
Financial assets at fair value through profit and loss	6.2	65 818	15 902
Financial assets at fair value through other comprehensive income	6.3	150 840	241 543
Financial assets at amortised cost	6.4	-	4 431
Loans and receivables due from banks and credit institutions at amortised cost	6.4	271 281	356 979
Loans and receivables due from customers at amortised cost	6.4	6 937 705	6 639 044
Current tax assets	6.5	1 321	876
Deferred tax asset	6.5	-	24 185
Other assets	6.6	216 191	121 242
Non-current assets held for sale	6.7	9 443	9 591
Investment property	6.8	-	-
Property, plant and equipment	6.8	39 651	27 398
Intangible assets	6.8	27 469	20 316
Total assets		**8 366 799**	**7 835 469**

IN THOUSANDS OF EURO	Notes	31.12.2022	31.12.2021
Due to central banks		-	15
Financial liabilities at fair value through profit and loss	6.2	56 685	6 933
Hedging derivatives	6.1	378 918	65 934
Debt securities issued	6.4	1 721 253	2 160 651
Due to bank and credit institutions	6.4	391 412	355 832
Due to customers	6.4	4 478 529	4 079 196
Current tax assets	6.5	-	-
Deferred tax asset	6.5	2 369	-
Other liabilities	6.6	162 703	120 500
Provisions	6.9	54 957	67 337
Subordinated liabilities	6.4	88 629	99 722
Total liabilities		**7 335 454**	**6 956 120**
Shareholders' equity, Group share		**1 031 345**	**879 349**
Share capital		59 000	59 000
Other capital		97 820	97 820
Consolidated reserves		683 456	724 231
Unrealised or deferred capital gains and losses		197 632	31 070
Net income		(6 563)	(32 772)
Non-controlling interests		**-**	-
Total equity		**1 031 345**	**879 349**
Total liabilities and equity		**8 366 799**	**7 835 469**

II. CONSOLIDATED INCOME STATEMENT

IN THOUSANDS OF EURO	Notes	31.12.2022	31.12.2021
Interest and similar income	7.1	270 822	223 638
Interest and similar expense	7.1	(98 058)	(66 694)
Fee income	7.2	31 522	28 890
Fee expense	7.2	(7 901)	(11 391)
Net gains and losses on financial instruments at fair value through profit and loss	7.3	2 404	1 046
Net gains and losses on financial instruments at fair value through other comprehensive income	7.4	72 540	(1 018)
Net gains and losses from the derecognition of financial assets at amortized cost	7.5	(200)	(769)
Income from other activities	7.6	15 858	17 399
Expenses from other activities	7.6	(3 185)	-
Net banking income		**283 802**	**191 102**
Operating expenses	7.7	(276 196)	(183 738)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	7.8	(12 325)	(8 478)
Gross operating income		**(4 719)**	**(1 115)**
Cost of risk	7.9	(25 095)	(1 621)
Operating income		**(29 814)**	**(2 735)**
Net income/expense from other assets	7.10	1 691	714
Other income	7.11	300	-
Earnings before tax		**(27 823)**	**(2 021)**
Income tax	7.12	21 261	(30 751)
Consolidated net income		**(6 563)**	**(32 772)**
Non-controlling interests		-	-
Net income, Group share		**(6 563)**	**(32 772)**

III. STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

EN MILLIERS D'EURO	Notes	2022	2021
Net income		**(6 563)**	**(32 772)**
Unrealised or deferred gains and losses that will be reclassified subsequently to income		**159 094**	**25 204**
Revaluation of financial assets at fair value through other comprehensive income	6.3	(3 972)	(825)
Revaluation of hedging derivative instruments of recyclable items	6.1	-	-
Hedge cost reserve	6.1	218 472	34 965
Tax related		(55 405)	(8 935)
Unrealised or deferred gains and losses that will not be reclassified subsequently to income		**7 467**	**5 325**
Actuarial gains and losses on defined benefit plans	9.1	9 277	7 180
Remeasurement of equity instruments at fair value through equity	6.3	791	-
Tax related		(2 600)	(1 855)
Total unrealised or deferred gains and losses		**166 562**	**30 530**
Net income and unrealised or deferred gains and losses		**159 999**	**(2 243)**
o/w Group share		*159 999*	*(2 243)*
o/w non-controlling interests		-	-

IV. Consolidated statement of changes in equity

The Group's shareholders' equity consists of the resources contributed by the sole shareholder in the form of capital and cumulative and retained earnings: reserves and retained earnings. Resources are also received when financial instruments are issued that meet the definition of an equity instrument as defined in IAS 32 Financial Instruments, eligible as "Additional Tier 1" capital and entailing no contractual obligation for the issuer to deliver cash to the holders of these instruments.

The remuneration paid to the holders of other equity instruments reduces the amount of reserves within shareholders' equity.

The following table "Changes in equity" shows the different movements over the period.

IN THOUSANDS OF EURO	Share capital	Items treated as capital	Unrealised or deferred gains and losses	Consolidated reserves	Net income, Group share	Shareholders' equity, Group share	Total consolidated equity
Shareholders' equity at 01.01.2021	**1 000**	**97 820**	**541**	**671 155**	**61 083**	**831 599**	**831 599**
Increase in share capital	58 000	-	-	8	-	**58 008**	58 008
Dividend distribution	-	-	-	-	-	**-**	-
Sub-total of changes linked to relations with shareholders	**58 000**	**-**	**-**	**8**	**-**	**58 008**	**58 008**
Unrealised or deferred gains and losses	-	-	(4 435)	-	-	**(4 435)**	(4 435)
Appropriation of 2020 net income	-	-	-	61 083	(61 083)	**-**	-
Net income for the period 2021	-	-	-	-	(32 772)	**(32 772)**	(32 772)
Attributable remuneration to equity instruments	-	-	-	(8 000)	-	**(8 000)**	(8 000)
Hedge cost reserve	-	-	34 965	-	-	**34 965**	34 965
Other changes	-	-	-	(15)	-	**(15)**	(15)
Sub-total	**-**	**-**	**30 530**	**53 068**	**(93 856)**	**(10 258)**	**(10 258)**
Shareholders' equity at 31.12.2021	**59 000**	**97 820**	**31 070**	**724 231**	**(32 772)**	**879 349**	**879 349**
Increase in share capital	-	-	-	-	-	**-**	-
Dividend distribution	-	-	-	-	-	**-**	-
Sub-total of changes linked to relations with shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Unrealised or deferred gains and losses	-	-	(51 910)	-	-	**(51 910)**	(51 910)
Appropriation of 2021 net income	-	-	-	(32 772)	32 772	**-**	-
Net income for the period 2022	-	-	-	-	(6 563)	**(6 563)**	(6 563)
Attributable remuneration to equity instruments	-	-	-	(8 000)	-	**(8 000)**	(8 000)
Hedge cost reserve	-	-	218 472	-	-	**218 472**	218 472
Other changes	-	-	-	(3)	-	**(3)**	(3)
Sub-total	**-**	**-**	**166 562**	**(40 776)**	**26 210**	**151 995**	**151 995**
Shareholders' equity at 31.12.2022	**59 000**	**97 820**	**197 632**	**683 456**	**(6 563)**	**1 031 345**	**1 031 345**

V. CASH FLOW STATEMENT

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Net income before tax	**(27 823)**	**(2 021)**
Non-monetary items included in pre-tax net income	**(75 635)**	**(15 915)**
Net depreciation/amortisation expense on tangible and intangible fixed assets	7 468	4 527
Net addition to provisions	(3 083)	(251)
Net income/loss from investments activities	(71 843)	-
Other changes[1]	(8 177)	(20 191)
Net increase/decrease in cash related to operating assets and liabilities	**(67 480)**	**(323 164)**
Interbank transactions	(2 895)	(795)
Customer current account transactions	327 965	(299 598)
Customer transactions	(484 449)	(6 261)
Transactions related to other financial assets and liabilities	156 160	-
Transactions related to non-financial assets and liabilities	(54 064)	(17 433)
Taxes paid	(10 197)	923
Net cash inflow (outflow) related to operating activities (A)	**(170 938)**	**(341 100)**
Net cash inflow (outflow) related to acquisition and disposal of financial assets	77 245	(50 059)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(26 674)	(6 270)
Net cash inflow (outflow) related to investment activities (B)	**50 571**	**(56 329)**
Cash flow from/to shareholders	-	58 000
Other net cash flows arising from financing activities	(47 507)	157 991
Net cash inflow (outflow) related to financing activities (C)	**(47 507)**	**215 991**
Net inflow (outflow) in cash and cash equivalents (A + B+ C)	**(167 874)**	**(181 438)**
Cash and cash equivalents at the start of the year	**626 429**	**807 867**
Cash due from central banks (assets)	279 061	362 192
Current accounts with banks	356 878	451 802
Demand deposits and current accounts with banks	(9 510)	(6 127)
Cash and cash equivalents at the end of the year	**458 555**	**626 429**
Cash due from central banks (assets)	191 802	279 061
Current accounts with banks	271 217	356 878
Current accounts and loans from credit institutions	(4 464)	(9 510)
Net inflow (outflow) in cash and cash equivalents	**(167 874)**	**(181 438)**

[1] The item "Other Changes" consists mainly of deferred commissions.

VI. Notes to the financial statements

1. Major events in 2022

1.1. Update on the geopolitical situation and Covid

The health context has had no impact on the activities of My Money Group (or "the Group") in 2022, as its activities are limited to France where the situation is under control.

Nevertheless, the Group remains vigilant to a possible resurgence of the epidemic in 2023 and is ready to reactivate the measures taken in 2020 and 2021 should this prove necessary.

My Money Group has no activities in Ukraine or Russia, nor any credit exposure to customers based in these countries. Its activities are concentrated exclusively in metropolitan France and the DOM and are therefore not directly exposed to the consequences of the conflict.

Strengthened crisis management processes are in place to counter the possibility of cyberattacks in the context of the Ukrainian conflict.

1.2. Update on rising interest rates and the inflationary environment

2022 saw inflationary pressures in France, Europe and the world. This context has prompted a reaction from central banks. The European Central Bank (BCE) has undertaken to reduce its various asset purchase programmes (APPs) and has successively raised its key rates several times since July 2022.

This environment is reflected in the financial markets by a general increase in interest rates, impacting on banks' refinancing costs and profitability.

As part of its asset and liability management (ALM) policy and interest rate risk hedging, My Money Group has increased its hedging to protect itself against interest rate volatility.

On the commercial side, in order to cope with the significant increase in its refinancing costs, My Money Group decided in September 2022 to temporarily limit the issuance of new loans to preserve its profitability. This is because the Group's ability to pass on increased refinancing costs to customers is limited by the usury rate applicable to most of its activities, which means that granting new loans could no longer meet the Group's profitability thresholds. This commercial decision is temporary and a gradual return to normal is expected in the course of 2023 as the applicable usury rates come back in line with market rates.

My Money Group remains very prudent and closely monitors changes in interest and inflation rates, as well as their impact on the economy and the financial situation of customers, in order to preserve the Group's commercial margins and profitability.

1.3. Social and environmental impacts of the Company - Effects of climate change and low-carbon strategy

The financial risks resulting from the effects of climate change and the measures taken by My Money Group to reduce them are described in the Statement of Non-Financial Performance prepared by Promontoria MMB for the 2022 financial year. The information in this statement relates to My Money Group entities as a whole.

To date, My Money Group has identified no particular exposure to environmental risks that could have a material impact on the Group’s consolidated accounts at 31 December 2022.

1.4. Hedging the acquisition portfolio

In conjunction with this planned acquisition, and in order to hedge the impact of interest rate changes on the acquired portfolio, 2021 saw the Group execute a portfolio of interest rate derivatives consisting of swaptions for a nominal amount of 8 billion euro. These derivatives were classified as cash flow hedges of a highly probable future transaction.

Following the changes in the hedged portfolio, notably with the issue of HSBC SFH's covered bonds, the overall interest rate position of this portfolio has changed. Consequently, in order to adjust the interest rate risk hedge, the Group terminated the swaption contracts entered into in 2021 and executed two new payer spread contracts (purchase and sale of swaptions) for a nominal amount of 5.2 billion euro (2.6 billion euro purchase of swaptions and 2.6 billion euro sale of swaptions) in March 2022.

The Group also strengthened the hedging of this portfolio in May and June 2022 by executing two deferred interest rate swaps to protect the future HSBC SFH covered bond issues from changing interest rates (pre-hedging activities). These swaps are classified as a cash flow hedge of a highly probable future transaction.

In parallel with the completion of HSBC SFH's 6-year 750 million euro covered bond issue in June 2022, the Group terminated the first pre-hedge executed in May 2022 (see note 6.1.c). In September 2022, a third 10-year 500 million euro covered bond issue was executed by HSBC SFH, following which the Group terminated the pre-hedge swap.

1.5. Issuance of covered bonds

During the course of 2022, MMB SCF, a Promontoria MMB indirect subsidiary with building society status, carried out three issues of covered bonds retained by the Group for a nominal amount of EUR 530 million. These bonds, 100% subscribed by My Money Bank, are eligible for the Eurosystem's collateral framework for refinancing operations and can therefore be used as collateral for the European Central Bank's monetary policy operations (MRO & LTRO).

At 31 December 2022, MMB SCF's total covered bonds represent a nominal 2.630 billion euro, including 580 billion euro in covered bonds underwritten and retained by My Money Bank.

1.6. Tax audit

On 21 October 2021, My Money Bank received a notice of accounting audit from the national and international audit directorate (DVNI).

The audited years were 2018, 2019 and 2020 for corporation tax, and 2019 and 2020 for other taxes and duties. The audit began in late November 2021.

A further accounting audit notice was received on 18 February 2022 for the entity My Partner Bank (merged with My Money Bank on 31 December 2020). The audited years are 2019 and 2020 (except corporation tax for 2020, already audited during the My Money Bank audit).

During the fourth quarter of 2022, My Money Bank received two proposals for reassessment, which it accepted. The impacts of the two adjustments are very limited and of no significance.

1.7. SapphireOne Auto 2022-1 securitisation operation

On 16 December 2022, the Group conducted a new self-subscribed public securitisation operation, SapphireOne Auto 2022-1. The securitisation operation relates to the vehicle loan (VAC) and lease (LOA) portfolio, excluding the residual value of approximately 471 million euro of the entities Somafi-Soguafi and Sorefi. The senior securities, fully subscribed by My Money Bank, could be used as collateral in the European Central Bank's monetary policy operations (MRO & LTRO).

1.8. Launch of a new mortgage loan business for non-residents

On 1 July 2022 the Banque des Caraïbes (a Group entity, see note 5.1) launched a new mortgage loan business for non-residents. This business involves selling mortgage loans to French people living abroad and to non-French people wishing to buy a property in France.

This new activity fits perfectly into the Group's strategy for developing its retail bank business and for targeting "premium" customers. The Banque des Caraïbes relies on a team of about 15 people, recruited and based in Lille, with very specialised expertise to develop this niche profitably and to serve high-end customers.

The launch will be accompanied by the launch of the "My Mortgage in France" brand, with a dedicated online presence.

2. Significant post-balance sheet events

2.1. URSSAF audits

On 20 January 2023 and 13 March 2023 respectively, My Money Bank and Promontoria MMB received a notice of inspection from URSSAF Nord-Pas-de-Calais in order to audit the application of legislation relating to compulsory contributions collected by the collection agencies since 1 January 2020.

2.2. Update on banking sector tensions following the collapse of US banks and Crédit Suisse

The collapse of a number of mid-sized US banks (Silicon Valley Bank, Silvergate Bank, Signature Bank) and then of Crédit Suisse has raised concerns about the banking sector and led to tensions in the financial markets. These were reflected in the intervention of regulators in the United States and Switzerland and in the virtual halt to debt issuance on the primary market.

These bank failures are due to weaknesses inherent in the banking institutions concerned or to the nature of their regulatory framework. Nonetheless, the concerns that these events have triggered are affecting the banking sector as a whole, including in the European Union where banks, even small ones, are subject to very strict regulation.

These tensions have not so far had any impact on My Money Group, which has a stable and diversified refinancing base.

The Group is monitoring the situation very closely, ensuring that its extremely strong liquidity position is maintained at all times.

2.3. Unwinding the acquisition portfolio hedge

As a result of these concerns about banking institutions, there has been a great deal of volatility in the financial markets, particularly in interest rates.

After revising its ALM assumptions and in order to limit the volatility of the hedge on the HBCE acquisition portfolio, the Group unwound the 2.6 billion euro of payer spread on 6 April 2023, thereby freezing a net premium valuation of 108 million euro.

2.4. Acquisition project

Following the signature of a Framework Agreement with HSBC Continental Europe (HBCE) on 25 November 2021, related to the purchase of HBCE's retail banking and wealth management activities in France, including the acquisition of 100% of HSBC SFH's shares, My Money Group and Banque des Caraïbes started a data migration and integration project.

The project is progressing in line with the initial timeline, with the objective to transfer the operations purchased from HBCE to a robust and modern banking platform, with simplified processes, based on the Arkéa Banking Services' IT infrastructure (Crédit Mutuel Arkéa Group).

In accordance with applicable banking regulations, the acquisition is subject to the prior regulatory approvals of French and European regulators and will depend on successfully passing the migration's different milestones. Once these conditions are satisfied, the acquisition can be completed.

On 14 April 2023, HBCE announced in a regulatory release on Hong-Kong stock-exchange related to its Q1 2023 financials, that the completion of the transaction was less certain as a result of the unexpected interest rates increase since the signature of the Framework Agreement in November 2021. This is due to the fair value accounting treatment on MMG's pro-forma balance sheet on acquisition and their consequences from a regulatory capital perspective, involving higher capital needs. HSBC also indicated that the parties remain committed to complete the transaction but that amendments to the framework agreement are still to be agreed upon, which could delay the completion of the transaction.

Banque des Caraïbes and My Money Group remain focused on a migration completion by year-end 2023. In this context, My Money Group has continuous exchanges with the regulators and HBCE in order to adapt the transaction taking into consideration the impacts mentioned above. For this purpose, the Group also continues to be accompanied by its advisors in terms of accounting standards, valuation, taxation, legal, etc. Banque des Caraïbes continues its reorganization to integrate the new CCF environment. Workshops related to dynamic certifications are continuing, involving project teams (Banque des Caraïbes and HBCE) and other stakeholders such as Arkea.

However, there is a possibility that the completion of the project could be postponed until 2024 and the Group is preparing for that scenario.

My Money Group confirms its willingness and its engagement to complete the transaction and considers this transaction still highly probable even if it could be delayed. In the eventuality that this transaction could not be completed, My Money Group will continue to provide the necessary support to Banque des Caraïbes to ensure that it continues to meet its solvency and liquidity obligations and is prudently managed in accordance with banking regulations.

3. Accounting standards applied

3.1. Accounting standards applicable

In application of the European Regulation 1606/2002 of 19 July 2002 on the application of international accounting standards, the Group has established its consolidated accounts as at 31 December 2022 in accordance with International Financial Reporting Standards (IFRS) as endorsed in the European Union and applicable at this date.

This body of standards includes the IFRS themselves, the International Accounting Standards (IAS), and their interpretations by the International Financial Reporting Standards Interpretations Committee (IFRS IC) and the Standing Interpretations Committee (SIC).

The Group's annual consolidated financial statements as at 31 December 2022 were validated by the Board of Directors on Wednesday 26 April 2023 and will be submitted to shareholders for approval at the General Meeting of 31 May 2023.

3.2. Financial statements presentation

As there is no model required by IFRS, the format of the summary statements used to present the data for the 2022 financial year was determined in line with the format proposed by the French accounting standards authority (ANC), in its Recommendation No. 2017-02 of 2 June 2017. The presentation of comparative data for the 2020 financial year has not been modified and complies with the provisions of ANC Recommendation No. 2017-02 of 2 June 2017.

The notes to the consolidated financial statements relate to significant events and transactions in order to understand the changes in the Group's financial position and performance during 2022. The disclosures presented in these notes focus on information that is relevant and material to the Group's financial statements, its activities and the circumstances in which they were conducted during the period.

The Group publishes its 2022 Annual Financial Report for the entity MMB SCF (a Group entity, see note 5.1) in ESEF (European Single Electronic Format) as defined by European Delegated Regulation 2019/815 and amended by Delegated Regulation 2020/1989.

3.3. Reporting currency

The consolidated accounts are published in euro.

The amounts presented in the financial statements are expressed in thousands of euro, except where stated otherwise. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

3.4. New standards

a. Standards, amendments and interpretations coming into force and applied at 1 January 2022

The standards and interpretations used and described in the annual financial statements at 31 December 2021 have been supplemented by the standards, amendments and interpretations that are of mandatory application to annual periods beginning on or after 1 January 2022.

New standards or amendments	Theme	Date of endorsement by the European Union (EU)	Effective date within EU
Amendment to IAS 37	Provisions, contingent liabilities and contingent assets – Onerous contracts and cost of fulfilling a contract	2 July 2021	1 January 2022
Annual improvements (2018-2020 cycles)	Annual improvements process, 2018-2020 cycles	28 June 2021	1 January 2022
Amendments to IAS 16	Property, plant and equipment – Proceeds before intended use	28 June 2021	1 January 2022
Amendments to IFRS 3	References to the Conceptual Framework	28 June 2021	1 January 2022

Amendments to IAS 37 – Onerous contracts and costs of fulfilling a contract

The amendments specify which costs an entity includes in assessing whether a contract is onerous and describe them as onerous if the expected costs exceed the expected economic benefits.

They particularly affect companies in the manufacturing, construction and service sectors. These changes may lead some companies to recognise costs earlier than in the past.

Annual Improvements to IFRSs – 2018-2020 cycles

The IASB has published minor amendments or improvements to the standards as follows:

- IFRS 1: a subsidiary that is a first-time adopter shall measure cumulative translation differences using the amounts reported by the parent, taking into account the parent's date of transition to IFRSs. The proposed amendment also applies to associates and joint ventures.
- IFRS 9: The amendment clarifies the costs to be taken into account when conducting quantitative tests to determine whether a debt renegotiation is substantial. The only costs to be taken into account are those incurred between the lender and the borrower.

Amendments to IAS 16 – Proceeds before intended use

These amendments aim to reduce diversity in the application of the standard by setting out the principles for recognising and measuring an item of property, plant and equipment as an asset.

They prohibit an entity from deducting from the cost of an asset any proceeds generated while bringing that asset to the location and condition necessary for use. Instead, an entity must recognise these proceeds of sale and the corresponding costs in profit or loss.

Amendments to IFRS 3 – references to the Conceptual Framework

These amendments update a reference in the standard to the Conceptual Framework without changing the accounting requirements for business combinations.

They add an exception to the accounting principle of the standard: for liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21, an acquirer applies IAS 37 or IFRIC 21 respectively (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination.

The Group had not been impacted by the application of these new amendments at 1 January 2022.

b. Main new standards that have been published but are not yet effective

The estimated timeline for the application of these standards is as follows:

Accounting standards	Themes	Decision date	Start date
Amendments to IAS 12	Income taxes – Deferred tax on assets and liabilities resulting from the same transaction	11 August 2022	1 January 2023
Amendments to IAS 1 & IAS 8	Definition of accounting estimates & Disclosures to be provided on accounting principles	3 March 2022	1 January 2023
Amendments to IFRS 17	Insurance contracts	19 November 2021	1 January 2023
Amendments to IFRS 16	Lease liability in a sale and leaseback	Not adopted	1 January 2024
Amendments to IAS 1	Non-current liabilities with covenants	Not adopted	1 January 2024
Amendments to IAS 1	Classification of liabilities as current or non-current	Not adopted	-

IAS 12 amendments - Taxes on income - Deferred tax on assets and liabilities resulting from the same transaction

This amendment aims to remove the initial recognition exemption for deferred taxes so that it would not apply to operations that give rise to equal and offsetting temporary differences.

It clarifies a point in the standard that, in certain circumstances, exempted entities from recognising deferred tax when initially accounting for an asset and a liability. For lease operations in particular, entities are now required to recognise deferred tax.

There is no accounting impact expected as the Group already applies a net approach to the recognition of deferred taxes.

3.5. Use of judgment and estimates

The preparation of the financial statements involves making assumptions and estimates in certain areas that may or may not prove accurate in the future. These sources of uncertainty can affect the determination of income and expenses in the profit or loss account, the measurement of balance sheet assets and liabilities, and some items of information presented in the notes. These estimates using information available at the reporting date call for the use of judgment by preparers. The final future results may differ materially from these estimates in response to changes in the Group's economic and regulatory environment and may have a significant influence on the financial statements.

In the particular case of the statements of 31 December 2022, the main measurements requiring the use of assumptions and estimates are the following:

- the balance sheet fair value of financial instruments not quoted in an active market active based on internal models recorded under the headings *Financial assets or liabilities at fair value in profit or loss, Hedging derivatives and Financial assets at fair value through equity;*
- impairment and credit risk provisions for financial assets at amortised cost, financial assets at fair value through equity and loan undertakings and financial guarantees whose measurement depends on internal models and parameters based on historical, current or forward-looking data. The inclusion of the expected impacts of the particular economic context in 2022 (war in Ukraine, inflation) in the assumptions for the calculation of forward-looking information, notably by using the macro-economic forecasts of public institutions;
- the provisions recorded under liabilities in the statement of financial position;
- deferred tax assets and liabilities accounted for in the statement of financial position.

The assumptions on which the Group's main estimates are based have been reviewed at 31 December 2022 in light of the current economic context described above.

4. Principles for drafting the consolidated financial statements

4.1. Determining the consolidation perimeter

The consolidation of the Group's financial statements includes the accounts of Promontoria MMB and of all the entities which it controls.

The scope of the entities consolidated by Promontoria MMB is set out in note 5.1.

4.2. Consolidation methods

Under IFRS 10, control of an entity is assessed using three cumulative criteria:

- power over the investee, i.e., the effective rights that give it the current ability to direct the activities that significantly affect the entity's returns (e.g. though voting or other rights);
- exposure, or rights, to variable returns from its involvement with the investee, such as dividends, changes in the fair value of an investment, or tax benefits;
- the ability to use its power over the investee to affect the amount of the investor's returns.

For entities governed by voting rights, the Group generally controls an entity if it directly or indirectly holds the majority of the voting rights and if there are no other agreements that change the power of these voting rights.

The scope of the voting rights taken into consideration for assessing the nature of the control exercised by the Group includes the existence and impact of substantive potential voting rights, such as those that may be exercised to take decisions on the relevant activities during the next General Meeting.

The Group exercises joint control in a joint arrangement when the decisions regarding the entity's relevant activities contractually require the unanimous consent of the partners.

Significant influence is defined as the power to participate in the financial and operating policy decisions of an investee, but not to control them. It may result from representation on the board of directors or supervisory bodies, participation in strategic decisions, the existence of material transactions between the entity and the investee, the interchange of managerial personnel, or technical dependence.

Consolidation methods are applied depending on the nature of the control exercised by Promontoria MMB on its subsidiaries.

4.3. Consolidation rules

a. Retreatments and eliminations

Before consolidation, the statutory accounts of the consolidated companies undergo certain restatements to bring them into line with the accounting principles applied by the Group.

Balances and reciprocal revenues and expenses resulting from internal operations are eliminated, including dividends and the gains and losses due to intra-group disposals.

b. Business combinations

Business combinations have been accounted for by applying the acquisition method in accordance with IFRS 3 (amended) for business combinations carried out after 1 January 2010.

Under this method, the identifiable assets acquired, and the liabilities assumed from the acquiree are accounted for at their fair value on the measurement date.

The acquisition cost is equal, at the acquisition date, to the sum of the fair values of the assets given, the liabilities incurred and the equity instruments issued in exchange for the control of the acquiree. Any price adjustments are included in the acquisition cost at their estimated fair value at the acquisition date and remeasured at each reporting date. Subsequent adjustments are recorded in profit or loss.

Costs directly attributable to the combination operation constitute a separate transaction and are recorded in profit or loss.

Goodwill corresponds (except for acquisitions in stages) to the difference between the consideration transferred and the acquirer's share of the fair value of the identifiable assets and liabilities at the acquisition date. This difference is recorded as goodwill in the acquirer's assets if it is positive and is recognised immediately in the income statement as a "bargain purchase gain" if it is negative.

On the date that control is obtained, non-controlling interests can be measured for each combination, at the Group's discretion:

- Either on the basis of their share in the fair value of the identifiable net assets of the acquiree at the acquisition date, without accounting for goodwill for non-controlling interests (the "partial goodwill" method).
- Or at their fair value. In this case, a fraction of the goodwill will then be attributed to them (the "full goodwill" method).

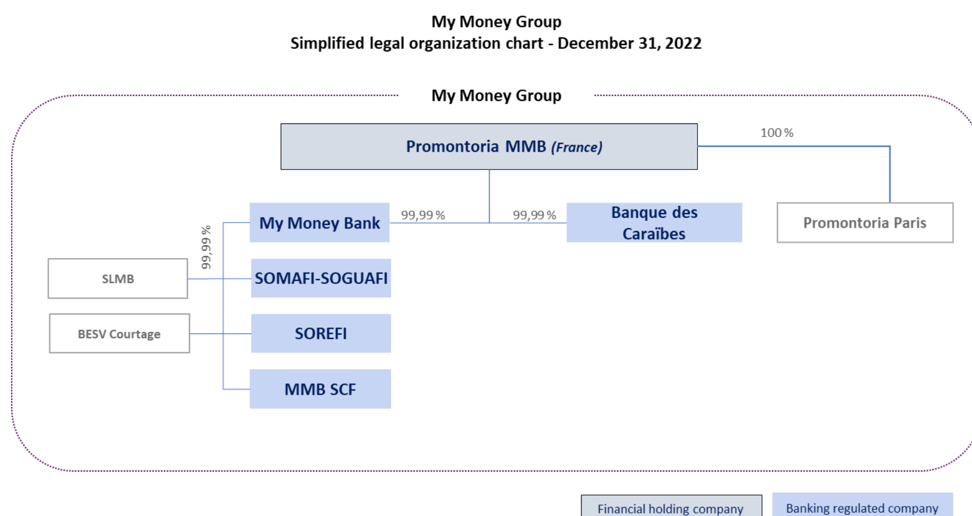
5. Consolidation scope

5.1. Consolidation scope at 31 December 2022

The simplified organisational chart below shows the companies held directly or indirectly by the financial holding company Promontoria MMB as at 31 December 2022.

The main changes to the Group's consolidation scope at 31 December 2022 occurring since 31 December 2021 are:

- The absorption of Immobilier Alcor et Cie SAS by the Société Lyonnaise de Marchands de Biens by way of a simplified merger carried out on 26 September 2022 with retrospective effect to 1 January 2022; and
- Consolidation of Promontoria Paris by Promontoria MMB on 15 December 2022



The consolidated entities and the methods of consolidation are presented in the table below.

Entity	Country	Method of consolidation	% of interest
Promontoria MMB S.A.S.	Metropolitan France	Parent	
Promontoria Paris S.A.S.	Metropolitan France	Full consolidation	100%
My Money Bank S.A.	Metropolitan France	Full consolidation	100%
SOREFI S.A.	Reunion	Full consolidation	100%
SOMAFI-SOGUAFI S.A.	Caribbean	Full consolidation	100%
Banque des Caraïbes S.A.	Caribbean	Full consolidation	100%
MMB SCF S.A.	Metropolitan France	Full consolidation	100%
BESV Courtage S.A.	Metropolitan France	Full consolidation	100%
SLMB S.A.	Metropolitan France	Full consolidation	100%

The consolidation perimeter of Promontoria MMB includes the following securitisation vehicles:

Entity	Country	Method of consolidation
FCT EmeraldOne	Metropolitan France / Reunion / Caribbean	Full consolidation
FCT SapphireOne Auto 2019-1	Reunion / Caribbean	Full consolidation
FCT TopazOne	Reunion / Caribbean	Full consolidation
SapphireOne Auto-FCT 2022	Reunion / Caribbean	Full consolidation

In accordance with its refinancing strategy, the Group has proceeded to the full redemption of the portfolio transferred to the TopazOne fund, with liquidation of this fund, for an amount of 30 million euro with full impairment of all the liabilities on 24 March 2022.

In December 2022, the Group put in place a new public securitisation operation 100% retained by My Money Bank. This new SapphireOne Auto 2022-1 securitisation fund is a Simple Transparent Standardised (STS) operation whose senior shares are rated AAA/Aaa by Fitch and Moody's and are eligible as collateral for Eurosystem refinancing operations. This operation enables the Group to refinance a portfolio of vehicle loans (VAC) and leases (LOA) originating with the Sorefi and Somafi-Soguafi entities for an amount of approximately 471 million euro over 2 years, including a 13-month revolving period.

In the event of liquidity needs, this issue will give the Group access to a financing capacity of approximately 380 million euro via a repurchase agreement for senior securities with the Banque de France and mezzanine securities with a banking partner.

All the subsidiaries are regarded as controlled by Promontoria MMB and are consolidated through full integration. This consolidation method consists of replacing the carrying value of the holding with the items of the investee's assets and liabilities in the parent company's accounts.

6. Notes on the balance sheet

6.1. Hedging derivative assets and liabilities

Under IFRS 9, 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 an interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or index, or another specified variable described as 'underlying';
- 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 behave similarly in response to changes in market factors; and
- it is settled at a future date.

In accordance with IFRS 9, derivatives are measured and recognised in the statement of financial position at fair value. These instruments are remeasured at their fair value at each reporting date. Changes resulting from this remeasurement will be accounted for differently depending on whether the derivative is held for trading or is part of a hedging relationship.

In the case of a derivative held for trading, changes in fair value are recognised in profit or loss under the heading "Net gains or losses on financial instruments at fair value through profit or loss" and interest accrued or due will be accounted for separately in profit or loss under "Interest and similar income" or "Interest and similar expenses". The derivatives held for trading by the Group are presented below.

Hedge accounting

The Group applies the provisions of IFRS 9 to its all hedging relationships, with the exception of fair value hedges of the rate risk of a portfolio of financial assets or liabilities, to which the Group applies the provisions of IAS 39 as endorsed by the European Union.

A derivative can qualify as a hedging instrument if it meets a number of criteria set out in IFRS 9. The hedging relationship will be documented at inception, indicating the hedging strategy pursued, the designation of the hedged risk and the hedged item, the hedging instrument, and the method of measuring hedge effectiveness. Effectiveness depends on three criteria reflecting the risk management objectives:

- there is an economic relationship between the hedged item and the hedging instrument (inverse correlation);
- the changes in the value of the derivative are mainly due to credit risk changes (except in the special case where changes in the underlying factor and the credit risk are both reduced);
- the hedge ratio, i.e. the relationship between the quantity of the hedged items and the quantity of the hedging instruments, corresponds to the ratio used by the Group in its operational risk management.

These qualitative criteria are accompanied by a quantitative estimate of the effectiveness of the hedging relationship in order to determine any ineffectiveness and the resulting appropriate accounting treatment.

The effectiveness of a hedging relationship is determined prospectively, at inception, and then at every reporting date and during the financial year if a significant event affects the balance of the hedging relationship.

The criteria to be observed for the fair value hedging of the rate risk on a portfolio of financial assets or liabilities are those of IAS 39 and differ from IFRS 9 at certain points, in particular in terms of the methods of measuring effectiveness. Hedge effectiveness must be tested both retrospectively and prospectively.

In the case of retrospective effectiveness, the objective is to ensure that the relationship between the fair value of the hedging instrument and the hedged item respects a ratio of 100% or slightly less.

The prospective test consists of ensuring, based on the characteristics of the hedging instrument and the hedged item, that changes in fair value are offset sufficiently to maintain the effectiveness of the hedging relationship over the remainder of its residual life at the measurement date.

These instruments will be classified on the statement of financial position under the heading “Derivative hedging instruments”. IFRS 9 recognises three types of hedging relationships, depending on the objective and the risk:

- **Fair Value Hedge (FVH):** hedging the risk of change in the value of an existing asset or liability, or of a firm commitment;
- **Cash Flow Hedge (CFH):** the aim is to hedge against exposure to variability in future cash flows for a highly probable forecast transaction or an existing operation with variable flows;
- **Hedge of net investments in foreign operations**: this type of hedge is used for the foreign exchange risk of a net investment (equity investments, long-term loans, unremitted income) in a consolidated entity abroad.

The Group's strategy aims to hedge:

- the risk of variability of interest rates on the shares issued by the consolidated securitisation mutual funds in the Group (rates based on Euribor). The assets underlying these funds are portfolios of debt consolidation, vehicle financing and mortgages. Consequently, all the hedging relationship existing within the Group qualify as cash flow hedges.
- changes in the value of its fixed-rate financial assets and liabilities measured at amortised cost. In order to hedge this risk, the Group has used the option provided by IFRS 9 to continue to apply the provisions of IAS 39 on macro fair value hedges of a credit or borrowing portfolio. The relevant provisions of IAS 39 applied by the Group are those that were endorsed by the European Union, and hence include the "carve-out" option intended to facilitate the eligibility of items such as demand deposits for macro hedges, and to relax certain IAS 39 provisions on effectiveness testing

Cash flow hedge

Under IFRS 9, in a cash flow hedge, the effective portion of the change in fair value of the derivative financial instrument is recognised in shareholders' equity on a separate line under the heading "Gains and losses recognised directly through equity", while the ineffective portion is accounted for in profit or loss under "Net gains or losses on financial instruments at fair value through profit or loss".

The amounts recorded in equity over the lifetime of the hedge are gradually transferred to profit or loss under the heading "Interest and similar income" or "Interest and similar expenses" as the performance of the hedged instrument affects profit or loss (symmetrical recycling of the impact of the hedged item in profit or loss).

The hedged instruments themselves continue to be accounted for in accordance with the rules for their accounting category and receive no special treatment in respect of the hedging relationship to which they belong.

When the hedging relationship no longer satisfies the criteria for effectiveness while its objectives remain unchanged, the hedge ratio must be adjusted, for example by derecognising a portion of the hedging instruments, in order to correct the structural changes in the hedge ratio. IFRS 9 refers to this practice as 'rebalancing' the hedging relationship. Rebalancing will not interrupt the original hedging relationship, but the Group will identify and recognise hedge ineffectiveness before any adjustment of the hedge ratio.

When all or part of a hedging relationship no longer meets the criteria for hedge accounting, or if the risk management objectives of the Group change, the hedging relationship will cease. In this instance, the cumulative amounts recorded in equity for remeasurement of the hedging derivative are transferred over the life of the hedge to profit or loss under the headings "Interest and similar income" or "Interest and similar expenses" if the hedged cash flows are still likely to be generated (even if they are no longer regarded as highly probable), or accounted for immediately in profit or loss if the hedged cash flows are no longer likely to occur (for example, if the hedged item is no longer held).

The Group determines the amount of exposure to which to apply hedge accounting by estimating the potential impact of an interest rate change on the cash flows attributable to the issues of variable-rate debt securities (Euribor) in the consolidated securitisation funds. This estimate is carried out using techniques such as cash flow sensitivity analyses.

The use of derivatives with external counterparties involves the exposure of the Group to a credit risk in respect of these counterparties which is not offset by the hedged items. This credit risk exposure is considered as negligible by the Group, as long as the derivatives are contracted with first-rank international banking institutions and are accompanied by standard guarantee contracts of the Collateral Standard Agreement type (CSA).

For reminder, in June 2019, a new regulation, the European Market Infrastructure Regulation (EMIR) came into force. The objective of the legislation is to reduce systemic counterparty risk through the establishment of clearing houses.

Consequently, all vanilla derivatives held by MMB will in future pass through the Eurex clearing house.

The main sources of ineffectiveness identified by the Group in its cash hedging relationships concern the impacts of the counterparty and Group credit risk on the fair value of the hedging swaps that are not reflected in the fair value of the hedged item attributable to an interest rate change, but which are hedged in accordance with the principles set out above. The systematic adjustment of the nominal value of swaps to match that of the hedged items through BGS swaps makes it possible to hedge the other potentially significant sources of ineffectiveness, such as maturity mismatches between swaps and securities due to events such as early repayments.

For the purposes of its cash flow hedging relationships, the Group has introduced prospective effectiveness tests based on the simulation of future underlying indices (variable rates) of the hedged items, based on historical volatility. The simulations are based on several amortisation profiles to take account of the risk of modification of the nominal value of the hedging swap and of the hedged items that could arise from events such as default, early repayment or extensions.

The hedge ratio is then calculated on the basis of the ratio between the cash flows paid and those received in each simulation trajectory and will be considered as effective when this ratio falls within a given interval. Effectiveness is proven when the simulations for each amortisation profile analysed demonstrate the effectiveness of the hedge when it is 100% or slightly less.

Fair value hedge

In the case of fair value hedging relationships, hedging instruments are measured at fair value, changes in fair value being accounted for in the income statement under "Net gains or losses on financial instruments at fair value through profit or loss". Hedged items are remeasured on the balance sheet at their fair value. The counterpart of these fair value re-measurements on the balance sheet is recorded in profit or loss along with the fair value changes of the hedging instruments.

In the case of a fully effective hedge, the flows recognised in profit or loss for the hedging instrument and the hedged item offset each other exactly, while if it is ineffective, only this last will appear separately in profit or loss to express the difference.

In the event that a hedging relationship is discontinued, the hedging derivative is reclassified in the portfolio of derivatives held for trading and remeasured as appropriate for that category. The balance sheet revaluation amounts for portfolios of assets or liabilities that were initially hedged on a macro basis are amortised linearly over the residual life of the original hedging relationship. In the event of removal of the hedged item, for example due to prepayments, these sums are then immediately reclassified in profit or loss.

The hedging instruments used by the Group in its hedging relationships for portfolios of fixed-rate loans are exclusively vanilla interest rate swaps. These swaps involve borrowing at fixed rates to hedge against adverse rate movements on its fixed-rate loans. Lender swaps are at fixed rates to hedge against adverse rate movements on its fixed-rate liabilities.

The effectiveness tests established by the Group rely on the segmentation of hedged portfolios into maturity bands to which are assigned hedging swaps of the same maturity. A test is conducted at each reporting date in order to check, for each maturity band and each swap generation, that there is still a surplus of loans or liabilities for hedging to prevent any over-hedging that would generate inefficiency.

For prospective testing, the forecast outstanding amount is the contractual payment schedule adjusted by an early prepayment rate. This rate corresponds to the average observed prepayment rate, increased by the rate of impairment and the renegotiation rate. The aim is to ensure no potential over-hedging over the residual term of

the hedging relationship, following the principles described above and applied to the forecast figures for the hedging swaps and the hedged items.

Existing hedging relationships within the Group are either “cash flow hedges” or “fair value hedges”. All hedging relationships aim to hedge the interest rate risk

As part of its market risk management policy, the Group may be required to document interest rate options as hedging instruments, for which effectiveness is assessed on the basis of changes in intrinsic value. In this case, the time value of these options is treated as a hedging expense, recognised in the consolidated statement of comprehensive income and reclassified to profit or loss depending on the type of risk hedged.

a. Determining fair value of financial instruments

IFRS 13 defines fair value as “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”. At initial recognition of a financial asset or liability, its fair value is assumed to be the transaction price.

During subsequent measurements, the standard recommends giving priority to quoted prices in active markets to determine the fair value of a financial asset or liability, or, if these data are not available, to valuation techniques based on observable market inputs.

An active market is defined as one in which transactions take place for the asset or liabilities with sufficient frequency and trading volume to provide continuous price information. In application of this definition, a market will be considered as active if the prices are easily and regularly available from a stock market, broker, trader, negotiator or regulatory agency, and if these prices represent actual and regular transactions on the market under normal competitive conditions.

In the absence of an active market, the most commonly used valuation techniques include reference to recent transactions in a normal market context, the fair values of similar instruments, discounted cash flow models and option pricing models, or the use of internal models in the case of valuations based on meaningful unobservable inputs of the value of the instruments concerned.

For the needs of financial reporting, IFRS 13 introduces a three-level fair value hierarchy, based on the decreasing order of observability of the values and parameters used for valuation. Some instruments can use inputs available at several levels, in which case the fair value measurement is categorised at the lowest level input that is significant to the entire measurement, based on the application of judgment.

- **Level 1:** fair value is determined using quoted prices in an active market that are immediately accessible and directly usable.
- **Level 2:** the instruments are measured using valuation techniques whose significant inputs are observable on the markets, directly (prices) or indirectly (derived from prices).
- **Level 3:** this level includes the instruments valued on the basis of significant parameters that are not observable on the markets, for example in the absence of liquidity of the instrument or risks inherent in measurement model or in the inputs used. Unobservable inputs shall be the subject of internal assumptions that best reflect the assumptions that market participants would use when pricing the asset or liability. Developing these assumptions calls for judgment.

For financial instruments presented at level 3 of the fair value hierarchy, there may be a difference between the transaction price and the market value. Where it results in a gain for the Group, this margin (“day one profit”) is deferred and spread in profit or loss over the anticipated period during which valuation inputs will not be observable. When originally unobservable inputs become observable, the unrecognised portion of the margin is then recognised in profit or loss.

A day one loss is immediately recognised in profit or loss in in its entirety.

The majority of financial instruments held by the Group are considered as belonging in level 2. These loans are measured by a discounted cash flow technique based on significant indirectly observable inputs (including discount rates based on Euribor).

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Fair value Level 1	Fair value Level 2	Fair value Level 3	Fair value Level 1	Fair value Level 2	Fair value Level 3
Hedging derivatives	-	455 263	-	-	94 903	-
Financial assets at fair value through profit and loss	-	60 174	5 644	-	15 902	-
Financial assets at fair value through other comprehensive income	89 148	47 754	13 939	103 615	37 928	100 000
Financial assets at amortised cost	-	-	-	-	-	4 431
Loans and receivables due from banks and credit institutions at amortised cost	-	271 281	-	-	356 979	-
Loans and receivables due from customers at amortised cost	-	6 937 705	-	-	6 639 044	-
Non-current assets held for sale	-	9 443	-	-	9 591	-
Total financial assets	**89 148**	**7 781 620**	**19 583**	**103 615**	**7 154 347**	**104 431**
Financial liabilities at fair value through profit and loss	-	50 952	5 733	-	6 869	64
Hedging derivatives	-	378 918	-	-	65 934	-
Debt securities issued	-	1 721 253	-	-	2 160 651	-
Due to bank and credit institutions	-	391 412	-	-	355 832	-
Due to customers	-	4 478 529	-	-	4 079 196	-
Total financial liabilities	**-**	**7 021 064**	**5 733**	**-**	**6 668 482**	**64**

The Group holds financial products classified as hedging instruments and assessed as belonging in level 3. These are BGS interest rate swaps (Balance Guaranteed Swaps) for which the nominal value is always adjusted to the nominal amount of the hedged item. With regard to the characteristics of the BGS, Promontoria MMB must use valuation assumptions taking into account early repayments or extensions of the hedged loans, or any other parameters that may affect the maturity or amortisation profile of these instruments. These estimates are based on the scenarios of changes in the associated yield curve and on the basis of the probability of these events occurring attributed to these different scenarios.

The Group's Balance Guaranteed Swaps portfolio currently consists of two "back-to-back" reverse swaps with the same characteristics. These swaps cancel each other out without any material impact on profit or loss.

b. Derecognition of financial assets or liabilities

According to IFRS 9, financial assets are derecognised when the contractual rights to the cash flows on the asset expire, or these rights and substantially all of the risks and rewards of ownership of the asset are transferred.

Where the Group has neither transferred nor retained substantially all of the risks and rewards associated with the asset, the transfer of control of the asset is analysed. If control is lost, the asset is derecognised. If control is retained, the asset continues to be accounted for on the balance sheet to the extent of the continuing involvement (for example, in the form of a guarantee or a written and/or purchased option on the transferred asset). A liability representing the obligations resulting from the transfer is also recognised.

A financial liability is derecognised if the contractual obligation is discharged, cancelled or expires.

c. Hedging instruments

IN THOUSANDS OF EURO	31.12.2022				31.12.2021			
	Notional amount	Carrying amount		Ineffective portion accounted for in profit or loss	Notional amount	Carrying amount		Ineffective portion accounted for in profit or loss
		Assets	Liabilities			Assets	Liabilities	
Fair value hedge								
Interest rate swaps	4 654 401	292 281	(378 918)	2 123	3 610 756	34 741	(65 934)	124
Cash flow hedge								
Interest rate swaps	5 200 000	162 982	-	-	6 000 000	60 162	-	-

Hedging the acquisition portfolio

In conjunction with the signature of the memorandum of understanding with HBCE for the acquisition of its French retail bank, and in order to hedge the impact of interest rate changes on the acquired portfolio, the Group has executed a portfolio of interest rate derivates composed of swaptions for a nominal amount of 8 billion euro (4 billion payer and receiver swaptions to reconstitute 2 billion payer swaps, 2 billion receiver swaptions and 2 billion payer swaptions).

These instruments were executed on 21 June 2021 and were contingent on completion of the acquisition (“deal-contingent swaps & swaptions”).

These derivatives were classified as a cash flow hedge, thereby fixing the future cash flows of a highly probable future transaction.

In order to adjust the hedge following changes in the underlying portfolio, these instruments were terminated and new swaptions were entered into on 25 March 2022 for a nominal amount of 5.2 billion euro (2.6 billion euro purchase of payer swaptions and 2.6 billion euro sale of payer swaptions) without a contingency clause. These derivatives are also classified as a cash flow hedge, thereby fixing the future cash flows of a highly probable future transaction.

More precisely, the adjustment of the hedges is materialised by the following operations:

- Unwinding of the earlier hedge with a nominal value of 8 billion euro, resulting in the derecognition of the derivatives from the balance sheet in exchange for the receipt of a net cash amount of 152 135 thousand euro. The amounts accumulated in equity in respect of the effective portion of the hedge for a total of 152 135 thousand euro remain in equity until the hedged transaction occurs,
- Execution of new hedges on 25 March 2022, resulting in the payment of a premium of 40 675 thousand euro. The measurement of these instruments, classified as cash flow hedges, stands at 162 627 thousand euro including an ineffective portion of 47 120 thousand euro recognised directly in profit or loss as a result of mismatches between the derivatives and the hedged item.

PRE-HEDGING OF THE FUTURE HSBC SFH COVERED BOND ISSUANCES

The Group also strengthened the hedging of this portfolio in May and June 2022 by executing forward interest rate swaps fixed at end-November and end-December respectively to protect the future HSBC SFH covered bond issuances planned for 2022 from changing interest rates. These swaps, which fix future cash flows of a highly probable transaction, are classified as cash flow hedge.

- On 18 May 2022, the Group executed an initial covered bond issue pre-hedge for a notional amount of 750 million euro with a maturity of 10 years. On 21 June 2022, HSBC SFH completed a 750 million euro covered bond issuance with a shorter maturity than initially planned, i.e. 6 years, in view of the very complicated market environment resulting in an over-hedged position.

Following this first issuance, the Group terminated the pre-hedge executed in May, resulting in the derecognition of the derivative from the balance sheet and the receipt of a payment of 51 545 thousand euro:

- ➢ 26 822 thousand euro, corresponding to the effective portion, remain in equity until the hedged transaction occurs.
- ➢ 24 723 thousand euro, corresponding to the ineffective portion of the pre-hedge, have been recycled in profit and loss, resulting from the over-hedged position.

- On 23 June 2022, the Group again executed a pre-hedge operation for a notional amount of 500 million euro with a maturity of 7 years. On 7 September 2022, HSBC SFH carried out another covered bond issue for 500 million euro with a 10-year maturity. As the maturity of the covered bond issue was longer than that of the pre-hedging swap, the Group was in an under-hedged position with no impact on net income.

After this issue the Group terminated the pre-hedge, leading to derecognition of the derivative from the balance sheet with a balancing payment of 6.845 thousand euro. The sum will remain in equity until the hedged transaction occurs.

The table below breaks down the notional amounts of hedging derivatives by maturity date and their average rate by maturity bands:

IN THOUSANDS OF EURO	Less than 1 month		1 to 3 months		3 months to 1 year		1 to 5 years		More than 5 years		Total
	Notional amount	Average price/rate	Notional amount	Average price/rate	Notional amount	Average price/rate	Notional amount	Average price/rate	Notional amount	Average price/rate	
Fair value hedge	5 366	(0,31%)	14 211	(0,07%)	93 561	0,27%	1 949 006	1,31%	2 762 256	0,23%	4 824 401
Cash flow hedge	-	-	-	-	5 200 000	2,12%	-	-	-	-	5 200 000
Total hedging derivatives	**5 366**	**(0,31%)**	**14 211**	**(0,07%)**	**5 293 561**	**2,09%**	**1 949 006**	**1,31%**	**2 762 256**	**0,23%**	**10 024 401**

d. Hedged items

The table below presents detailed information on the items hedged in a fair value hedging relationship.

Fair value hedge - Interest rate risk IN THOUSANDS OF EURO	Balance sheet item including hedging instrument	31.12.2022 Carrying value of hedged item		31.12.2022 Change in fair value for the calculation of the ineffective portion	31.12.2021 Carrying value of hedged item		31.12.2021 Change in fair value for the calculation of the ineffective portion
		Assets	Liabilities		Assets	Liabilities	
- Fixed rate mortgage restructured loans	Loans and receivables due from customers at amortised cost	(260 081)	-	(258 087)	(1 995)	-	(20 027)
- Vehicle loans	Loans and receivables due from customers at amortised cost	(1 659)	-	(1 599)	(59)	-	(162)
- Fixed rate consumer restructured loans	Loans and receivables due from customers at amortised cost	(12 256)	-	(13 172)	916	-	(1 171)
- Covered bond	Debt securities issued	-	(364 680)	332 228	-	32 452	32 659
- Securities	Financial assets at fair value through equity	(14 861)	-	(12 911)	(1 949)	-	(36)
- Tier 2	Subordinated debt	-	(12 493)	11 107	-	1 386	1 386

The ineffectiveness resulting from the Group's fair value hedges amounted to 2 097 thousand euro at 31 December 2022 and is recognised under "Net gains or losses on financial instruments at fair value through profit or loss" (see Note 7.3).

The following information provides details on the items covered in cash flow hedges.

Cash flow hedge - Interest rate risk IN THOUSANDS OF EURO	31.12.2022 Change in fair value for the calculation of the ineffective portion	31.12.2022 Cash flow hedge reserve on hedging instruments	31.12.2022 Cash flow hedge reserve on discontinuation of the hedging relationship	31.12.2021 Change in fair value for the calculation of the ineffective portion	31.12.2021 Cash flow hedge reserve on hedging instruments	31.12.2021 Cash flow hedge reserve on discontinuation of the hedging relationship
Floating rate notes	-	-	-	-	-	-
Highly probable future transaction	-	247 298	-	-	34 965	-

e. Cash flow hedge effectiveness

Cash flow hedge - Interest Rate Risk IN THOUSANDS OF EURO	31.12.2022 Gains / Losses recognised in OCI	Ineffective portion accounted in profit or losses	Item in comprehensive income including ineffective portion of hedge	31.12.2021 Gains / Losses recognised in OCI	Ineffective portion accounted in profit or losses	Item in comprehensive income including ineffective portion of hedge
Interest rate swaps	247 298	71 843	Net gains and losses on financial instruments at fair value through other comprehensive income	34 965	-	Net gains and losses on financial instruments at fair value through other comprehensive income

f. Equity components related to Cash Flow Hedge

Interest Rate Risk - CFH IN THOUSANDS OF EURO	Effective portion of the hedge	Hedge cost	Total
CFH Reserve at 31.12.2020	**(6 138)**	**-**	**(6 138)**
Fair value of derivatives recognised in equity	30 432	4 532	34 965
CFH Reserve at 31.12.2021	**24 294**	**4 532**	**28 827**
Fair value of derivatives recognised in equity	288 998	(70 526)	218 472
CFH Reserve at 31.12.2022	**313 292**	**(65 994)**	**247 298**

6.2. Financial assets at fair value through profit and loss

Financial assets at fair value through profit or loss include assets which satisfy one of the following conditions:

The financial asset is mandatorily measured at fair value from initial recognition because:

- Either its contractual cash flows cannot be regarded as constituting a simple loan (failure to respect the SPPI criterion); or
- Its cash flows meet the SPPI criterion but the financial asset is managed under an “Other” business model.
- IFRS 9 allows for the designation of a financial asset as measured at fair value through profit or loss only when it eliminates or significantly reduces an accounting mismatch.

The market value of these assets is reviewed at each reporting date following the approach described in Note 6.1.a. The fair value variations resulting from these remeasurements, the dividends on variable-yield securities and gains or losses on disposals are accounted for in profit or loss on the line “Gains or losses on financial instruments at fair value in profit or loss” on the consolidated income statement.

Income on fixed-yield securities are presented separately on the line “Interest and similar income” of the consolidated income statement.

The financial assets and liabilities of this category carried by the Group correspond to:

- loans and securities that do not meet the SPPI criteria in accordance with IFRS 9.
- derivatives held for trading, meaning that they are not entered into and documented as part of a hedging relationship. These derivatives are only swaps.

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Loans	6 586	7 703
Bonds	2 635	1 330
Trading derivatives (*)	56 596	6 869
Total financial assets at fair value through profit and loss	**65 818**	**15 902**
Trading derivatives (*)	(56 685)	(6 933)
Total financial liabilities at fair value through profit and loss	**(56 685)**	**(6 933)**

(*) Interest rate swaps and “mirror” swaps. Since the implementation of EMIR, it is no longer possible to cancel hedging instruments, there is an obligation to “mirror” the swaps that are to be cancelled.

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Notional amount	Carrying amount		Notional amount	Carrying amount	
		Assets	Liabilities		Assets	Liabilities
Trading derivatives	1 576 827	56 596	(56 685)	839 655	6 869	(6 933)

6.3. Financial assets measured at fair value through other comprehensive income

This category applies financial assets meeting the following two conditions:

- the financial asset is held in a business model in which the objective is achieved both by collecting contractual cash flows and by selling financial assets (“hold to collect and sell”);
- the contractual cash flows correspond solely to payments of principal and interest (the SPPI criterion).

a. Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income are mainly debt instruments (bonds and other fixed-income securities). These debt instruments amounted to 152 million euro at 31 December 2022 compared with 244 million euro at 31 December 2021.

Investments in equity instruments (shares and similar securities) are measured by default at fair value in profit or loss, unless the Group makes an irrevocable election to designate them at fair value through non-recyclable equity (provided that these instruments are not held for sale and classified as such in financial assets at fair value in profit or loss) without the subsequent option to reclassify the gains and losses in profit or loss, including those resulting from disposals. By way of exception, only dividend income is recorded in profit or loss.

b. Remeasurement of financial assets at fair value through equity with recycling

At 31 December 2022, the Group records on these assets:

- an unrealised capital loss of (3 287) thousand euro versus 446 thousand euro at 31 December 2021, and
- an impairment, measured under IFRS 9, of (381) thousand euro versus (141) thousand euro at 31 December 2021.

The net variation of impairment, recorded in equity at end of December, amounted to (3 972) thousand euro versus 346 thousand euro at 31 December 2021.

The remeasurement of securities backed by hedging instruments amounts to 15 million euro compared with 2 million euro at 31 December 2021.

c. Remeasurement of equity instruments at fair value through equity without recycling

Following the acquisition of the 5 021 419 ordinary shares in the company One Zero Digital Bank Ltd, an analysis of control was conducted in accordance with IFRS 10, showing that the Group does not have control.

These are ordinary shares without redemption rights and with no maturity date. The Group has made an irrevocable election to classify and measure this batch of shares at fair value through non-recyclable equity, in accordance with IFRS 9.5.7.5.

The changes in fair value thus accumulated in equity will not be reclassified to profit or loss during subsequent financial periods.

At 31 December 2022, the Group recorded a foreign exchange gain of 791 thousand euro recognised in non-recyclable equity in accordance with IAS 21.

6.4. Financial assets measured at amortised cost

a. Financial assets measured at amortised cost

A financial asset must be measured at amortised cost if the following two conditions are fulfilled:

- the financial asset is held in a business model in which the objective is to hold financial assets in order to collect their contractual cash flows ("hold to collect");
- the contractual cash flows correspond solely to payments of principal and interest (the SPPI criterion).

These assets are measured after their date of initial recognition at amortised cost using the Effective Interest Rate ("EIR") method. They are subject to a loss allowance for impairment on the grounds of credit risk as from their initial recognition, following the principles set out in "b".

Amortised cost is defined as the value attributed to a financial asset or a financial liability on initial recognition, decreased by principal repayments, increased or decreased by the cumulative amortisation, calculated using the EIR method, of any difference between this initial value and value at maturity, and, in the case of a financial asset, adjusted for credit risk impairment.

Interest income, calculated using an effective interest rate, will be accounted for in profit or loss under "Interest and similar income". It will be calculated on the basis of the gross carrying value of the assets, except in the special cases of impaired assets for which the interest is calculated on the net carrying value (i.e. after credit risk impairment).

Financial assets at amortised cost are registered on the balance sheet under the headings "Securities at amortised cost", "Loans and receivables to credit institutions and similar at amortised cost" and "Loans and receivables to customers at amortised cost" depending on the asset's economic nature and counterparty type.

Determination of the characteristics of contractual cash flows: the SPPI criterion

Contractual cash flows must be analysed to determine whether or not they constitute a financial asset comparable to a basic lending arrangement. A financial asset will respect this condition if its contractual cash flows represent only the repayment of the principal and interest on the principal amounts outstanding (the SPPI criterion, or Solely Payment of Principal and Interest).

In a basic lending contract, interest payments essentially represent consideration for the time value of money and the credit (or counterparty) risk associated with the principal, and other components generally admitted as forming part of this type of contract: liquidity risk, administration expenses, trading margin.

Any cash flows which do not solely reflect these provisions (for example, by introducing exposure to risks or a volatility of flows unrelated to a basic lending operation, such as indexation to a share price or a market index, or the introduction of a leverage effect), or which would distort the way in which they should be measured (for example, inconsistency between the yield obtained and the associated time value of money) make it impossible to conclude that the contract passes the SPPI test.

The financial assets of the Group therefore respect the SPPI criteria.

The Business Model

The business model refers to the way in which an entity manages a portfolio of assets in order to collect cash flows. It reflects the way in which a group of financial assets is managed as a whole to achieve a given economic objective and is therefore not determined contract by contract but at a higher level of aggregation.

The economic model applied must be assessed by exercising judgment and taking account of the historical information available which helps to understand how cash flows have been generated in the past, as well as any other relevant information such as:

- how the performance of the financial assets is evaluated and reported to the entity's key management personnel;
- the risks that affect the performance of the business model and, in particular, the way in which those risks are managed;
- how managers in charge of assets held within a given business model are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- the frequency, volume and reasons for sales in a portfolio held within a given business model and expectations about future sales activity.

IFRS 9 defines three business models:

"*Hold to collect*", where the objective is to hold the contractual assets until maturity in order to collect the contractual cash flows. Despite the stated aim of holding the assets, the standard provides for some exceptions that are not inconsistent with this business model, where sales occur under the following circumstances:

- sales due to an increase in the assets' credit risk;
- sales taking place shortly before the maturity of the financial assets, for an amount approximating to the residual contractual cash flows;
- sales for other reasons (such as sales made to manage credit concentration risk) if they are infrequent, or insignificant in value;

"*Hold to collect and sell*", a mixed business model in which the objective is achieved both by collecting contractual cash flows and by selling financial assets.

"*Other business models*", corresponding to neither of the two preceding models. These models include trading activities in which cash flows are realised through sales. The collection of contractual cash flows is incidental to achieving the business model's objective.

PRODUCT SEGMENTATION

The analyses conducted in Promontoria MMB have grouped the financial assets into portfolios segmented by two criteria: the product type and the geographical area (distinguishing between continental France and the overseas entities).

Since 2020, a geographical segmentation has been added to the Overseas portfolio, an analysis of the recent past recent having shown a significant difference in customer behaviours. PD/LGD models have been adjusted to take account of this segmentation.

During the integration of Banque des Caraïbes portfolios, an analysis was conducted to segment the assets by two criteria: the type of customer, and product type. Business models were then assigned in accordance with IFRS 9 to each type of portfolio presented below:

Debt Consolidation - DC	DOM[2]	REAL ESTATE	NON-CORE	BDC
- DC Secured	- Auto	- Real Estate	- Structured Finance (LBO)	- Commercial
- DC Unsecured	- Personal loan		- Commercial Banking	- Mortgage
	- Revolving Credit		- Trailing	- SME
	- Dealer			- Particular

[2] The DOM portfolio includes the Overseas entities Sorefi and Somafi-Soguafi as they have similar activities. The Banque des Caraïbes is analysed as another portfolio with different segments.

A study of the business model criteria has led the Group to conclude that all the portfolios presented are held in accordance with the "hold to collect" business model.

As a result, all the portfolios presented above meet the SPPI test criteria and are held in accordance with the "hold to collect" business model. In consequence, they are measured at amortised cost.

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Bonds and other fixed-income securities	-	4 431
Shares and other variable-income securities	-	-
Other investment securities	-	-
Investment securities before provisions	**-**	**4 431**
Individual provisions	**-**	**-**
Investment securities at amortised cost	**-**	**4 431**
Current accounts	271 324	357 022
Loans and receivables due from banks and credit institutions before provisions	**271 324**	**357 022**
Individual provisions	**(43)**	**(43)**
Loans and receivables due from banks and credit institutions	**271 281**	**356 979**
Debt consolidation (mortgages and personal loans)	3 785 723	3 447 876
DOM	1 198 912	1 178 886
BDC	412 536	392 673
Real Estate	1 884 045	1 646 659
Non-core	50 982	80 629
Loans and receivables at amortised cost before provisions	**7 332 198**	**6 746 723**
Collective provisions	**(120 497)**	**(106 541)**
Remeasurement of hedged items	**(273 996)**	**(1 138)**
Loans and receivables due from customers	**6 937 705**	**6 639 044**
Total financial assets at amortised cost	**7 208 987**	**7 000 454**

b. Depreciations for loans and receivables at amortised cost

Credit risk is expressed through the impairment provisions recognised for expected credit losses as defined by IFRS 9.

IFRS 9 introduces a single credit risk impairment model, now based on expected credit losses rather than incurred losses. These impairment methods apply to all financial assets measured at amortised cost or fair value through recyclable equity, lease receivables, loan commitments and financial guarantee contracts.

This mechanism requires recognition of a loss allowance for impairment as from the initial recognition of the exposures concerned. This initial loss allowance corresponds to the expected credit losses (ECL) given default over the next 12 months (stage 1). If the credit risk increases significantly after initial recognition, the expected credit losses will be measured over the residual lifetime of the instrument (stage 2). Finally, if the credit quality deteriorates to the point where the recoverability of the receivable is threatened, the lifetime expected losses must be provisioned (stage 3), taking account in the calculation of the increase in the risk by comparison with the loss allowances estimated in stage 2 (including the use of 100% probability of default).

Expected credit losses are therefore recognised progressively, reflecting the increase in the risk of the instrument. The main characteristics of the different stages of provisioning can be summarised as follows:

Stage 1:

- All the contracts concerned are initially accounted for in this category
- The amount of credit risk impairment is calculated on 12-month expected credit losses
- Interest revenue is recognised in profit or loss using an effective interest rate applied to the gross carrying value of the asset before impairment.

Stage 2:

- In the event of significant deterioration since initial recognition, the financial asset is transferred to this category from stage 1;
- The amount of credit risk impairment is then calculated on the remaining lifetime expected loss (losses expected at maturity)
- Interest revenue is recognised in profit or loss using an effective interest rate applied to the gross carrying value of the asset before impairment.
- the significant increase in credit risk is based on an assessment of the change in the risk of default over the lifetime of the instrument, rather than a change in the amount of the expected credit losses.

The Group assesses the significant increase in credit risk mainly in terms of the payments past due criterion, where payments more than 30 days past due automatically move to stage 2 of provisioning.

A significant increase in credit risk can be determined individually (instrument by instrument) or collectively, on the basis of portfolios of similar financial assets.

Stage 3:

- Financial assets that have suffered a default event will be downgraded to this category
- The amount of credit risk impairment continues to be calculated on the remaining lifetime expected loss (losses expected at maturity), but the calculation method will take account of an additional increase in credit risk;
- Interest revenue is recognised in profit or loss using an effective interest rate applied to the net carrying value of the asset (after impairment).

A financial instrument is considered as impaired when one or more events occur with a detrimental effect on its future estimated cash flows. Indications of impairment include any credit event corresponding to one of the following situations:

- probable or certain risk of non-collection: more than three months past due for equipment loans and leases, and six months past due for property loans and leases;
- confirmed counterparty risk: deterioration of financial situation, warning procedure;
- existence of litigation proceedings with the counterparty.

For a given counterparty, classification of financial assets as impaired, or stage 3 of provisioning, leads to an identical classification for all that counterparty's financial instruments.

Expected credit losses correspond to the present value of the difference between the contractual cash flows and those that the Group expects to receive, which are calculated on the basis of estimations relying on the probability of realistically achievable scenarios, under circumstances existing at the reporting date, and the macro-economic forecasts available (without having to incur unreasonable costs or efforts to obtain them). These credit losses are calculated on the maximum contractual period (including options for extension) during which the Group is exposed to the credit risk.

The calculation of expected losses relies on three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), taking account of amortisation profiles. Expected losses are calculated

using the formula PD x LGD x EAD. These parameters are the subject of estimations based on internal models. In compliance with IFRS 9, forward-looking information, based a model including the probability of various scenarios, is taken into account in the Group's estimations.

Several exceptions and simplifications are provided by the standard in the part relating to impairment:

- According to the standard, there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. This presumption has not been used by the Group for the 2022 financial year;
- The standard also states that it can be considered that the credit risk of a financial instruments has not increased significantly since initial recognition if the risk is low at the reporting date (for example, a financial instrument that has been given a very good rating such as "investment grade" by an external ratings agency). This measure has not been applied at this stage by the Group.
- Simplified approaches have been provided for commercial loans and loans on leases. Under certain conditions, these approaches allow entities to dispense with monitoring credit quality over time in order to recognise impairment over the residual lifetime of the receivable.

Further, the standard provides special measures for Purchased or Originated Credit Impaired financial assets (POCI), which are financial assets acquired or created and already credit-risk impaired at initial recognition. These financial assets are an exception in terms of impairment, insofar as the expected credit losses at maturity are directly reflected in the estimated cash flows for the calculation of the effective interest rate of the instrument at initial recognition. Changes in expected credit losses at maturity are then accounted for under the heading "Cost of risk". Subsequent impairment is calculated by remeasuring the recoverable flows using the revised effective interest rate. If the revised estimate of flows is higher than the recoverable flows, a gain may be recognised in profit or loss.

Payments to reserves for expected credit losses are accounted for in profit or loss under the heading "Cost of risk" against a provision account on the balance sheet reducing the amount of the financial instrument in question.

Allowances may be subject to reversals accounted for in profit or loss under the same heading, where the probability of counterparty default falls to a level such than the instrument can be transferred to a higher provisioning category.

The methods applied to the impairment of financial assets and the quantitative impacts within the Group are presented below.

Collective impairments on loans

Financial instruments that are not individually impaired undergo a risk analysis by portfolios representing the same level of risk. Given the structure of the Group's products, information that would capture the variations in credit risk before payments are past due are not available at contract level.

Collective provisions are therefore calculated on portfolios the uniformity of which has been identified in terms of:

- product type (debt consolidation, loans and consumer credit, vehicle and equipment financing and structured finance);
- the geographic area to which the instruments belong (continental or overseas territories);
- the background of the financial instruments, depending on whether or not they have been subject to modifications not resulting in derecognition.

This segmentation of the Group's financial assets into homogeneous portfolios relies on the Group's internal ratings system based on historical data, adjusted if necessary, to reflect circumstances at the reporting date.

Individual impairments on loans

For the professional mortgage portfolio, stage 2 or 3 assets are individually measured for the associated provisions.

For the non-core portfolio, all assets are concerned.

For the Banque des Caraïbes portfolio, all assets reaching stage 3 for the corporate and mortgage segments, and those that have reached stage 3 with outstandings of more than 100 000 euro for other products, are subject to an individual assessment of the corresponding provision. This is based on the analysis of each asset and expert knowledge of the associated counterparty.

Modified financial assets

A modified financial asset is an asset whose initial contractual flows have been renegotiated or otherwise modified, but without leading to derecognition in accordance with IRFS 9. For this asset category, the gross carrying amount of the financial asset must be recalculated as the present value of the renegotiated or modified contractual cash flow at the original interest rate. The profit or loss resulting from this modification is recognised in profit and loss.

For the purposes of credit risk provisioning, it is also necessary to assess whether the modification has brought about a significant increase in credit risk by comparing the probability of default at the reporting date, according to the amended contractual data, with the probability of default at the date of initial recognition, in accordance with the initial unaltered contractual arrangements.

Effects of support measures on exposures and expected losses

- **French State-Guaranteed Loans (SGLs):** these loans, granted to companies in response to the crisis, feature a government guarantee of up to a maximum of 90%. To take this into account, the calculation of impairment for expected credit losses was adjusted, applying an adequate Loss Given Default (LGD) component.

SGLs implying an adequate LGD in IFRS 9 provision models			
IN THOUSANDS OF EURO	Number of SGLs	Outstandings Amount	Provision Amount
My Money Bank	4	3 206	n.a (provision at customer level)
BDC	109	18 244	646

The application of these moratoria does not give rise to modification losses. Furthermore, the accounting treatment of these moratoria is the same as that applied to other moratoria offered as part of our recovery solutions for customers (see Modified financial assets).

Implementation of the new definition of default (NDOD)

EBA guidelines on the new definition of default entered into force on 1 January 2021. The Group has been in compliance with this guideline since 2021 for debt consolidation, professional mortgage and BDC portfolios. For the DOM portfolio, this change was made during 2022 following the migration of the management system.

An impact on the amount of NPLs (non-performing loans) was observed in 2021 on the debt consolidation portfolio, with the establishment of a materiality threshold for the calculation of days past due. This resulted in a 14 million euro decrease in Stage 3 at the end of March 2021. No material impact was recorded in terms of impairment.

An impact on the amount of non-performing loans was observed on the DOM portfolio in 2022, with the introduction of a materiality threshold for the calculation of days past due. This was reflected in a 1.2 million euro

reduction in stage 3 exposures at the end of September 2022. There was no material impact in terms of impairment.

MANAGEMENT OF THE (NEW) RISKS ENGENDERED BY THE CRISIS AND MEASURES APPLIED

Since the application of IFRS 9, Promontoria MMB has included a forward-looking parameter in the calculation of impairment for expected credit losses.

Until December 2019, the scenarios and weightings were revised annually. The most adverse scenarios were based on those observed during the 2008/2009 crisis. In Q4 2019, three scenarios were used: favourable, baseline and adverse, respectively weighted at 10%, 60% and 30%.

During the 2020 health crisis, the Group conducted a quarterly review of economic forecasts. The main source of projections was the Banque de France publication (BDF), which is updated quarterly.

Until March 2022, existing internal models for debt consolidation and DOM portfolios were used to estimate the additional risk due to the economic crisis.

To forecast macroeconomic factors, two scenarios were used: the baseline scenario, based on the outcome of the scenarios weighted by the Banque de France, and an adverse scenario based on the Banque de France's adverse scenario.

For several months, international events and an unprecedented economic context have heavily influenced the economic indicators of our internal models, making it necessary to take them into account appropriately in determining credit risk.

Accordingly, the Group has decided to enhance its credit risk estimates by taking into account the following elements:

- an analytical approach to the impact of the fall in purchasing power has been carried out on the debt consolidation portfolios and on individual customers in our other portfolios.
- for professional customers, a sectoral impact analysis has been used to determine the forward-looking impact. Counterparties were segmented according to their sector of activity (based on the NAF code). Four levels of risk were identified based on the impact that the current crisis could have on these activities. The forward-looking impact is therefore dependent on the activity and risk associated with each counterparty.

An individual analysis has been carried out on the professional real estate and non-core portfolios to estimate the additional risk due to the economic crisis.

The nature of the risk is related to a decrease in the valuation of the collateral for all professional real estate contracts and an increase in the risk of counterparty default for non-core contracts (PD downgraded by rating and industry).

We continue to apply two scenarios. In December 2022, a weighting of 50% was attributed to the baseline scenario and a 50% weighting to the adverse scenario.

SUMMARY OF WEIGHTINGS FROM 2019 TO 2022

Period	Favourable	Baseline	Adverse	Severely adv
31 December 2019	10%	60%	30%	
30 June 2020		BDF scenario		
31 December 2020		80%	20%	
30 June 2021		80%	20%	
31 December 2021		70%	30%	
30 June 2022		50%	50%	
31 December 2022		50%	50%	

Sensitivity of the scenarios at 31 December 2022

Segments subject to analysis by portfolio:

Sensitivity of scenarios Q4-21	Consolidated debts		DOM-Individual		DOM-Pro	
Reference	**16,2**		**34,3**		**20,0**	
	Amount	***Delta***	***Amount***	***Delta***	***Amount***	***Delta***
Baseline scenario	17,7	1,4	36,0	1,7	21,3	1,3
Adverse scenario	25,0	8,7	38,8	4,5	23,0	2,9

Credit risk was calculated in 2022 by type of customer (see Note 10.3.b on the general methodology for calculating expected credit losses).

Throughout the year, sensitivity tests have been carried out to measure the impact of macro-economic data in our ECL estimations.

For example, provision calculated on the debt consolidation portfolio by the models is set at 16.2 million euro. In a baseline forward-looking scenario, the additional provision is 1.4 million euro, i.e. a provision of 17.7 million euro. In an adverse forward-looking scenario, the additional provision is 8.7 million euro, in total 25.0 million euro. The sensitivity of each scenario is therefore assessed in comparison with the ECL models before forward-looking.

Segments subject to individual analysis:

On the professional mortgage and non-core portfolios, an individual analysis is carried out to estimate the additional risk related to the economic crisis.

The nature of the risk is linked to a decrease in the valuation of the guarantee for all commercial real estate contracts and to the increase in the risk of counterparty default for corporate contracts (PD downgraded by rating and business sector). At the end of 2022, the estimated additional amount to cover this risk was 13 million euro.

On the professional real estate portfolio, in addition to these analyses a management overlay has been determined and applied since the third quarter of 2021 to stage 1. This is because the level of provision obtained with the models was below a reasonable estimate for this parameter. This is due to an overall improvement in the quality of the portfolio at acquisition and increased monitoring of non-performing loans. However, given the volatility of the professional real estate portfolio due to the high disparity of tickets and the background of the health crisis, it was decided to maintain a minimum level of provision (above the model level).

The rule is as follows: two minimum thresholds have been set, a threshold in terms of the amount of provisions of 5.5 million euro and a threshold in terms of the provision rate of 0.4%. The higher of these amounts is retained.

This management overlay is assessed during quarterly credit risk monitoring meetings. At 31 December 2022, it was the rate threshold that was retained on stage 1 of this portfolio, or a management overlay of 5.5 million euro.

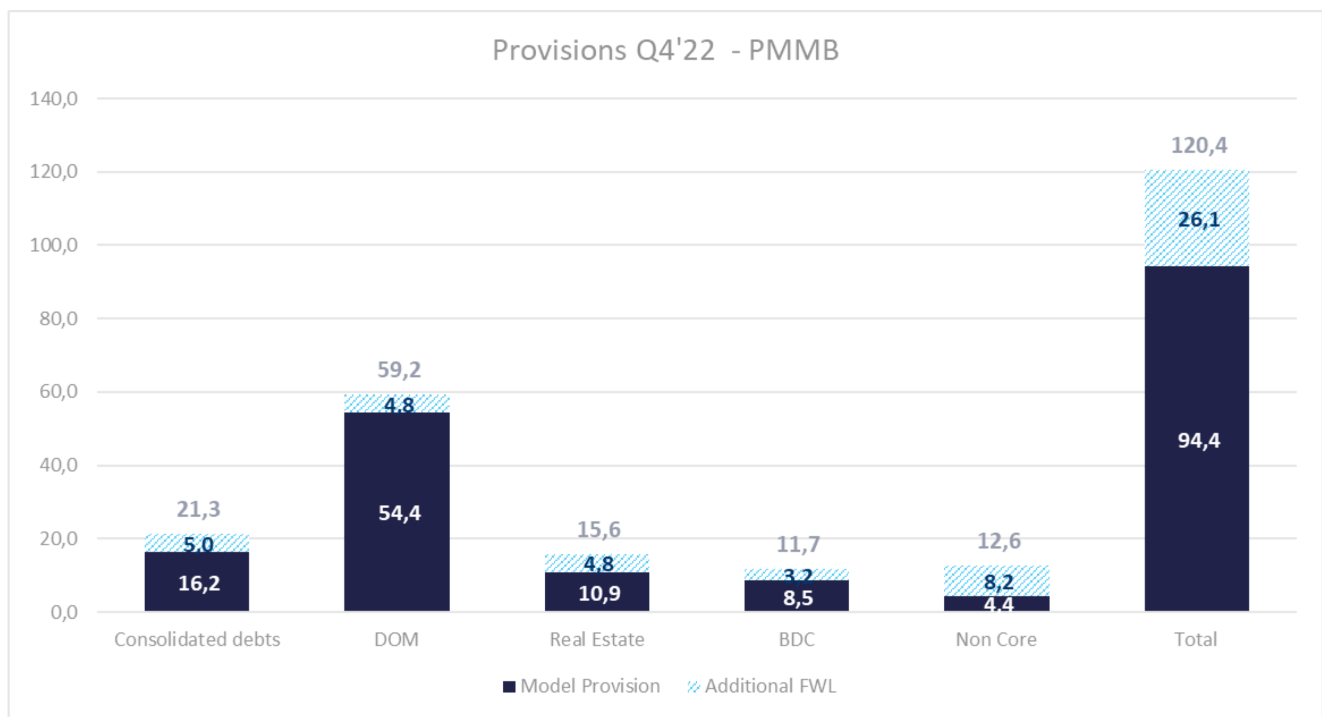
The “expected losses” tables below present only the loans classified at stages 1, 2 and 3 (S1, S2 and S3) and hence exclude the financial assets classified as POCI (Purchased or Originated Credit Impaired).

Expected losses on My Money Group products

Book value IN THOUSANDS OF EURO	Expected losses at 12 months (S1)	Expected losses at maturity (collective evaluation) (S2)	Expected losses at maturity (individual evaluation) (S3)
Book value at 01.01.2022	**6 104 026**	**302 309**	**224 925**
Financial assets transferred to S1	-	(50 832)	(8 722)
Financial assets transferred from S1	-	191 132	48 027
Financial assets transferred to S2	(208 556)	-	(24 530)
Financial assets transferred from S2	44 108	-	49 620
Financial assets transferred to S3	(81 277)	(57 672)	-
Financial assets transferred from S3	6 699	21 593	-
Financial assets created or acquired during the year	1 929 679	12 732	8 921
Write-offs	(683)	(140)	(13 265)
Financial assets derecognised during the year	-	-	-
Amortisation	(1 369 942)	(61 531)	(70 111)
Other changes	-	-	-
Book value at 31.12.2022	**6 424 054**	**357 590**	**214 866**

At 31 December 2022, outstanding POCI loans, not included above, stand at 74 million euro versus 114 million euro at 31 December 2021:

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Consolidated debts	41 205	55 125
DOM	1	6 057
BDC	8 418	8 529
Real estate	22 890	40 538
Non-core	1 465	3 846
Total POCI	**73 980**	**114 324**



IFRS 9 provisions IN THOUSANDS OF EURO	Expected losses at 12 months (S1)	Expected losses at maturity (S2)	Expected losses at maturity (individual evaluation) (S3)
Provisions at 01.01.2022	**28 365**	**11 381**	**66 795**
- Transfer to S1	198	(2 472)	(3 199)
- Transfer to S2	(998)	8 481	(4 792)
- Transfer to S3	(558)	(2 478)	27 876
Amortisation	(6 449)	(2 376)	(9 433)
Financial assets derecognised during the year	-	(16)	(864)
Financial assets created or acquired during the year	9 417	1 495	3 011
Write-offs	(4)	(24)	(11 497)
Change of models / re-estimation of parameters)	(119)	6 189	2 570
Foreign exchange effects and other movements	-	-	-
Provisions at 31.12.2022	**29 853**	**20 179**	**70 466**

CREDIT RISK EXPOSURES

Credit risk exposure by payment delay (in days) – Customer loans portfolio

IN THOUSANDS OF EURO – Book Value	2022					2021
	Not due or < 30 days	> 30 days	> 60 days	> 90 days	Total	Total
Personal loans						
On the basis of expected credit losses at 12 months	218 723	-	-	-	**218 723**	195 854
On the basis of expected credit losses at maturity	6 030	2 877	1 922	16 245	**27 073**	22 241
POCI *(Purchased or Originated Credit Impaired)*	-	-	-	-	**-**	2
Debt consolidation secured						
On the basis of expected credit losses at 12 months	2 859 285	-	-	-	**2 859 285**	2 821 354
On the basis of expected credit losses at maturity	212 797	12 578	7 812	41 347	**274 533**	255 711
POCI *(Purchased or Originated Credit Impaired)*	21 863	409	50	19 115	**41 438**	54 762
Vehicle						
On the basis of expected credit losses at 12 months	884 420	-	-	-	**884 420**	885 429
On the basis of expected credit losses at maturity	15 657	7 300	4 973	40 765	**68 695**	69 306
POCI *(Purchased or Originated Credit Impaired)*	-	-	-	1	**1**	6 054
Debt consolidation unsecured						
On the basis of expected credit losses at 12 months	299 919	-	-	-	**299 919**	286 666
On the basis of expected credit losses at maturity	23 974	1 649	1 273	9 603	**36 499**	27 907
POCI *(Purchased or Originated Credit Impaired)*	130	-	-	169	**299**	593
Professional mortgage						
On the basis of expected credit losses at 12 months	1 691 187	81 013	3 284	-	**1 775 484**	1 497 666
On the basis of expected credit losses at maturity	37 378	13 021	-	38 237	**88 636**	101 000
POCI *(Purchased or Originated Credit Impaired)*	-	-	-	22 890	**22 890**	40 538
Non-core						
On the basis of expected credit losses at 12 months	28 330	-	-	-	**28 330**	53 531
On the basis of he expected credit losses at maturity	24 718	-	-	6 077	**30 795**	30 451
POCI *(Purchased or Originated Credit Impaired)*	98	-	-	1 367	**1 465**	3 846
BDC excluded leasing						
On the basis of expected credit losses at 12 months	306 358	-	-	-	**306 358**	301 451
On the basis of expected credit losses at maturity	17 257	1 198	543	17 017	**36 014**	21 885
POCI *(Purchased or Originated Credit Impaired)*	4 105	103	1	4 071	**8 280**	8 339
BDC leasing						
On the basis of expected credit losses at 12 months	51 535	-	-	-	**51 535**	59 843
On the basis of expected credit losses at maturity	10 043	-	-	168	**10 211**	965
POCI *(Purchased or Originated Credit Impaired)*	133	-	-	5	**138**	190

c. Finance undertakings and guarantees given

Finance undertakings (confirmed credit facilities, overdrafts) and guarantees (rental deposits, sureties against completion of works) are subject to impairment for expected losses due to credit risk.

These impairments are also presented under the heading “6.9. Provisions for risks and expenses”.

IN THOUSANDS OF EURO	31.12.2022		31.12.2021	
	Outstandings	Provision	Outstandings	Provision
Loan undertakings	417 257	2 858	492 656	2 929
Guarantees	25 224	1 134	46 832	526

d. Recognition date of financial assets

Securities acquired or sold are respectively recognised and derecognised on the settlement date, whatever the accounting category to which they belong.

Derivative financial instruments are recognised on the negotiation date. Changes in fair value between the negotiation date and the settlement date are accounted for in profit or loss or in equity, depending on their accounting classification. Loans and receivables at amortised cost are registered on the balance sheet at the disbursement date.

e. Financial liabilities measured at amortised cost

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Debt securities	2 084 233	2 191 404
Related payables	1 700	1 699
Remeasurement of hedged items	(364 680)	(32 452)
Sub-total debt securities	**1 721 253**	**2 160 651**
Current account and related payables	4 511	40 921
Term loans and advances	385 472	310 937
Other financial liabilities	1 430	3 973
Sub-total due to bank and credit institutions	**391 412**	**355 832**
Current account	1 328 552	1 033 384
Term loans and advances	3 114 562	3 011 052
Related payables	19 073	28 919
Other financial liabilities	16 343	5 841
Sub-total due to customers	**4 478 529**	**4 079 196**
Total financial liabilities at amortised cost	**6 591 194**	**6 595 679**

DEBTS REPRESENTED BY A SECURITY

Debts which are not classified in financial liabilities at fair value are initially recorded at their fair value, corresponding to the acquisition price at this date or at their issue date, net of any directly attributable transaction costs.

At the reporting date, they are measured at amortised cost using the effective interest rate method and recognised on the balance sheet under the headings Amounts owed to credit institutions, Customer deposits and Debts represented by a security.

Amounts owed to credit institutions and customer deposits are broken down by initial duration or nature: on demand (demand deposits, current accounts) or term loans.

Financial instruments issued are classified as debt instruments if the issuer has a contractual obligation to deliver liquidities or another financial asset to another entity or to exchange the instruments under potentially unfavourable conditions.

Debts represented by a security consist mainly of covered bond issues and the securitisation mutual fund issues (FCT) consolidated within the Group.

The Group holds securitised assets on its balance sheet, acquired either as originator in the course of its financing activities, or through the securitisation of several portfolios of customer loans (loan consolidation, motor vehicle leases and personal loans). The total for the securities issued in these securitisation operations stands at 1.2 million euro at 31 December 2022 compared with 121.4 million euro at 31 December 2021.

These debts also include the covered bonds issued since October 2018 by the building society MMB SCF, for an amount of 2 053 million euro at 31 December 2022, including 2 million euro of related debt versus 2 052 million euro at 31 December 2021.

Further, in order to diversify its finance sources, in March 2019 the Group launched a programme for the issuance of commercial paper. This programme will ensure short-term liquidity. Its main characteristics are the following:

- Rating: A-3 (short-term rating by S&P)
- Maturity: 1 to 12 months
- Size: 500 million euro

At 31 December 2022, the Group had issued 33 million euro in commercial paper with an average weighted rate of 2.33% and an average maturity of 4.2 months.

AMOUNTS OWED TO CREDIT INSTITUTIONS AND SIMILAR

In September 2020, My Money Bank borrowed 280 million euro under the TLTRO III programme.

The TLTRO III terms make it possible to offer long-term refinancing with an incentive interest rate reduction if a predefined rate of growth in “eligible” loans is achieved, applied to the maturity of the operation. In the current circumstances, an additional temporary incentive applies to the period from June 2020 to June 2022, also under predefined growth conditions. The interest rate applied is the average interest rate of the deposit facility for the whole term of the operation, plus this additional incentive, a 50-basis points reduction in the average interest rate of the deposit facility with a floor rate set at (1%).

However, in order to address the high inflation affecting countries in the euro area, the European Central Bank is in the process of normalising its monetary policy, and successively raised its key rates during the second half of 2022.

At its meeting on 27 October 2022, the Governing Council of the European Central Bank also decided to adjust the interest rates applicable to TLTRO III from 23 November 2022 until the maturity or early redemption date of

each outstanding TLTRO III operation. The recalibration of TLTRO III conditions will contribute to the normalisation of bank financing costs.

The current calculation method was maintained for the period from the respective settlement dates of each TLTRO III operation until 22 November 2022, with indexation at the applicable European Central Bank interest rates expiring on that date.

Hence from 23 November 2022 until the maturity (or early redemption) date of each outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the ECB's applicable average interest rate for the period.

In addition, three further voluntary early redemption dates were introduced to give participants additional opportunities to redeem part or all of their respective TLTRO III loans before maturity.

Impact of rate changes

My Money Bank has carried out an impact assessment in line with the recalibration of the conditions described above. The Group's strategy is to hold the TLTRO III funds until maturity in September 2023. This strategy has not been modified following the ECB's decision of 27 October, applicable since 23 November 2022.

To date My Money Bank has submitted all the statistical and audit reports required to the Banque de France. The Banque de France has confirmed to the Group the deviation of its outstandings over the following three periods:

- ✓ **Second reference period: 1 April 2019 - 31 March 2021**
- ✓ **Special reference period: 1 March 2020 - 31 March 2021**
- ✓ **Additional special reference period: 1 October 2020 – 31 December 2021**

After examining the credit data relating to the periods mentioned above, it shows that the net amounts of eligible loans during:

- ✓ **the second reference period exceed (deviation >= 1.15%) the reference value of the net lending amount.**
- ✓ **the special reference period equal or exceed the reference value of the net lending amount.**

These elements allow the Group to claim the reduced interest rate and the temporary additional incentive applied to the special interest rate period as well as to the additional special interest rate period.

My Money Bank has therefore decided to spread the interest income "including the additional incentive" calculated on the basis of a weighted rate over the term of the operation.

During 2022, the different interest rate changes were treated as changes in market rates and a new blended rate was determined.

At 31 December 2022, the total cost of the TLTRO III operation including interest and incentives stood at (0.07%) against (0.79%) at inception. The Group has calculated the expected return over the entire period and spread the impact of the rate change over the remaining period.

The total amount of interest and incentives on the TLTRO III operation recorded under Interest and similar income stands at 0.6 million euro.

AMOUNTS OWED TO CUSTOMERS

This programme, which aims to provide the bank with an additional finance source, allows for short-term asset refinancing (around two years).

At 31 December 2022, deposits stand at around 4.5 billion euro, compared with 3.9 billion euro at 31 December 2021. The rise of around 15.4% is mainly due to growth in the Group’s various deposit programmes.

6.5. Current and deferred tax assets and liabilities

Deferred taxes are recognised when there are temporary differences between the carrying value and the tax basis of assets or liabilities, save for some exceptions (for example, the taxable temporary differences generated by the initial recognition of goodwill). They are calculated using the liability method at the tax rate applying in the period during which the temporary difference will reverse, on the basis of tax rates and regulations which have been or will be adopted before the reporting date. Their calculation is not discounted.

The standard corporate income tax rate in France is 25% for 2022 and subsequent years, to which is added a social contribution on profits (CSB) of 3.3% (after application of relief of 0.76 million euro), or a deferred tax rate of 25.83%.

Deferred tax assets or liabilities are offset when they originate in the same tax group, concern the same tax authority and where there is a legal right of set-off.

Current and deferred taxes are recognised as tax income or expense in profit or loss, with the exception of those relating to a transaction or an event directly accounted for in equity (such as fluctuations in the value of cash flow hedge derivatives or unrealised gains or losses on instruments classified at fair value through equity), which are also allocated to equity.

The recognition of deferred tax assets arising from tax loss carryforwards and temporary time differences is based on the Group Business Plan validated by the Board of Directors. This Business Plan, drawn up by the Group's Management Control Department, is based on favourable and adverse assumptions enabling future taxable profits to be documented. The Business Plan is updated each year and is also subject to sensitivity tests in order to ensure its resilience. Management has decided to limit the recognition of tax losses to a maximum of five years.

At 31 December 2021, deferred tax assets relating to tax loss carryforwards created by the tax group since 2018 have been reversed in full, as the Business Plan does not demonstrate the Group's ability to utilise these losses within the five-year horizon, due to the costs generated by the potential acquisition of HSBC's retail banking activities in France.

However, the taxable profit generated by the unwinding of the swaptions taken out in 2021 made it possible to make use of part of these tax losses in 2022 (41 million euro). The remaining stock of tax loss carry-forwards created within the tax consolidation group remains fully deactivated.

The corporate income tax payable by the Group for the year 2022 is 10 million euro. A prepayment of 11.5 million euro was made on 15 December 2022.

With regard to deferred tax assets relating to tax loss carryforwards generated before the creation of the tax group - known as "pre-consolidation" - and available for use only by the entities generating these losses (MMB and Somafi-Soguafi, since Sorefi used the remainder of its losses in 2022), the related deferred tax assets remain activated in full (26 million euro at end-December 2022).

The Business Plan provides for sufficient profits for these entities to allow the full use of these tax losses within a five-year horizon.

CURRENT AND DEFERRED TAXES

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Current taxes	1 321	876
Deferred taxes	-	24 185
Current and deferred tax assets	**1 321**	**25 060**
Current taxes	-	-
Deferred taxes	(2 369)	-
Current and deferred tax liabilities	**(2 369)**	**-**

BREAKDOWN OF DEFERRED TAX ASSETS AND LIABILITIES BY NATURE

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Financial assets at amortised costs and at fair value through P&L and equity (OCI)	(38 366)	(10 929)
Unrealized leasing reserves	(12 502)	(12 675)
Provisions for employee benefit – pension	12 274	14 690
Other non-deducted provision (including credit risk)	9 790	4 463
Tax losses carried forward	26 436	28 636
Net deferred taxes	**(2 369)**	**24 185**
O/w deferred tax assets	-	*24 185*
O/w deferred tax liabilities	*(2 369)*	-

DEFERRED TAX ASSETS ON UNRECOGNISED TAX LOSSES CARRIED FORWARD

IN THOUSANDS OF EURO	Legal duration of the carry-forward	Forecast horizon for recovery	31.12.2022	31.12.2021
Promontoria MMB Fiscal Group	Indefinite	> 5 years	-	-
My Money Bank SA	Indefinite	5 years	23 799	24 912
Somafi-Soguafi SA	Indefinite	4 years	2 637	2 778
Sorefi SA	Indefinite	N/A	-	946
Total deferred tax assets			**26 436**	**28 636**

CHANGES IN DEFERRED TAXES

IN THOUSANDS OF EURO	Changes in profit or loss	Changes in equity	Other changes	Total
Net deferred taxes at 31.12.2021				**24 185**
Financial assets at amortised costs and at fair value through P&L and equity (OCI)	30 569	(58 006)	-	**(27 437)**
Changes in unrealised leasing reserve	173	-	-	**173**
Changes in provisions for employee benefits - pensions	(2 417)	-	-	**(2 417)**
Changes in other non-deducted provisions (including credit risk)	5 327	-	-	**5 327**
Changes in tax losses carried forward (before limitation / recognition)	(13 238)	-	-	**(13 238)**
Impact of unrecognised tax losses carried forward / “catch-up” of unrecognised losses of previous years	11 038	-	-	**11 038**
Net deferred taxes at 31.12.2022	**31 452**	**(58 006)**	**-**	**(2 369)**

6.6. Other assets and liabilities

a. Other assets

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Suppliers	-	264
Insurance	808	954
Deposits, advances	32 000	26 694
Taxes	12 491	4 439
Values received on collection	12 838	11 504
Deferred expenses	6 237	6 504
Other adjustment accounts	4 456	5 766
Other assets	6 548	14 835
Prepaid expenses	23 526	6 098
Accrued income	117 287	44 183
Total other assets	**216 191**	**121 242**

b. Other liabilities

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Security deposits	183	184
Suppliers	6 652	11 394
Tax and social security liabilities	39 926	33 957
Insurance	2 740	1 894
Other adjustment accounts	15 847	13 641
Other liabilities	31 218	17 735
Lease liability IFRS 16	27 559	18 422
Accrued expenses	32 769	18 392
Deferred income	5 807	4 881
Total other liabilities	**162 703**	**120 500**

c. Breakdown of lease liabilities by due date

IN THOUSANDS OF EURO	Less than 1 year	From 1 to 5 years	More than 5 years	Total 31.12.2022
Commercial leases	215	3 086	23 712	27 013
Vehicle leases	8	35	-	43
Long-term vehicle leases	21	30	-	51
Other	19	434	-	453
Total lease liabilities under IFRS 16	**263**	**3 585**	**23 712**	**27 560**

6.7. Non-current assets held for sale

When the Group decides to sell non-current assets, and when it is highly probably that the sale will occur within twelve months, these assets are presented separately on the balance sheet under the heading “Non-current assets held for sale”. Liabilities related to them are also presented separately under “Debts related to non-current assets held for sale”.

For the sale to be highly probable, the Group must be committed to a plan to sell the asset or disposal group and have launched an active program to locate a buyer. The asset (or disposal group) must be marketed for sale at a price that is reasonable in relation to its current fair value.

Once they are classified in this category, non-current assets and groups of assets and liabilities are valued at the lower of their carrying value and their fair value less costs to sell.

These assets are no longer amortised after their reclassification. An impairment loss is recorded in profit or loss in the event that an asset or group of assets and liabilities is found to have lost value. Impairment losses recognised on this basis are reversible until the disposal date.

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Property, plant and equipment	9 443	9 591
Total non-current assets held for sale	**9 443**	**9 591**

At 31 December 2022, the investment property held by the entity SLMB is still available for sale in its existing condition. The one-year timeframe was exceeded for reasons beyond management control, mainly due to a delay in obtaining administrative permits, the slow pace of the compliance process, etc.

6.8. Tangible and intangible assets

The fixed assets on the Group's balance sheet consist of tangible and intangible operating assets, i.e. used for administrative purposes, as well as investment property. Investment property consists of property held for rental income or capital gains, rather than for normal operating purposes.

At their acquisition date, fixed assets are recognised at the transaction price plus costs directly attributable to the acquisition (transfer rights, fees) and any necessary costs to bring them into working condition for use.

After initial recognition, fixed assets are valued at cost less accumulated depreciation and any loss of value. The amortisable value of a fixed asset corresponds to the cost less its residual value in the case of tangible fixed assets where this is significant.

Assets are amortised on a straight-line or reducing balance basis when the regulation so permits over the asset's expected useful life to the Group. Buildings are amortised over 40 years, equipment over three to five years, furniture and other categories over between five and ten years. Software is amortised over one year for common software packages and up to five years for complex software that has undergone significant customisation.

Amortisable fixed assets are subject to impairment tests when, at the reporting date, evidence of a decline in value is identified. Non-amortisable fixed assets are subject to impairment tests when, at the reporting date, evidence of a decline in value is identified, and at least once a year.

If there is evidence of impairment, the new recoverable amount is compared with the net carrying value of the asset. In the case of loss of value, an impairment loss is recorded in profit or loss. This also modifies the future depreciable base. The impairment is reversed in the event of a change in the estimated recoverable amount or if there is no longer an indication of impairment.

Allowances for amortisation costs and impairments are accounted for under the heading "Allowances for amortisation costs and impairments of intangible and tangible assets".

Gains and losses on the sale of fixed operating assets are recognised in profit or loss under "Net gains or losses on other assets".

IN THOUSANDS OF EURO	Gross value 31.12.2021	Reclassification[3]	Increase	Decrease	Gross value 31.12.2022	Impairment and amortisation 31.12.2021	Reclassification	Increase	Decrease	Net value 31.12.2022
Tangible assets	**41 860**	**(362)**	**23 182**	**(6 944)**	**57 737**	**(14 463)**	**18**	**(6 493)**	**2 851**	**39 651**
Buildings	468	76	-	(2)	542	(75)	-	(37)	-	**431**
Office and IT equipment	5 387	27	2 757	(125)	8 047	(2 745)	17	(1 189)	35	**4 165**
Fittings and facilities	5 856	(25)	2 015	(50)	7 797	(1 961)	1	(846)	2	**4 993**
Tangible assets in progress	1 110	(365)	3 524	(3 674)	595	-	-	-	-	**595**
Right-of-use asset IFRS 16	28 591	-	14 887	(2 815)	40 663	(9 624)	-	(4 400)	2 815	**29 454**
- Lease	*27 060*	-	*14 513*	*(2 060)*	*39 513*	*(8 614)*	-	*(4 051)*	*2 060*	***28 908***
- Other	*1 531*	-	*374*	*(755)*	*1 150*	*(1 010)*	-	*(349)*	*755*	***546***
Other	449	(76)	-	(279)	93	(58)	-	(21)	-	**14**
Intangible assets	**25 556**	**432**	**20 397**	**(8 714)**	**37 671**	**(5 240)**	**(2)**	**(5 897)**	**937**	**27 469**
Total tangible and intangible assets	**67 416**	**70**	**43 579**	**(15 658)**	**95 408**	**(19 703)**	**16**	**(12 390)**	**3 788**	**67 120**

[3]Reclassifications mainly correspond to changes in the allocation of tangible assets to intangible assets.

a. Right of use

The Group has applied IFRS 16 - Leases, now accounting for the rights of use in leased assets under the heading *tangible assets*.

IFRS 16 introduces a single lessee accounting model for all leases based on the recognition of a right-of-use asset, representing the lessor's right to make use of the asset during the lease period in consideration of a lease liability representing the discounted lease payments.

The right-of-use asset is depreciated on a straight-line basis and the financial liability is amortised actuarially over the lifetime of the lease. The amortisation expense on the asset and the interest expense on the debt will be presented separately in the income statement, in the items *Allowances for amortisation costs and impairment of tangible and intangible assets* and *Interest and similar expenses* respectively.

Most of the leases identified by the Group are commercial "3/6/9" leases, leases on company vehicles and IT equipment leases. The identification and analysis of the Group's leases has resulted in the exclusion of IT licences and equipment maintenance contracts from the application scope of the standard.

The Group has chosen to apply the reliefs allowing it to exclude leases with a term of less than one year (including renewal options), or contracts on low unit-value goods (less than or equal to USD 5 000).

The right-of-use asset and the lease debt on leases are calculated by discounting the remaining lease payments. A discount rate has been applied reflecting the type of contract.

The Group has applied the incremental borrowing rate to the following: real estate, IT equipment and vehicle leases.

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
ASSETS		
Property, plant and equipment (right-of-use assets)	**40 663**	**28 591**
➢ Commercial leases	39 513	27 060
➢ Leasing vehicles	241	588
➢ Long-term lease vehicles	785	807
➢ Photocopiers / Printers	124	137
LIABILITIES		
Other liabilities (lease liability)	**27 559**	**18 422**
➢ Commercial leases	27 012	17 889
➢ Leasing vehicles	51	157
➢ Long-term lease vehicles	453	305
➢ Photocopiers / printers	43	71
Consolidated income statement		
Interest expense	(432)	(280)
Depreciation and amortisation of right-of-use assets	(4 329)	(3 934)

b. Intangible assets

At 31 December 2022, the intangible fixed assets essentially consist of software and information systems developed internally.

6.9. Provisions

The provisions recorded under liabilities on the Group's statement of financial position, other than those concerning financial instruments and employee commitments, mainly relate to provisions for disputes, fines, penalties and tax risks.

A provision is constituted when it is probable that an outflow of economic resources will be necessary to extinguish an obligation arising from a past event and where the amount of the obligation cannot be reliably estimated. The estimated amount of the obligation is discounted to present value to determine the size of the provision, where this discounting has a significant impact.

Provisions and reversals of provisions are entered in profit or loss on the lines appropriate to the nature of the future expenditure concerned that is covered.

IN THOUSANDS OF EURO	01.01.2022	(+) Increase	(-) Reversal (utilised provisions)	(-) Reversal (surplus provisions)	Change in actuarial assumptions	31.12.2022
Pensions and other post-employment benefits[4]	56 813	32	-	(50)	(9 277)	**47 518**
Other long-term employee benefits	1 733	35	(100)	(66)	-	**1 601**
Restructuring	24	-	-	(24)	-	**-**
Fiscal and legal risks	2 933	1 557	(2 963)	(34)	-	**1 493**
Commitments and guarantees given	3 538	1 255	(69)	(732)	-	**3 992**
Other provisions	2 297	84	(962)	(1 067)	-	**352**
Total	**67 337**	**2 963**	**(4 094)**	**(1 972)**	**(9 277)**	**54 957**

[4] See notes 9

6.10. Remaining balance sheet items

IN THOUSANDS OF EURO	Less than 3 months	3 months to 1 year	1 to 5 years	More than 5 years	Total 31.12.2022
Cash and central banks	191 816	-	-	-	**191 816**
Hedging derivatives	-	-	401	454 863	**455 263**
Financial assets at fair value in profit or loss	-	-	1 291	64 527	**65 818**
Financial assets measured at fair value through equity	(217)	-	51 180	99 878	**150 840**
Financial assets at amortised cost	-	-	-	-	**-**
Loans and receivables due from credit institutions and similar, at amortised cost	271 281	-	-	-	**271 281**
Loans and receivables due from customers, at amortised cost	766 399	615 150	93 265	5 462 891	**6 937 705**
Total financial assets	**1 229 280**	**615 150**	**146 136**	**6 082 159**	**8 072 724**
Central banks	-	-	-	-	**-**
Financial liabilities at fair value in profit or loss	-	-	1 291	55 395	**56 685**
Hedging derivatives	-	-	33 817	345 101	**378 918**
Debts represented by a security	1 700	-	474 029	1 245 525	**1 721 253**
Amounts owed to credit institutions and similar	3 633	10 030	97 749	280 000	**391 412**
Amounts owed to customers	1 578 440	1 011 493	1 888 596	-	**4 478 529**
Total financial liabilities	**1 583 772**	**1 021 523**	**2 495 481**	**1 926 020**	**7 026 797**

The table above presents the residual contractual maturities of the Group's derivative and non-derivative financial liabilities. In the case of derivatives, the amounts shown correspond to fair value at the reporting date, to the extent that the residual contractual maturities do not reflect the liquidity risk on these positions. In the case of non-derivative financial liabilities, the amounts presented are the undiscounted contractual cash flows in accordance with the due dates provided for in the contract.

Expected cash flows may vary from the data presented in this table for some financial liabilities. These differences mainly result from the fact that cash outflows might occur significantly sooner than the data suggest, because the Group has the option to make early repayments of securitisation fund units issued.

7. Notes on the income statement

7.1. Interest income and expense

Interest income and expense are accounted for in profit or loss for all the financial instruments measured at amortised cost and fair value through recyclable equity, using the effective interest rate method.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument in such a way as to obtain the gross carrying amount (or amortised cost) of the financial asset (or liability). The calculation of this rate takes account of all the contractual terms of the financial instrument (e.g. early repayment options, extension options, etc.) and includes all the commissions and costs received or paid that are by nature an integral part of the effective contract rate, and transaction costs, premiums or discounts.

In the particular case of purchased or originated credit-impaired financial assets, the effective interest rate will also take account of the expected credit losses in estimations of future cash flows.

IN THOUSANDS OF EURO	31.12.2022 Income	Expense	Net	31.12.2021 Income	Expense	Net
Loans and receivables from credit institutions	1 471	-	1 471	2 525	-	2 525
Loans and receivables from customers	214 639	(31 171)	183 468	183 226	(26 221)	156 496
Securities	57	-	57	77	-	77
Financial lease	33 100	(1 913)	31 187	35 372	(4 341)	31 030
Due to central banks	337	(96)	241	-	(754)	(754)
Due to banks	-	(13 386)	(13 386)	-	(4 127)	(4 127)
Due to customers	-	(17 271)	(17 271)	-	(19 490)	(19 490)
Debt securities issued	-	-	-	-	-	-
Financial instruments at amortised cost	**249 605**	**(63 836)**	**185 768**	**221 199**	**(54 934)**	**166 265**
Financial instruments at fair value through profit or loss	-	-	-	-	(312)	(312)
Lease agreements[5]	-	(432)	(432)	-	(280)	(280)
Financial instruments at fair value through other comprehensive income	827	(5 790)	(4 962)	908	(5 222)	(4 315)
Hedging derivatives	20 390	(28 000)	(7 610)	1 531	(5 945)	(4 414)
Total interest income and expense	**270 822**	**(98 058)**	**172 764**	**223 638**	**(66 694)**	**156 944**

7.2. Fee income and expense

The Group recognises commission in profit or loss on the basis of the services performed and of the method of recognition of the financial instruments to which the service is attached:

Commissions remunerating ongoing services are spread in profit or loss over the duration of the service (commission on methods of payment).

Commissions remunerating one-off services or remunerating a major undertaking are recognised in their entirety in profit or loss when the service is performed or the undertaking conducted.

Commissions that are considered to be part of the return on a financial instrument, such as commissions for the granting of loans, constitute additional interest and are included at the effective interest rate. These commissions are therefore accounted for under interest income and expense, and not under commissions.

IN THOUSANDS OF EURO	31.12.2022 Income	Expense	Net	31.12.2021 Income	Expense	Net
Transaction with customers	10 750	(6 310)	4 440	11 504	(6 082)	5 422
Securities transactions	-	(47)	(47)	-	(1 601)	(1 601)
Transactions with payment instruments	1 377	(853)	524	2 039	(902)	1 136
Financial services	13 187	(666)	12 521	11 051	(2 645)	8 405
Other	6 208	(25)	6 183	4 296	(160)	4 136
Total fee income and expense	**31 522**	**(7 901)**	**23 621**	**28 890**	**(11 391)**	**17 499**

[5] IFRS 16 “Leases”, lease operations present the interest on lease liabilities.

7.3. Net gains and losses on financial assets at fair value through profit and loss

The net gain on this line item at 31 December 2022 is 2 404 thousand euro, compared with 1 046 thousand euro at the end of December 2021, and corresponds to the positive fair value changes of the trading derivatives held by the Group.

7.4. Net gains and losses on financial assets at fair value through other comprehensive income

This line item is constituted of debt instruments (bonds and other debt securities).

The net gain on this line item is 72 540 thousand euro, generated by the following operations:

- 696 thousand euro in capital gains from the sale of investment securities
- 24 723 thousand euro for the ineffective portion of the pre-hedge unwound on 21 June 2022 (see Note 6.1.c).
- 47 120 thousand euro for the ineffective portion of the new hedges implemented on 25 March 2022 (see Note 6.1.c).

7.5. Net gains and losses on financial assets measured at amortised cost

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Gains / (Losses) on financial assets at amortised cost	**(200)**	**(769)**
Loans and receivables due from customers	(200)	(769)
Gains / (Losses) on financial liabilities at amortised cost	**-**	**-**
Total Gains / losses on financial assets and liabilities at amortised cost	**(200)**	**(769)**

7.6. Income and expense from other activities

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Marginal costs / Commissions	(3 185)	-
Total other expenses	**(3 185)**	**-**
Insurance income	8 265	8 335
Servicing	2 019	4 248
Uncollected VAT to be written back	356	892
Other	5 217	3 925
Total other income	**15 858**	**17 399**
Total income and expense from other activities	**12 673**	**17 399**

7.7. General operating expenses

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Miscellaneous operating income	3 918	1 931
Reversal of provisions for risks and expenses	(2 222)	(3 758)
Employee profit-sharing and incentive schemes	(1 510)	(1 965)
Payroll taxes, duties and similar levies	(4 074)	(4 590)
Pension expenses	(6 647)	(5 991)
Wages and salaries	(65 999)	(59 760)
Other social security expenses	(25 499)	(22 856)
Total employee costs	**(101 872)**	**(96 988)**
Lease	(2 239)	(1 694)
External services provided by Group entities	(4 884)	(979)
Transport and travel	(1 300)	(794)
Other external services	(151 379)	(72 806)
Miscellaneous operating expenses	(900)	(589)
Total operational expenses	**(160 702)**	**(76 863)**
Taxes	(12 210)	(8 566)
Other	(1 249)	(1 322)
Total operating expenses	**(276 196)**	**(183 738)**

7.8. Amortisation costs and depreciations

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Depreciation and amortisation of intangible assets	(5 896)	(2 963)
Depreciation and amortisation of tangible assets	(2 100)	(1 581)
Depreciation and amortisation of right-of-use assets	(4 329)	(3 934)
Total Amortisation, depreciation and impairment of tangible and intangible fixed assets	**(12 325)**	**(8 478)**

7.9. Cost of risk

The cost of risk includes provisions net of reversals on credit risk, net impact on POCI re-evaluation, loans and receivables written off and recoveries of bad debts written off.

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Net provisions on transactions with customers	(14 585)	3 699
Net provisions for guarantees given on assigned loans	(454)	489
Net POCI re-evaluation	8 578	3 404
Net losses on transactions with customers	(18 634)	(9 213)
Net provisions on other risks	-	-
Total cost of risk	**(25 095)**	**(1 621)**

7.10. Net gains and losses on other assets

IN THOUSANDS OF EURO	31.12.2022	31.12.2021
Gains on disposals of tangible assets	6 844	439
Losses on disposals of tangible assets	(5 392)	95
Impairment of non-current assets held for sale	238	180
Total gains or losses on other assets	**1 691**	**714**

7.11. Other Income

The gain on this item is associated with the payment to be received on a claim following the acquisition of the former My Partner Bank for 300 thousand euro.

7.12. Income tax and deferred taxes

Tax expense of the year 2022 includes the tax due from companies situated in France at the rate of 25% (plus the 3.3% social contribution on profits where corporation tax exceeds 763 000 euro i.e 25.83%.)

The deferred tax rates used are indicated in Section 6.5. Current and deferred tax assets and liabilities.

IN THOUSANDS OF EURO		31.12.2022	31.12.2021
Net income - Group share		(6 563)	(32 772)
Net income - Non-controlling interests		-	-
Tax income/expense for the period		21 261	(30 751)
Earnings before tax		**(27 823)**	**(2 021)**
Theoretical tax rate		25,83%	28,41%
Theoretical tax		**7 187**	**574**
Permanent differences		1 099	1 398
Tax rates differences for consolidated entities		27	117
Low rate taxation (dividends)		(6)	(5)
DTA on limited previous tax losses and deductible time differences for the period		-	(32 901)
Use of DTA on limited tax losses and deductible temporary differences over previous periods		11 038	-
Effect of changing corporation tax rates on the measurement of deferred taxes		-	43
Tax hit for prior period adjustments		1 902	-
Tax on bargain purchase gain		-	-
Miscellaneous		15	22
Tax charge for the period		**21 261**	**(30 751)**
	w/o tax payables	*(10 197)*	*18*
	w/o deferred tax	*31 457*	*(30 770)*

8. Offsetting financial assets and financial liabilities

Pursuant to IAS 32, a financial asset and a financial liability shall be set off, and the net amount presented in the statement of financial position when, and only when, the entity has a legally enforceable right to set off the recognised amounts and if it intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The derivatives concluded by the Group with a single banking counterparty, and which are subject to a framework agreement respecting these two criteria, are set off in the balance sheet.

9. Employee benefits

Employee benefits represent consideration of all kinds provided by the Group for the services rendered by staff or as post-employment benefits. They fall into four categories, in accordance with revised IAS 19

- **Short-term employee benefits,** such as wages and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses payable within twelve months of the end of the period. They are recognised as expenses for the financial year in which the staff members rendered the services corresponding to these benefits.
- **Employee termination benefits** are employee benefits provided in consideration of the termination of employment resulting either from the Group's decision to end an employment contract before the statutory retirement age or the decision of the staff member to accept the offer of a severance benefit in exchange for the termination of employment. Employee termination benefits include severance pay or compensation due under voluntary redundancy plans.
  Provision is set aside for these benefits in the same way as the provisions estimated for defined post-employment benefit plans.
- **Post-employment benefits** are the employee benefits (other than employee termination benefits and short-term employee benefits) that are payable after the end of employment, such as pensions, lump sums on retirement and other contractual benefits paid to retired employees.

The Group distinguishes defined contribution plans from defined benefit plans:

- Defined contribution plans are characterised by the payment of defined contributions to a separate entity that absolves the employer of any subsequent legal or implicit obligation towards staff members. The amount of contributions paid during the financial year is recognised in expenses.
- Defined benefit plans are characterised by a commitment on the part of the Group to an amount or level of benefits. They give rise to recognition of an allowance in liabilities in order to express this commitment.

The provisions recognised for defined benefit plans correspond to the present value of the obligations and are subject to an actuarial calculation using the projected unit credit method. These estimations use demographic and financial assumptions that are reviewed annually, such as the staff turnover rate, the wage growth of beneficiaries, the discount rate and the inflation rate.

The net liability recognised for post-employment plans is the difference between the present value of the defined benefit obligations and the fair value of the plan assets (if such exist). When the value of the plan assets exceeds the value of the commitment, an asset is recognised if it represents a future economic benefit to the Group in the form of a saving in future contributions or an expected repayment of some of the amounts paid into the plan.

The annual expense recognised under staff costs for defined benefit plans includes:

- past service cost, representing the rights earned during the period by each beneficiary;
- the net interest linked to the discounting of the net defined benefit liability (or asset);

- the past service cost resulting from any plan amendments or plan curtailments, and the consequences of any plan wind-ups.

Revaluations of net defined benefit liabilities (assets) are recognised directly in equity, with no possibility of reclassification to profit or loss. They include actuarial gains and losses arising from changes in actuarial assumptions, the return on plan assets and changes in the effect of any asset cap.

- **Other long-term employee benefits** include all benefits other than short-term employee benefits, post-employment benefits and termination benefits, including long-service awards. These commitments are the subject of provision corresponding to their value at the reporting date. They are measured using an actuarial method identical to that used for defined benefit post-employment benefits, with the exception of the liability remeasurements which are recognised directly in profit or loss and not in equity.

9.1. Changes in the actuarial debt

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Metropolitan France	Overseas	Total	Metropolitan France	Overseas	Total
Actuarial debt at opening (former consolidation scope)	**61 112**	**2 939**	**64 051**	**69 314**	**3 544**	**72 858**
Change in consolidation scope	-	-	**-**	-	-	-
Actuarial debt at opening	**61 112**	**2 939**	**64 051**	**69 314**	**3 544**	**72 858**
Current service cost	586	174	760	667	193	860
Past service cost	-	-	-	-	-	-
Actuarial debt interest charges	571	28	599	196	10	206
Purchases and sales	-	-	-	-	-	-
Actuarial gains and losses, due to changes in demographic assumptions	-	-	-	-	-	-
Actuarial gains and losses, due to changes in financial assumptions	(9 265)	(524)	(9 789)	(3 203)	(205)	(3 408)
Actuarial gains and losses due to experience adjustments	-	79	79	(3 697)	(445)	(4 142)
Benefits paid	(2 094)	(213)	(2 307)	(2 165)	(158)	(2 322)
Actuarial debt at closing	**50 910**	**2 484**	**53 394**	**61 112**	**2 939**	**64 051**
With a partial or total hedging asset in return	*45 081*	-	*45 081*	*5 506*	-	*5 506*
Without hedging asset	*5 829*	*2 484*	*8 313*	*55 606*	*2 939*	*58 545*

9.2. Changes In Investment

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Metropolitan France	Overseas	Total	Metropolitan France	Overseas	Total
Fair value of the investment at opening	**5 506**	**-**	**5 506**	**7 564**	**-**	**7 564**
Interest income on investments	55	-	55	11	-	11
Amendments plans	-	-	-	-	-	-
Benefit paid	(1 545)	-	(1 545)	(1 867)	-	(1 867)
Actuarial losses or gains	(262)	-	(262)	(203)	-	(203)
Other	521	-	521	-	-	-
Fair value of the investment at closing	**4 275**	**-**	**4 275**	**5 506**	**-**	**5 506**
Actuarial return on investments	(3,8%)	-	(3,8%)	(2,9%)	-	(2,9%)
Composition of investments in percentage						
Shares	9,6%	-	9,6%	10,9%	-	10,9%
Bonds	85,5%	-	85,5%	83,2%	-	83,2%
Other	4,9%	-	4,9%	5,9%	-	5,9%

9.3. Net cost analysis

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Metropolitan France	Overseas	**Total**	Metropolitan France	Overseas	**Total**
Current service cost	586	174	760	667	193	860
Interest on actuarial debt	571	28	599	196	10	206
Impact of reductions /Plan modifications	-	-	-	-	-	-
Interest on investment	(55)	-	(55)	(11)	-	(11)
Actuarial losses and (gains) related to other long-term liabilities	(117)	(54)	(171)	(56)	(112)	(168)
Total net cost analysis	**985**	**148**	**1 133**	**795**	**91**	**887**

9.4. Assumption used

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Metropolitan France	Overseas	Total	Metropolitan France	Overseas	Total
To determine commitments at 31 Dec						
Discount rate included inflation	3,50%	3,50%	3,50%	1,00%	1,00%	1,00%
Growth rate of expected wages	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%
Expected rate of plan assets	3,50%	N/A	3,50%	2,00%	N/A	2,00%
Rate of inflation of pensions	2,00%	N/A	2,00%	1,90%	N/A	1,90%
Rate of inflation of medical costs	3,00%	N/A	3,00%	3,00%	N/A	3,00%
To determine expense for the period						
Discount rate included inflation	1,00%	1,00%	1,00%	0,30%	0,30%	0,30%
Growth rate of expected wages	2,25%	2,25%	2,25%	2,25%	2,25%	2,25%
Expected rate of plan assets	2,00%	N/A	2,00%	2,00%	N/A	2,00%
Rate of inflation of pensions	1,90%	N/A	1,90%	1,70%	N/A	1,70%
Rate of inflation of medical costs	3,00%	N/A	3,00%	3,00%	N/A	3,00%

9.5. Sensitivity of assumption

IN THOUSANDS OF EURO	31.12.2022			31.12.2021		
	Reference discount rate - 0,25 bps	Reference discount rate	Reference discount rate + 0,25 bps	Reference discount rate - 0,25 bps	Reference discount rate	Reference discount rate + 0,25 bps
Fair value of the commitment at 31 Dec	54 222	53 394	52 587	65 402	64 051	62 763
Current service costs	569	548	528	801	760	723

IN THOUSANDS OF EURO	Reference inflation rate - 0,25 bps	Reference inflation rate	Reference inflation rate + 0,25 bps	Reference inflation rate - 0,25 bps	Reference inflation rate	Reference inflation rate + 0,25 bps
Fair value of the commitment at31 Dec	53 221	53 394	53 573	62 510	64 051	66 377
Current service costs	542	548	566	782	760	734

9.6. Major special events of the year

There were no special events during 2022.

9.7. Discount Rate

The discount rate has been determined with reference to the performance at 31 December 2022 of investment-grade corporate bonds carrying an AA rating or higher with a maturity comparable with the average maturity of Group commitments in each zone.

9.8. Description of obligations in respect of defined benefit plans

Retirement obligations include retirement and other post-employment benefits, including termination benefits.

The main defined benefit plans are:

- **lump sums paid on retirement**, which correspond to the payment of a capital sum to the employee by the entity on retirement. The lump sum paid on retirement is determined by the national collective agreement that covers the Group, and the terms of the Group's internal agreement.
  - My Money Bank employees are covered by the national collective agreement for banking personnel. There is also an internal agreement entitling staff to a more generous settlement than the retirement lump sum provided for by the collective agreement. On retirement, employees receive either the lump sum provided for in the My Money Bank internal agreement (in accordance with the criteria set out in that agreement) or the lump sum provided for by the collective agreement, whichever is the more favourable.
  - My Money Outre-Mer employees (including Banque des Caraïbes) are covered by the collective agreement for the finance sector. This has no specific requirements for lump sums on retirement, which are determined in accordance with the internal agreement of each entity.
- **the long-service awards scheme**, corresponding to a capital sum paid to employees reaching total seniority (since the beginning of their careers) of between 15 and 40 years, depending on the Group entity concerned.
- **the healthcare expenses plan for retirees**, the obligations of which take effect when the Group:
  - assumes the total or partial financing of the contribution of retirees to the healthcare expense plan,
  - does not pay the retiree's contribution directly, but the mutual plan for current and retired employees. In this instance, there is nevertheless a benefit from mutualisation; the participation of the employer in the asset plan indirectly funds the retirees' plan.
- **the CRCC plan**, revised following the agreement of 3 July 2008, which is a closed retirement plan with two populations: current plan members (active employees, future pensioners) and current pensioners. Rights were frozen at the plan closure date and have been remeasured since based on the annual level of the social security pension (but may not be lower than an increase based on the AGIRC plan index).

9.9. Changes in employee benefits at 31 December 2022

The Group has taken into account the change in the discount rate (3.50% at 31 December 2022 compared with 1% at 31 December 2021) in order to remeasure its employee benefit obligations at the annual reporting date. Other data and assumptions remain unchanged since the calculations on 31 December 2021 (see note 6.9).

9.10. Future cash flows

The average plan duration is around 9 years.

	2022		
IN THOUSANDS OF EURO	Metropolitan France	Overseas	**Total**
Performance expected in 2023	10 581	191	**10 772**
Performance expected in 2024	3 698	215	**3 913**
Performance expected in 2025	5 035	294	**5 329**
Performance expected in 2026	5 173	266	**5 439**
Performance expected in 2027	3 240	231	**3 472**
Performance expected in 2028 - 2031	15 452	1 215	**16 667**

10. Other information

Through its activity the My Money Group is exposed to the following risks on the financial instruments it holds:

- Credit risk;
- Liquidity risk;
- Overall interest rate risk;
- Securitisation risk.

The framework for managing these risks is presented below in accordance with IFRS 7 – Financial instruments: Disclosures. It has been introduced in accordance with the decree of 3 November 2014 on the internal control of businesses in the banking sector, payment services and investment services subject to the supervision of the ACPR (“Autorité de Contrôle Prudentiel et de Résolution”).

10.1. Risk management in the Group

a. Liquidity risk, overall interest rate risk and securitisation risk

Management and control of liquidity risk, interest rate risk and securitisation risk form part of a comprehensive policy established and applied within My Money Group’s Treasury department to oversee the definition, measurement and supervision of these risks in line with the objectives and the Group’s Risk Appetite Statement.

The principle objectives of this policy are to:

- establish the strategy and risk appetite for each type of risk exposure;
- develop and implement the processes and procedures for measuring and reporting risk exposure;
- monitor compliance with the limits and principles defined by the Group;
- define escalation procedures in the event of failure to respect the limits and principles of risk management, and action plans to address such situations;
- set out clear roles and responsibilities for risk management and reduction.

This comprehensive policy has been validated by the Asset Liability Committee (ALCO) and the Internal Audit and Risk Committee. It is revised at least annually by ALCO. The same committee monitors its implementation quarterly at Group level.

The Asset Liability Committee consists of the following permanent members: the Chairman, Finance Director, Risk Officer, and the officers responsible for permanent control and the Treasury. They may be joined by additional invited members, depending on the subjects addressed. Its main tasks are:

- reviewing and recommending approval of the Treasury’s comprehensive policy and any changes following its annual revision;
- reviewing the Group’s position in terms of the limits and principles set;
- reviewing and approving any exceptions to the Treasury policy;
- approving the annual modelling assumptions for liquidity and interest rate risk stress tests;
- approving the warning thresholds defined for market indicators to be monitored by the Group (CAC 40, Euribor rates, etc.);
- determining the Group’s refinancing capacity based on the market indicators monitored;
- defining and approving urgent financing action plans if an event occurs materially affecting the Group’s refinancing capacity;
- approving distributions of dividends as part of the capital management strategy and the regulatory capital adequacy requirements;
- approving the securitisation of assets in dedicated financing structures;

- approving the use of hedging operations to modify the Group's risk profile in respect of interest rates or foreign exchange rates;
- reviewing the information on the list of authorised investments;
- annually approving the Treasury's operational management directives.

In operational terms, these responsibilities are in part addressed and implemented by the Treasury department, whose role consists of the operational management of the Group's refinancing requirements through the different authorised channels within the applicable risk mandates and limits. The Treasury department is directly involved in drafting the comprehensive policy, inter alia by developing the Group Contingency Plan and by providing ALCO with information for its approval (e.g. the calculation of regulatory liquidity ratios, risk exposures or the development of stress tests).

b. Credit risk

The framework for monitoring credit risks is piloted by the Group Risk Department in compliance with the Decree of 3 November 2014 on risk monitoring. The scope of the Risk Department's intervention therefore addresses credit risk in line with the definition given in Regulation (EU) no 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms (CRR of 26 June 2013), in particular articles 387 to 403 and 493. This defines credit risk as the risk incurred in the event of default of a counterparty or counterparties considered as a single beneficiary.

The Risk Department establishes approval policies and documentation for each customer type and financing type. Credit approval delegations are defined in a formalised document.

Officers responsible for giving approval must respect these procedures, and first and second level controls are carried out in order to monitor compliance. These controls provide for subsequent verification of compliance with policies for approval and documentation, and with delegations. The results of controls are presented to the Permanent Oversight Committee and will lead to staff corrective measures if necessary.

The Risk Department ensures weekly, monthly and quarterly monitoring of credit risk by activity (mortgage loans as servicer, debt consolidation, vehicle and consumer financing, corporate finance and structured finance).

Checks are carried out to verify this risk monitoring and respect for risk procedures in case management. Any anomalies found will give rise to actions ranging, in addition to an interview with the staff member responsible, from a general reminder of the rules to a specific action plan decided upon either by the staff member's manager or by the Permanent Oversight Committee when such anomalies are presented to this committee.

The Risk Department also monitors cases of files that quickly deteriorate in quality in the vehicle loan activity. These are files with payment past due within six months of the first payment due after the loan has been granted; this monitoring of payments past due is sent weekly to the Sales Department and the Collections Department. The Risk Division also continues to monitor the risk associated with exposures subject to securitisation transactions.

10.2. Liquidity risk

Liquidity risk is defined by the order of 3 November 2014 as the risk that the entity cannot meet its due obligations or unwind or offset a particular position, because of market or idiosyncratic factors, within a specified time and at reasonable cost.

a. Liquidity risk management objectives

The objective of the Group's liquidity strategy is to ensure access to sufficient funds to meet its commercial needs and financial obligations at a reasonable cost, while aiming for a sufficient diversity of financing types and maturities to meet the limits and constraints of existing or potential risks.

In this context, the Group has set up several financing programmes on the capital markets and has developed a savings deposit programme with individuals and businesses (SMEs), in particular in order to diversify its funding sources. This diversification makes it possible to limit overall liquidity risk by making different potential sources available to the bank, with different characteristics (in terms of interest rate, duration, amount, etc.). This strategy has been continued and strengthened during 2022, in particular through the issue of three new retained mortgage bonds via the subsidiary MMB SCF for an amount of 530 million euro with a weighted average maturity of 2.7 years, and growth in the deposits programme, which reached an outstanding amount of 4.5 billion euro at the end of 2022.

In 2020, My Money Bank participated in the TLTRO III programme for 280 million euro with a maturity of three years. This financing continued in 2022.

My Money Bank also has NEU CP (Negotiable Commercial Paper) and NEU MTN (Negotiable Medium-Term Notes) programmes to issue short and medium-term securities.

The Group's strategic liquidity objectives aim to favour short-term resilience (six months) in the event of a deterioration in the Group's liquidity profile and ensure its ability to absorb short-term shocks resulting from a situation of stress in the economic and financial environment.

b. Exposure to liquidity risk

The Group's liquidity risk exposure pertains to its two main refinancing sources, market financing via securitisation structures and customer deposits.

Inability to access the finance markets and significant withdrawals over a prolonged period can affect the entity's capacity to fund its current operations. Failure to maintain a sufficient stock of liquid assets can materially increase the liquidity risk. The timings of inflows and outflows of cash necessary to meet commitments can also contribute to the liquidity risk.

Additionally, the Company has conditional exposures to undrawn loan commitments to customers which could lead to unplanned increases in liquidity requirements.

Breakdown of financial liabilities by contractual due date (undiscounted cash flows) is presented in Note 6.10.

c. Measures and monitoring of liquidity risk

The main liquidity monitoring indicator used by the Group is the Free Available Cash Equivalent (FACE).

The FACE is used to determine the cash amounts or cash equivalents available to the Group for its economic activities. It is then applied to stressed liquidity needs over 3 or 6 months to ensure the Group's resilience to adverse scenarios. The indicator is measured daily and consists of the following assets, depending on their cycle of availability:

- Immediately available or within 48 hours:
  - liquidity reserve, including High Quality Liquid Assets (HQLA);
  - undrawn lending facilities (RCF).
- Available within one month:
  - balance sheet assets eligible for immediate securitisation or covered bonds.
  - Assets qualifying for ECB REPO (MRO et LTRO) and bank REPO

Liquidity management relies on scenario forecasts and analyses, as well as the following three pillars:

- key liquidity indicators (Ratio LCR and NSFR, FACE, 3 and 6-month stress scenarios (Economic Liquidity Buffer (ELB) and Counterbalancing Capacity (CBC));
- market indicators (Early Warning Indicators, EWI) monitored on a daily basis;
- a contingency plan.

10.3. Overall interest rate risk

Overall interest rate risk is defined by the decree of 3 November 2014 as the risk incurred in the event of interest rate change affecting balance-sheet and off-balance sheet operations, with the exception, where applicable, of operations subject to market risks. This risk results from exposure to adverse movements that could affect interest rate markets, their volatility or their spreads.

a. General policy for the management of overall interest rate risk

The Group’s policy for the management of the overall interest rate risk is not intended to hold speculative positions on the portfolios concerned in a lasting and structural manner.

In order to limit its exposure to interest rate risks, the Group seeks to:

- refinance its debt by loans with matching rate type and maturity. Variable rate assets must be backed by variable rate liabilities, and fixed rate assets must be backed by fixed rate liabilities, with equivalent maturities. Interest rate risk is thus taken into account for fixed and variable rate operations;
- where the economic characteristics of financial assets and liabilities do not allow for natural set-off of the risks, establish hedging operations for all exposures to overall interest rate risk and foreign exchange risk, while respecting the limits set by the overall Treasury policy. These hedges comply with IFRS accounting standards and are presented in Note 6.1 *Derivative financial instruments and hedge accounting.*

b. Exposure to the overall interest rate risk

The Group is exposed to the interest rate risk through its lending activities, its financing operations and its investments. The main source generating overall interest rate risk are the timing differences between the application of new rates to assets and liabilities (depending on references and maturities).

c. Measuring and monitoring the overall rate risk

The approach to monitoring the Group's rate risk uses measures of economic sensitivity, within limits set by ALCO.

To assess its internal capital adequacy, the Group considers:

- The six interest rate shock scenarios prescribed by the IRRBB, to calculate the sensitivity of the economic value of equity;
- Instantaneous parallel up and downwards shocks of +/- 200 bps, to calculate the sensitivity of the net interest margin.
- An internal interest rate shock scenario, simulating a gradual increase in interest rates replicating scenarios of past crises.
- The calculation and monitoring of risk indicators and limits are reported to the ALCO Committee on a monthly basis, as are overall interest rate risk hedging transactions.

10.4. Credit risk

a. General principles for lending and the selection of credit operations

My Money Group lending and investment guidelines have been developed in compliance with articles 111 and 112 of the Decree of 3 November 2014 on the internal control of businesses in the banking sector, payment services and investment services subject to the supervision of the ACPR.

The appraisal and decision processes depend on eligibility conditions, an analysis and the determination of a financial rating specific to each segment, and in some cases obtaining guarantees.

Loan approval decisions are taken in the course of delegations granted jointly to the business lines by the Risk Department. These delegations are granted on an individual basis and are validated annually. Delegations correspond to a ceiling amount or a specific authorisation defining the exceptions or exemptions to the rules laid down by the Risk Department. When a case exceeds the delegation threshold of the approvals service, it is escalated for approval to the Investment Committee, consisting of the Risk Officer and the Chief Executive, and in the final resort to the Group Board of Directors.

Launch of a new product or significant modification of an existing product

For all operations, any new product launch or significant product changes are accompanied by a presentation containing a description of the product, financial forecasts, the product risk profile, standards for approval and monitoring criteria.

The process of bringing new products to the market requires the approval of the Group Management Committee (including the Finance, Risks, Legal, Compliance and Operations departments). When the Management Committee has validated a request to market a product, it submits the application for the approval of the Board of Directors of Promontoria MMB.

Approving and monitoring business introducers

For vehicle financing, debt consolidation and deposits, the distribution of products is largely carried out by business introducers. These providers are therefore the first filter in the transaction selection process. Thus, all financing applications submitted require the prior approval of the business introducer.

In order to approve new introducers, the Marketing Department collects all the documents necessary to acquire a solid knowledge of the introducers, in accordance with the current approval procedure. Significant introducers,

or those presenting an unusual risk or compliance profile, receive special treatment (as set out in the KYI policy) and must obtain the agreement of the Marketing, Risk and Compliance Departments for definitive approval.

The situation of active and inactive introducers is reviewed every four months by the Risk, Marketing, Sales and Compliance departments in a meeting of the Introducer Monitoring Committee, based on a list drawn up by the Risk Department. The approvals officer for each activity is also invited to attend. The Committee determines the future of the business relationship with the introducer. It may decide to continue or terminate the relationship, or to monitor it through various operational measures.

Finally, *ad hoc* committees can also meet in the event of any alerts or one-off anomalies.

Guarantees and Collateral

Each real estate loan granted is accompanied by a first mortgage. The valuation of loan collateral is carried out when the loan application is examined.

Several types of valuation may be considered by the Group, whether a physical survey or a statistical valuation of the asset (via MEILLEURSAGENTS.COM)

The choice of valuation type depends on several aspects, including geographical location, amount of financing, and the “loan-to-value" mortgage ratio determined by comparing the amount of the loan with the retained value in the asset(s) taken as security.

My Money Bank carries out a quarterly update of the value of the mortgage guarantees. It does so using a generic statistical method, in compliance with regulatory requirements, applying a discount factor to the initial valuation of the guarantee. This factor is standardised for dossiers completed in the same quarter of a year, secured by collateral of the same nature (apartment/house) and located in the same region.

The distinction by region is limited to Ile De France, PACA and Rhône-Alpes. The other regions are not differentiated.

There are therefore eight different strata crossing regions and collateral type.

The data sources are based on the French Notaries-Insee index. This index uses completed transaction prices, enabling an accurate approach to the pricing of old housing.

Approval of applications

The Risk Department establishes approval policies for each type of customer (individual or corporate) and financing type. It sets out all the rules and conditions for granting loans, and the list of customer documents required in order to study and approve a financing application.

The approval process relies on rigorous customer knowledge, in particular through analyses of indebtedness and solvency based on a wide range of available information sources (Banque de France records, evidence of financial position provided by the customer, financial statements in the case of legal persons, etc.).

In the cases of vehicle financing for private customers and debt consolidation secured, specific analyses of the value of the goods financed or used to guarantee the loan are carried out. The values of these goods are checked using external sources, comparative market studies or expert analyses.

b. Rating systems and methods of estimating credit risk

The Group applies the standardised approach and therefore does not calculate its regulatory capital requirement using internal rating systems. Where there is no external credit rating directly applicable to a banking portfolio exposure, the Bank’s customer databases may, depending on the case and after analysis, make it possible to apply a rating based in part on an internal or external rating of the issuer (or of its guarantor if any). The Risks Department monitors the Banque de France borrower ratings, which are automatically updated monthly.

GENERAL METHODS OF CALCULATING EXPECTED CREDIT LOSSES

Credit risk is expressed through the impairment provisions recognised for expected credit losses as defined by IFRS 9 and set out in Note 6.4.b *Impairment and restructuring of financial assets*.

The calculation of expected losses relies on three main parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD), taking account of amortisation profiles. Expected losses are calculated using the formula PD x LGD x EAD and are discounted at the effective interest rate determined on initial recognition of the financial instrument. For all exposures, the assessment of the ECL is carried out in a way that reflects the reasonable and justifiable information on past events, current conditions and forecasts for future economic conditions that can be obtained at the reporting date without excessive costs or efforts ("forward-looking").

Forward-looking information has been incorporated in the ECL calculation for all products since March 2018. For the group's "professional" customers (professional real estate, non-core, DOM and Banque des Caraïbes portfolios), the forward-looking component is taken into account through a sectoral impact analysis. Counterparties were segmented according to their sector of activity (based on the NAF code). Four levels of risk were identified based on the impact that the current crisis could have on these activities. The forward-looking impact is therefore dependent on the activity and risk associated with each counterparty.

For the group's "individual" customers (debt consolidation, DOM and Banque des Caraïbes portfolios), the forward-looking component is taken into account through an analytical approach to the impact of the fall in purchasing power. An analysis was carried out to estimate the impact of a fall in the purchasing power of our individual customers on payment behaviour. On the basis of this analysis, scenarios for increased charges, reflecting the inflationary context, allow us to incorporate the forward-looking component into our PD forecasts.

Market assumptions are determined and weighted by the board. They have been revised quarterly since the 2020 Covid crisis.

ESTIMATIONS OF PROBABILITY OF DEFAULT

Estimations of the probability of default are based on the situation of a counterparty at a point in time and are calculated using transition matrices per outstanding tranche. The migration of a counterparty or an exposure between the various tranches will entail a change in the estimated PD. Calculation of PD takes into consideration the contractual maturities of exposures, as well as estimates of early repayments. Transition matrices are differentiated, depending on whether the PD is calculated over 12 months or at maturity, and sub-segmentation is carried out in order to distinguish unmodified financial assets and those that have been modified in an immaterial manner.

In the special case of financing associated with the dealer portfolio, PD estimations rely on internal scores attributed to dealers with a view to segmenting them in accordance with their estimated probability of default and/or judicial liquidation.

CALCULATION OF THE LGD

The LGD represents the rates of expected loss on a given exposure in the event of default. Loss given default is calculated on the basis of the history of losses (total or partial) observed on the Group's defaulted contracts, and the residual future recovery curves for contracts classified in stage 3. Depending on default seniority, these curves provide the residual recovery rates in comparison with the cumulative recovery rate calculated for an instrument entering default. The final rate of loss applied is a weighted average incorporating each possible scenario for emerging from default (e.g. reclassification as a healthy debt, closure without loss, reclassification as disputed, or write-off).

Dossiers are written off when the receivable is recognised as irrecoverable (i.e. when a refusal of payment or the debtor's insolvency make it definitively impossible to recover an amount).

In the case of the DC Secured portfolio, the systematic constitution of guarantees to cover exposure is included when determining the LGD of the portfolio, taking account of:

- the valuation of guarantees and the progress of recovery;
- new parameters in the default exit scenarios used for the calculation of the final loss rates, reflecting the methods of disposal of guarantees (amicable sale, judicial sale).

For the professional mortgage portfolio, an individual analysis of the LGD attributed to each dossier in default is taken into account in the calculation of the LGD of the portfolio as a whole.

Methods of determining the EAD

The EAD is the expected exposure at the time of counterparty default. The Group determines the EAD on the basis of the current exposure at the estimation date, taking account of the impact of expected events on the contract until the default date, such as exposure amortisation or early repayment. The EAD at the estimation date is equal to the net carrying value of the instrument. Variations in the EAD between the reporting date and the date of default are modelled and integrated into the estimations of probability of default, which take account of amortisation and drawdowns before default.

Time horizon for assessing expected credit losses

The Group measures the expected credit losses on the instruments it holds over the maximum contractual period, including options for extension, during which it is exposed to the credit risk.

However, in the case of revolving credits, this period can be extended beyond contractual maturity to behavioural life, when Group's contractual right to demand repayment and to terminate an undrawn loan commitment does not limit its exposure to credit losses beyond the contractual notice period. This extension beyond contractual maturity is determined by considering such factors as credit risk mitigation measures, including the reduction or removal of unused limits, which the Group proposes to take should the credit risk on the financial instrument increase. The behavioural life of revolving credits is calculated by the Group in consideration of historical information and experience of similar financial instruments in terms of the period of credit risk exposure, the time period for the occurrence of default following a significant increase in the credit risk, and the measures to mitigate the risk in the event of such an increase (limitation or removal of unused limits).

c. Measurement and monitoring of credit risk

Credit risk is managed and monitored by the Risk Department using three main drivers:

- lending limits;
- an analysis of profitability of credit operations;
- regular monitoring of collection performance.

Lending limits

The Group has strict limits, set by the Board of Directors, depending on the nature of the operations and the guarantees attached. These limits are reviewed annually. Each new product or activity launch is submitted for the approval of the Promontoria MMB Board of Directors.

Analysis of profitability of credit operations

The Risk Department and the Pricing Service regularly conduct a review of the profitability of the relationship with each introducer or partner whose inventories the Bank finances. For the affected financing (vehicles, finance at the point of sale), introducer risk monitoring is conducted at least quarterly on the basis of several risk indicators. Where appropriate, this makes it possible - in consultation with the Marketing Department and acting on a proposal from the Risk Department - to terminate the relationship with introducers with negative profitability.

Reports on commercial and financial margins are prepared by the Finance Pricing Service and distributed to all the entity's departments and support functions on a weekly basis. Changes in the margins and volumes of the various activities are analysed during Management Committee meetings, or in ad-hoc Pricing Committees.

Two indicators in particular are tracked:

- the gross margin, calculated as a percentage, which is the difference between the nominal rate and the refinancing rate;
- the risk-adjusted margin, incorporating the refinancing cost and the cost of risk. This corresponds to the gross margin adjusted for expenses received (administrative charges, management expenses, late fees and collection fees), additional insurance revenues, commissions paid to introducers and the cost of risk.

A monthly review of profitability is conducted by the Pricing Services and the Marketing Department, making it possible to assess:

- new volumes in comparison with the entity's targets;
- the profitability of credit operations based on US accounting standards, in comparison with the entity's targets;
- a summary of current pricing operations;
- future pricing operations to be developed.

Finally, Group Management carries out monthly follow-up based on an analysis of the profitability of lending operations per activity conducted by the Pricing Service. This analysis includes the NBI, acquisition costs, cost of risk and overheads.

Monitoring collection performance

The collection process uses internal software for managing and monitoring cases of arrears (including the management of reminders and urging letters, and follow-up of promises to pay).

Two teams operate at different stages in the processing of arrears, depending on the loan type:

- for vehicle financing and consumer loans, a reminder team intervenes to conduct amicable negotiation, with the support of a proceedings team for cases of litigation;
- for debt consolidation, a pre-litigation collection team provides individualised customer management until the sixth payment failure, and a litigation collection team takes over cases beyond that point.

In conjunction with the criteria used to assess a significant increase in default risk for the purposes of IFRS 9 provisioning (moving to stage 2 or stage 3), the main management indicators used to monitor arrears and the effectiveness of collection are as follows:

- 0+ (cases presenting no failures to pay);
- 2+ (2 or more payment failures, cases in judicial settlement, judicial liquidation, forfeiture of term or payment moratorium);
- 4+ (4 or more payment failures, cases in judicial settlement, judicial liquidation, forfeiture of term or payment moratorium);

The results of call campaigns are also monitored, with the number of calls made (in the reference month), changes in contact rates per customer segment, and the rate of payment promises kept per product.

These aspects are followed up regularly through:

- weekly monitoring of collection service performance per activity (vehicle financing, consumer credit and debt consolidation) by the Risk Department on the basis of an estimate per structure (amicable, pre-litigation, litigation, etc.) and by level of arrears,
- monthly reports presented to the full Management Committee during the monthly review of the Bank's activities.

d. CREDIT RISK MITIGATION TECHNIQUES

Credit risk mitigation is a technique for the reduction of the credit risk incurred by the bank in the event of total or partial counterparty default.

The Group relies on traditional proven risk mitigation techniques that are adapted to its activities:

- for motor vehicle financing, the Group uses collateral in cases where the amount of finance is significant and applies a reservation of title clause in other cases, in accordance with its acquisition credit risk policy.
- continuous first and second level controls are carried out to validate the respect of formalities and the legal validity of the guarantee. The collateral rate, i.e. the ratio between the number of guarantees recorded and the number to be taken, is monitored regularly to ensure that the cases concerned are adequately covered;
- in the case of debt consolidation secured financing, whether or not including the takeover of a real estate loan, the Group takes a first mortgage. Continuous first and second level controls are carried out to validate the respect of formalities and the validity of the mortgage and of its renewal.

10.5. SECURITISATION RISK

For the purposes of active liquidity management, the Group holds and manages a portfolio of liquid securities in order to optimise the liquidity of the bank and respect the regulatory Liquidity Coverage Ratio (LCR). The Group invests in securities that are within the scope of the investment policy approved by the Board of Directors and in particular in senior and mezzanine tranches of public securitisations. As a recurrent issuer of public and private securitisation operations itself, the Group has developed in-depth expertise in the structure and analysis of operations of this type.

The investment policy sets out the general framework for treasury investments. It indicates the type of underlying operations in which the Group may invest. It also introduces concentration limits to control the risk when liquidity is deployed.

Before each investment, the team responsible for managing the securities portfolio ensures that the issuer will retain a net material economic interest which shall not be less than 5%, as stipulated in the Capital Requirements Regulation, article 405, paragraph 1. The team also conducts an analysis of the risks associated with the securitisation, based inter alia on the legal and commercial documentation provided by the issuer, and the ratings published by ratings agencies.

Checks are carried out on:

- The structure of the operation and the associated risk factors;
- The payment waterfall, and the credit enhancement method;
- The credit risk of the underlying portfolio, based on historical performance data and the default definition and thresholds;
- If the operation is notified as STS, in accordance with article 27, whether it meets the requirements of the articles mentioned in the securitisation regulation;
- The performance of previous securitisations if the issuer is not a first-time issuer.

The securities portfolio is monitored daily and is also monitored every month by the ALCO.

As part of its refinancing activities, the Group carries out securitisation programmes for some of its portfolios of customer loans (debt consolidation, vehicle leases and personal loans). The securities issued via these operations can either be placed with external investors, for refinancing purposes, or bought by the issuer and made available for repurchase agreements. The securitisation vehicles containing the transferred loans are consolidated, and hence the Group remains exposed to the majority of risks and rewards of these loans.

The total securities issued at 31 December 2022 stood at around 867 million euro for My Money Bank and its subsidiaries Sorefi and Somafi-Soguafi. These assigning entities hold all the junior tranches issued by the funds, to a total of 120 million euro, in compliance with the regulatory provisions of the CRR (articles 404 to 410).

The three securitisation operations existing at 31 December 2022 are consolidated. Therefore, the assignors retain all the junior tranches issued by the securitisation mutual funds and support the first losses.

In the course of these operations, servicing contracts have been established between:

- My Money Bank: the servicer of the operations for which it is the assignor, and the agent of servicers on behalf of its subsidiaries Sorefi and Somafi-Soguafi,
- EuroTitrisation or France Titrisation: the management company,
- BNP Paribas or Société Générale: the custodian.

These servicing contracts mean inter alia that My Money Bank is responsible for the management of the securitised assets on behalf of the management company and ensures that its subsidiaries employ the necessary resources to manage their securitised assets. Therefore, My Money Bank continues to provide the same collection and recovery services as previously for the securitised loans. The only difference is that these services are now carried out on behalf of third parties and no longer on its own account.

A specific monitoring tool has been established including first-level controls within the Treasury, covering cash flows, data transferred to the management company and external reporting. The data transferred to the management company is subject to a second-level control by the Finance Director and the Risk Officer. The performance of securitisation vehicles is also reviewed monthly, as a second-level control, by ALCO.

10.6. Management and adequacy of internal capital

a. Regulatory capital

Promontoria MMB SAS is the entity responsible for evaluating internal capital adequacy.

The method for evaluating internal capital adequacy must enable credit institutions and other investment entities to assess the extent to which their capital is sufficient to cover all their actual or potential risks. The Group must comply with the prudential regulations defined in the Basel III agreements: Directive 2013/36/EU and Regulation (EU) no 575/2013 of the European Parliament and of the Council.

The regulatory capital requirement is calculated on a consolidated basis by the parent company Promontoria MMB SAS.

The standardised approach is used to quantify the total Pillar I capital requirement for credit risk and operational risk. Additional analyses of the Group's other risk exposures under Pillar II (mainly the overall interest rate risk and liquidity risk) are conducted in order to measure any necessity for an additional allocation of capital in order to comply with the Basel principles.

In terms of solvency, three levels of capital are defined:

- Common Equity Tier 1 (CET1) capital. This category of equity includes shareholders' equity, Group share (capital, issue premiums, reserves, profit or loss for the year), restated for applicable regulatory adjustments such as deferred tax on tax losses carried forward, goodwill deductions and intangible assets (net of associated tax liabilities) or other adjustments related to other comprehensive income recognised directly in equity (for example, fair value reserves relating to gains and losses generated by cash flow hedges);
- Tier 1 or Tier 1 capital, consisting of Common Equity Tier 1 and Additional Tier 1 (AT1) capital. This category notably includes undated securities;
- Total Capital, which consists of Tier 1 capital and Tier 2 capital, and which includes subordinated loans in addition to previous levels.
- Tier 2 capital corresponds to subordinated debt instruments with a minimum maturity of 5 years.

b. Monitoring and management of equity

The Group's capital management strategy consists of maintaining a level of equity sufficient to cover potential losses, guarantee respect of its regulatory requirements and ensure its solvency.

This strategy is implemented through a management system addressing all the operational processes required to achieve these objectives:

- the development of an internal approach to the measurement of the capital requirement and the monitoring of the Group's resilience in a high-stress environment (ICAAP);
- forecasting capital requirements and their allocation reflecting the needs of business lines, and profitability targets;
- a system for the analysis of the consumption of equity by business lines and of their profitability, based on weighted assets in Basel III/CRR;
- the monthly monitoring of internal capital adequacy indicators (solvency ratios, CET1, RWA) in the ALCO committee;
- an analysis and approval by ALCO and the Promontoria MMB Board of Directors of any planned distributions of dividends.

11. Establishments and activities by country

Article L. 511-45 of the Monetary and Financial Code requires credit institutions, (mixed) financial holding companies and financing entities to publish information on the establishments and activities included in the consolidation scope in each country or territory.

The Group's staff, like all its activities, are located in France and stand at 867 FTE. The Group's establishments are presented in Note 4, *Consolidation scope*

Since all the operations of the Group are located in France only, all the other information required by Article L. 511-45 of the Monetary and Financial Code, aggregated for this State, is reported directly in the following Notes to the consolidated financial statements:

Required information	Note to the consolidated financial statements
Net banking income	II – Consolidated income statement
Profit / loss before tax	II – Consolidated income statement
Amounts of taxes on profits	II – Consolidated income statement
w/o current taxes	*7.12 Income tax and deferred taxes*
w/o deferred taxes	*6.5 Current and deferred tax assets and liabilities* *7.12 Income tax and deferred taxes*
Public subsidies received	N/A

12. Fees paid to the statutory auditors

IN THOUSANDS OF EURO	2022			2021		
	KPMG Audit	RSM Paris	Total	KPMG Audit	RSM Paris	Total
Independent audit, certification and examination of the separate and consolidated accounts	685	303	**988**	671	257	**927**
Services other than the certification of accounts	104	51	**156**	212	36	**248**
Total	**789**	**354**	**1 143**	**883**	**293**	**1 176**

For 2022 financial year, the services other than the certification of account were mainly related to the IT migrations audit, legal and regulatory certificates, comfort letters and audit of the hedging operations carried out by the Group.