

If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

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**Non-collateralised Structured Products
Base Listing Document
relating to Structured Products to
be issued by**

SG Issuer

(incorporated in Luxembourg)

unconditionally and irrevocably guaranteed by

Société Générale

(incorporated in France)



Liquidity Provider

SG Securities (HK) Limited

This document, for which we and Société Générale (the “**Guarantor**”) accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) for the purpose of giving information with regard to us, SG Issuer, and the Guarantor, our standard warrants (the “**Warrants**”), inline warrants (the “**Inline Warrants**”), callable bull/bear contracts (the “**CBBCs**”) and other structured products (the Warrants, the Inline Warrants, the CBBCs and such other structured products are, collectively, the “**Structured Products**”) to be listed on the Stock Exchange from time to time. This document may be updated and/or amended from time to time by way of addenda.

Our obligations under the Structured Products are guaranteed by the Guarantor under a guarantee executed by the Guarantor dated 3 April 2020 (the “**Guarantee**”). We and the Guarantor, having made all reasonable enquiries, confirm that to the best of our knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

The Structured Products are complex products. You should exercise caution in relation to them. Investors are warned that the price of the Structured Products may fall in value as rapidly as it may rise and holders may sustain a total loss of their investment. Prospective purchasers should therefore ensure that they understand the nature of the Structured Products and carefully study the risk factors set out in this document and, where necessary, seek professional advice, before they invest in the Structured Products.

The Structured Products involve derivatives. Investors should not invest in the Structured Products unless they fully understand and are willing to assume the risks associated with them.

The Structured Products constitute our general unsecured contractual obligations and of no other person, and the Guarantee constitutes the general unsecured contractual obligations of the Guarantor and of no other person. The Structured Products will rank equally among themselves and with all our other unsecured obligations and the other unsecured obligations of the Guarantor (save for those obligations preferred by law) upon liquidation. If you purchase the Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against (a) the company which has issued the underlying securities; (b) the trustee or the manager of the underlying unit trust; or (c) the index compiler of the underlying index. If we become insolvent or default on our obligations under the Structured Products or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you may not be able to recover all or even part of the amount due under the Structured Products (if any). The Issuer is subject to the exercise of the bail-in powers under the Luxembourg legislation for implementation of the Bank Recovery and Resolution Directive. The Guarantor is subject to the exercise of the bail-in powers under the French legislation for implementation of the Bank Recovery and Resolution Directive.

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1. IMPORTANT INFORMATION

What documents should you read before investing in the Structured Products?

A launch announcement and supplemental listing document of each series of the Structured Products will include detailed commercial terms of the relevant series. You must read this document (including any addendum to this document to be issued from time to time), together with such relevant launch announcement and supplemental listing document (including any addendum to such relevant launch announcement and supplemental listing document to be issued from time to time) (together, the “**Listing Documents**”), before investing in any series of the Structured Products. You should carefully study the risk factors set out in the Listing Documents.

Is there any guarantee or collateral for the Structured Products?

Our obligations under the Structured Products are unconditionally and irrevocably guaranteed by the Guarantor. If we become insolvent or default on our obligations under the Structured Products and the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you can only claim as an unsecured creditor of the Issuer and the Guarantor. In such event, you may not be able to recover all or even part of the amount due under the Structured Products (if any).

What are the Guarantor’s credit ratings?

The Guarantor’s long term credit ratings are:

<i>Rating agency</i>	<i>Ratings as of the day immediately preceding the date of this document</i>
Moody’s Investors Service, Inc. (“ Moody’s ”)	A1 (with stable outlook)
S&P Global Ratings (“ S&P ”)	A (with positive outlook)

The ratings of the Guarantor are only an assessment by the rating agencies of the Guarantor’s overall financial capacity to pay its debts.

A1 is among the top three major credit rating categories and is the fifth highest investment-grade ranking of the ten investment-grade ratings (including 1, 2 and 3 sub-grades) assigned by Moody’s.

A is among the top three major credit rating categories and is the sixth highest investment-grade ranking of the ten investment-grade ratings (including + or – sub-grades) assigned by S&P.

Please refer to the brief guide in Appendix 6 to this Base Listing Document for more information about credit ratings.

Rating agencies usually receive a fee from the companies that they rate. When evaluating the Guarantor’s creditworthiness, you should not solely rely on the Guarantor’s credit ratings because:

- (a) a credit rating is not a recommendation to buy, sell or hold the Structured Products;
- (b) ratings of companies may involve difficult-to-quantify factors such as market competition, the success or failure of new products and markets and managerial competence;
- (c) a high credit rating is not necessarily indicative of low risk. The Guarantor’s credit ratings as of the day immediately preceding the date of this document are for reference only. Any downgrading of the Guarantor’s ratings could result in a reduction in the value(s) of the Structured Product(s);
- (d) a credit rating is not an indication of the liquidity or volatility of the Structured Products; and
- (e) a credit rating may be downgraded if the credit quality of the Guarantor declines.

The Structured Products are not rated. The Guarantor’s credit ratings are subject to change or withdrawal at any time within each rating agency’s sole discretion. You should conduct your own research using publicly available sources to obtain the latest information with respect to the Guarantor’s ratings from time to time.

Is the Issuer or the Guarantor regulated by the Hong Kong Monetary Authority referred to in Rule 15A.13(2) or the Securities and Futures Commission referred to in Rule 15A.13(3)?

We are a Financial Institution in the meaning of the Luxembourg Law of 5 April 1993 on the Financial Sector (as amended) relating to the financial sector. We are being a 100 per cent. owned subsidiary of Société Générale Luxembourg S.A. and a fully consolidated company. We are also registered with the Luxembourg trade and companies register under No. B 121.363.

The Hong Kong Branch of the Guarantor is a licensed bank in Hong Kong regulated by the Hong Kong Monetary Authority. The Guarantor is also regulated by, amongst others, the *Autorité de Contrôle Prudentiel et de Résolution* (French Prudential Supervisory Authority) in France.

Is the Issuer or the Guarantor subject to any litigation?

Save as disclosed in the sections headed “Group Management Report” and “Risks and Capital Adequacy” (including, in particular, the subsections headed “Compliance risk, litigation” and the Note 9 headed “Information on risks and litigation”) in Appendix 5 of this document, none of us, the Guarantor or any of our or its subsidiaries is aware of any litigation or claims of material importance pending or threatened against any of us or them.

Authorisation for the issue of the Structured Products

The issue of the Structured Products was authorised by our executive board on 19 November 2015.

Has the Guarantor’s financial position changed since last financial year-end?

There has been no material adverse change in the financial or trading position of the Guarantor since 31 December 2019.

Do you need to pay any transaction cost?

The Stock Exchange charges a current trading fee of 0.005 per cent. and the Securities and Futures Commission charges a current transaction levy of 0.0027 per cent. in respect of each transaction effected on the Stock Exchange payable by each

of the seller and the buyer and calculated on the value of the consideration for the Structured Products. The levy for the investor compensation fund is currently suspended.

Do you need to pay any tax?

You may be required to pay stamp duty, other taxes or other charges in accordance with the laws and practices of the country of your purchase in addition to the issue price of each Structured Product. See section 11 (Taxation) of this document for further information.

Where can you inspect the relevant documents?

The following documents are available for inspection during the usual business hours on any weekday (public holidays excepted) at SG Securities (HK) Limited (presently at Level 38, Three Pacific Place, 1 Queen’s Road East, Hong Kong):

- (a) our Memorandum and Articles of Association and the constitutional documents of the Guarantor;
- (b) our updated audited financial statements, unaudited condensed interim financial information and report (if any) and quarterly unaudited reports (if any);
- (c) the Guarantor’s updated audited financial statements, interim unaudited reports (if any) and quarterly unaudited reports (if any);
- (d) the consent letters from our auditors, Ernst & Young Société Anonyme, and the auditors of the Guarantor, Deloitte & Associés and Ernst & Young et Autres (together, the “Auditors”);
- (e) this document and any addendum to this document;
- (f) the Guarantee;
- (g) the other Listing Documents (including the launch announcement and supplemental listing document) as long as the relevant series of the Structured Products is listed on the Stock Exchange;

- (h) the master instrument by way of deed poll (the “**Instrument**”) executed by us and the Guarantor on 1 April 2016 which constitutes the Structured Products; and
- (i) a Chinese translation of each of the Listing Documents.

Requests for photocopies of the above documents will be subject to a reasonable fee which reflects the costs of making such copies.

The Listing Documents are also available on:

- (a) in respect of Warrants, the website of HKEX at www.hkex.com.hk/eng/dwrc/search/listsearch.asp; and
- (b) in respect of CBBCs, the website of HKEX at www.hkex.com.hk/eng/cbbc/search/listsearch.asp.

各上市文件亦可於下列網站瀏覽:

- (a) 就認股權證而言，香港交易所的網站 www.hkex.com.hk/chi/dwrc/search/listsearch_c.asp; 及
- (b) 就牛熊證而言，香港交易所的網站 www.hkex.com.hk/chi/cbbc/search/listsearch_c.asp.

Please refer to (i) the base listing document dated 3 April 2019 (“**2019 BLD**”) for the Guarantor’s consolidated financial statements for the year ended 31 December 2018 and the Statutory Auditors’ Report on such consolidated financial statements and (ii) the addendum to the 2019 BLD dated 30 April 2019 for the Issuer’s annual financial statements for the year ended 31 December 2018 and the Independent Auditor’s report on such financial statements.

How can you get further information about the Guarantor?

You may visit the corporate website of the Guarantor at www.societegenerale.com to obtain further information relating to the Guarantor.

What is this document about?

This document is for information purposes only and does not constitute an offer, an advertisement or an invitation to the public to subscribe for or to acquire any of the Structured Products.

HKEX, the Stock Exchange and HKSCC have made no assessment of, nor taken any responsibility for, our financial soundness or the financial soundness of the Guarantor or the merits of investing in any of the Structured Products, nor have they verified the accuracy or the truthfulness of statements made or opinions expressed in this document.

This document has not been reviewed by the Securities and Futures Commission. You are advised to exercise caution in relation to the offer of the Structured Products.

We do not imply that there has been no change in the information set out in this document since its date. No person has been authorised to give any information or to make any representations other than those contained in this document in connection with the Structured Products, and, if given or made, such information or representations must not be relied upon as having been authorised by us.

Sales restrictions and grey market

No action has been taken to permit a public offering of any of the Structured Products or the distribution of this document in any jurisdiction where action would be required for such purposes. The distribution of this document and the offering of the Structured Products may, in certain jurisdictions, be restricted by law. You must inform yourself of and observe all such restrictions. For a description of certain restrictions on offers, sales and deliveries of the Structured Products and the distribution of any Listing Document, see section 10 (Sales Restrictions) of this document.

Following the launch of a series of Structured Products, the Structured Products may be sold to investors in the grey market in the period between the launch date and the listing date. We will report any dealings in Structured Products by us and/or any of our subsidiaries or associated companies in the grey market to the Stock Exchange on the listing date through the website of HKEX at http://www.hkex.com.hk/?sc_lang=en.

Have the Auditors agreed to the inclusion of their report in this document?

Our auditors and the Guarantor's auditors have given and have not withdrawn their written consent to the inclusion of their reports dated 25 September 2019 and 12 March 2020 respectively in this document and/or the references to their names in the Listing Documents, in the form and context in which they are included. Their report was not prepared exclusively for incorporation into this document. The Auditors do not hold our shares or shares in the Guarantor or any of our subsidiaries, nor do they have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for our securities, the securities of the Guarantor or any of our subsidiaries.

Authorised Representatives

Mr. BOUSSER Timothee and Ms. BURTON Sallie of SG Securities (HK) Limited, Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong are our authorised representatives.

SG Securities (HK) Limited of Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong has been authorised to accept, on behalf of us and the Guarantor, service of process and any other notices required to be served on us or the Guarantor.

Capitalised terms

Unless otherwise specified, capitalised terms used in this document have the meanings set out in the terms and conditions applicable to the relevant Structured Products set out in Appendices 1, 2 and 3 (each, the "**Conditions**"). Terms not defined in this document in respect of the Structured Products shall have the meanings ascribed to them in the other Listing Documents.

Governing Law

All contractual documentation for the Structured Products will be governed by, and construed in accordance with, the laws of the Hong Kong Special Administrative Region of the People's Republic of China.

2. OVERVIEW OF THE WARRANTS

What is a Warrant?

A Warrant is a type of derivative warrants.

A derivative warrant linked to a security, an index, a currency, a commodity (such as oil, gold and platinum), a commodity futures contract, a unit trust or other asset (each, the “**Underlying Asset**”) is an instrument which gives the holder a right to “buy” or “sell” the Underlying Asset at, or derives its value by reference to, a pre-set price or level called the Exercise Price or Strike Level (as the case may be). Investing in a derivative warrant does not give you any right in the Underlying Asset. It usually costs a fraction of the value of the Underlying Asset.

A list of eligible Underlying Assets for warrants is available on the website of HKEX at https://www.hkex.com.hk/Products/Securities/Derivative-Warrants/Derivative-Warrant-Eligible-Underlying-Assets/Eligible-Single-Hong-Kong-Stocks-for-Derivative-Warrant-Issuance-in-Current-Quarter?sc_lang=en.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

The Warrants are European Style Warrants, meaning that they can only be exercised on the Expiry Date.

The Warrants will be automatically exercised on the Expiry Date, entitling you to receive a cash amount called the “**Cash Settlement Amount**” (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon expiry. If the Cash Settlement Amount is at or below the Exercise Expenses, you will not receive any payment upon expiry of the Warrants.

How do the Warrants work?

The potential payoff of a Warrant is calculated by us by reference to the difference between:

- (a) for a Warrant linked to a security, a currency, a commodity, a commodity futures contract or a unit trust, the Exercise Price and the Average Price/Closing Price; and
- (b) for a Warrant linked to an index, the Strike Level and the Closing Level.

Call Warrants

A call Warrant is suitable for an investor holding a bullish view of the price or level of the Underlying Asset during the term of the Warrant.

A call Warrant will be exercised if the Average Price/Closing Price or the Closing Level is greater than the Exercise Price or the Strike Level (as the case may be). The more the Average Price/Closing Price or the Closing Level exceeds the Exercise Price or the Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price/Closing Price or the Closing Level is at or below the Exercise Price or the Strike Level (as the case may be), an investor in the call Warrant will lose all of his investment.

Put Warrants

A put Warrant is suitable for an investor holding a bearish view of the price or level of the Underlying Asset during the term of the Warrant.

A put Warrant will be exercised if the Average Price/Closing Price or the Closing Level is lower than the Exercise Price or the Strike Level (as the case may be). The more the Average Price/Closing Price or the Closing Level is below the Exercise Price or the Strike Level (as the case may be), the higher the payoff upon expiry. If the Average Price/Closing Price or the Closing Level is at or above the Exercise Price or the Strike Level (as the case may be), an investor in the put Warrant will lose all of his investment.

Where can you find the Conditions applicable to the Warrants?

You should review the Conditions applicable to each type of the Warrants before you invest in the Warrants.

The Conditions applicable to each type of the Warrants are set out in Appendix 1 (as may be amended or supplemented by any addendum or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of a Warrant?

The price of a Warrant generally depends on the price or level of the Underlying Asset. However, throughout the term of a Warrant, its price will be influenced by a number of factors, including:

- (a) the Exercise Price or the Strike Level (as the case may be);
- (b) the value and volatility of the price, level or exchange rate of the Underlying Asset (being a measure of the fluctuation in the price, level or exchange rate of the Underlying Asset over time);
- (c) the time remaining to expiry: generally, the longer the remaining life of the Warrants, the greater its value;
- (d) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index (as the case may be);
- (e) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index (as the case may be);
- (f) the supply and demand for the Warrant;
- (g) our related transaction cost; and
- (h) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in investing in a series of the Warrants will be limited to your investment amount plus any transaction costs.

How can you get information about the Warrants after issue?

You may visit HKEX's website at http://www.hkex.com.hk/products/securities/derivative-warrants?sc_lang=en to obtain further information on our Warrants or any notice given by us or the Stock Exchange in relation to the Warrants.

3. OVERVIEW OF THE INLINE WARRANTS

What is an Inline Warrant?

An Inline Warrant is a type of derivative warrants.

A derivative warrant linked to an Underlying Asset is an instrument which derives its value from the Underlying Asset. Investing in a derivative warrant does not give you any right in the Underlying Asset. It usually costs a fraction of the value of the Underlying Asset.

A derivative warrant may provide leveraged return to you (but conversely, it could also magnify your losses).

How and when can you get back your investment?

Our Inline Warrants are European Style warrants. This means they can only be exercised on the Expiry Date.

An Inline Warrant will, upon exercise on the Expiry Date, entitle you to a cash amount called the “**Cash Settlement Amount**” (net of any Exercise Expenses) (if positive) according to the applicable Conditions.

You will receive the Cash Settlement Amount less any Exercise Expenses upon settlement at expiry. As of the date of this document, no Exercise Expenses are payable for cash settled warrants (including our Inline Warrants).

How do our Inline Warrants work?

Our Inline Warrants carry exotic features and their terms and pricing may be more complicated than the Warrants. Our Inline Warrants provide a pre-fixed potential payoff at either a **capped amount or a floor amount** at expiry.

You will either:

- (i) receive a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry if the Average Price (for an Inline Warrant linked to a share) or Closing Level (for an Inline Warrant linked to an index) is at or below the Upper Strike Price or Upper Strike Level (as the case may be) and at or above the Lower Strike Price or Lower Strike Level (as the case may be); or

- (ii) receive a fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment if the Average Price (for an Inline Warrant linked to a share) or Closing Level (for an Inline Warrant linked to an index) is above the Upper Strike Price or Upper Strike Level (as the case may be) or below the Lower Strike Price or Lower Strike Level (as the case may be). You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying our Inline Warrants.

Where can you find the Conditions applicable to our Inline Warrants?

You should review the Conditions applicable to each type of the Inline Warrants before your investment.

The Conditions applicable to each type of our Inline Warrants are set out in Appendix 2 (as may be supplemented by any addendum and/or the relevant launch announcement and supplemental listing document).

What are the factors determining the price of an Inline Warrant?

The price of an Inline Warrant generally depends on the prevailing price or level of the Underlying Asset. However, throughout the term of an Inline Warrant, its price will be influenced by one or more of the following factors, including:

- (a) the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) applicable to that Inline Warrants: generally, the wider the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) of the Inline Warrants, the greater its value;
- (b) the value or level of the Underlying Asset: generally, the closer the price or level of the Underlying Asset towards the mid-way of the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components

comprising the underlying index and assuming all other factors remain constant, the greater the value of the Inline Warrants; conversely, the farther away the price or level of the Underlying Asset from the mid-way of the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the lower the value of the Inline Warrants;

- (c) the volatility of the price or level of the Underlying Asset (being a measure of the fluctuation in the price or level of the Underlying Asset over time): generally, if an Inline Warrant is “out-of-the-range” (ie. the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive)), the higher the volatility, the greater the value of the Inline Warrants; conversely, if an Inline Warrant is “in-the-range” (ie. the price or level of the Underlying Asset falls within the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive)), the higher the volatility, the lower the value of the Inline Warrants;
- (d) the expected probability of the Average Price or Closing Level falling within the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower Strike Level (both inclusive) at expiry;
- (e) the time remaining to expiry: generally, if an Inline Warrant is out-of-the-range, the longer the remaining life of the Inline Warrant, the greater its value; conversely, if an Inline Warrant is in-the-range, the shorter the remaining life of the Inline Warrant, the greater its value;
- (f) the interim interest rates;
- (g) the expected dividend payments or other distributions (if any) on the Underlying Asset or on any components comprising the underlying index;

- (h) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index;
- (i) the supply and demand for the Inline Warrant;
- (j) our related transaction costs; and
- (k) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

If we become insolvent or default on our obligations under our Inline Warrants or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, the maximum loss in the Inline Warrants will be your entire investment amount plus any transaction costs.

Otherwise, if the Average Price or Closing Level (as the case may be) is above the Upper Strike Price or Upper Strike Level (as the case may be) or below the Lower Strike Price or Lower Strike Level (as the case may be) at expiry, the maximum loss in the Inline Warrants will be your entire investment amount less the Minimum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased plus any transaction costs.

What is your maximum profit?

The potential maximum profit in our Inline Warrants will be capped at the Maximum Payoff Amount per Inline Warrant multiplied by the number of Inline Warrants purchased less your entire investment amount and transaction costs.

You should note that your profit or loss in the Inline Warrants will be affected by the amount invested by you and transaction costs.

How can you get information about the Inline Warrants after issue?

You may visit the HKEX’s website at https://www.hkex.com.hk/Products/Securities/Inline-Warrants?sc_lang=en to obtain further information on Inline Warrants or any notice given by us or the Stock Exchange in relation to our Inline Warrants.

4. OVERVIEW OF THE CBBCS

What are the CBBCs?

The CBBCs are a type of Structured Products that tracks the performance of the Underlying Asset. The CBBCs can be issued on different types of Underlying Assets, including:

- (a) securities listed on the Stock Exchange;
- (b) the Hang Seng Index, the Hang Seng China Enterprises Index and the Hang Seng China H-Financials Index; and/or
- (c) overseas securities, overseas indices, currencies or commodities (such as oil, gold and platinum) as prescribed by the Stock Exchange from time to time.

A list of eligible Underlying Assets for the CBBCs is available on the website of HKEX at https://www.hkex.com.hk/Products/Securities/Callable-Bull-Bear-Contracts/CBBC-Eligible-Underlying-Assets/Eligible-Single-Hong-Kong-Stocks-for-CBBC-Issuance-in-Current-Quarter?sc_lang=en.

The CBBCs are issued either as bull CBBCs or bear CBBCs, allowing you to take either bullish or bearish positions on the Underlying Asset.

Bull CBBCs are designed for investors who have an optimistic view on the Underlying Asset.

Bear CBBCs are designed for investors who have a pessimistic view on the Underlying Asset.

Your maximum potential loss in investing in a series of the CBBCs will be limited to the purchase price, which is generally a fraction of the value of the Underlying Asset, for the CBBCs plus the costs involved in your purchase.

The CBBCs have a mandatory call feature (the “**Mandatory Call Event**”) and, subject to the limited circumstances set out in the relevant Conditions in which the Mandatory Call Event may be reversed, we must terminate the CBBCs upon the occurrence of the Mandatory Call Event. See “*What is the mandatory call feature of the CBBCs?*” below.

There are 2 categories of CBBCs, namely:

- (a) Category R CBBCs; and
- (b) Category N CBBCs.

Your entitlement following the occurrence of the Mandatory Call Event will depend on the category of the CBBCs. See “*What is the mandatory call feature of the CBBCs?*” below for further details.

If the Mandatory Call Event does not occur, the CBBCs will be exercised automatically on the Expiry Date by payment of the applicable Cash Settlement Amount (if any) less the Exercise Expenses at expiry.

The applicable Cash Settlement Amount at expiry (if any) represents the difference between the Closing Price or the Closing Level of the Underlying Asset on the Valuation Date and the Strike Price or the Strike Level (as the case may be).

The Conditions applicable to each type of the CBBCs are set out in Appendix 3.

What is the mandatory call feature of the CBBCs?

Mandatory Call Event

Subject to the limited circumstances set out in the relevant Conditions in which the Mandatory Call Event may be reversed, we must terminate the CBBCs if the Mandatory Call Event occurs. The Mandatory Call Event occurs if the Spot Price or Spot Level (as the case may be) of the Underlying Asset is:

- (a) at or below the Call Price or the Call Level (as the case may be) (in the case of bull CBBCs); or
- (b) at or above the Call Price or the Call Level (as the case may be) (in the case of bear CBBCs),

at any time on any Trading Day or Index Business Day (as the case may be) during the Observation Period.

The Observation Period starts from and including the Observation Commencement Date of the relevant CBBCs and ends on and including the close of trading on the Stock Exchange on the Trading Day immediately preceding the Expiry Date.

Subject to the limited circumstances set out in the relevant Conditions in which the Mandatory Call Event may be reversed and subject to such modification and amendment as may be prescribed by the Stock Exchange from time to time:

- (a) in the case where the Mandatory Call Event occurs during a continuous trading session, all trades in the CBBCs concluded via auto-matching or manually after the time of the occurrence of a Mandatory Call Event; and
- (b) in the case where the Mandatory Call Event occurs during a pre-opening session or a closing auction session (if applicable), all auction trades in the CBBCs concluded in such session and all manual trades concluded after the end of the pre-order matching period in such session,

will be invalid and will be cancelled, and will not be recognised by us or the Stock Exchange.

The time at which the Mandatory Call Event occurs will be determined by reference to:

- (a) in respect of the European Style CBBCs over single equities (the “**Single Equity CBBCs**”), the Stock Exchange’s automatic order matching and execution system time at which the Spot Price is at or below the Call Price (for a series of bull CBBCs) or at or above the Call Price (for a series of bear CBBCs);
- (b) in respect of European Style CBBCs over an index (the “**Index CBBCs**”), the time when the relevant Spot Level is compiled and published by the Index Compiler and at which the Spot Level is at or below the Call Level (for a series of bull CBBCs) or at or above the Call Level (for a series of bear CBBCs); or
- (c) in respect of the European Style CBBCs over single unit trust (the “**Single Unit Trust CBBCs**”), the Stock Exchange’s automatic order matching and execution system time at which the Spot Price is at or below the Call Price (for a series of bull CBBCs) or at or above the Call Price (for a series of bear CBBCs).

Category R CBBCs vs. Category N CBBCs

The launch announcement and supplemental listing document for the relevant series of the CBBCs will specify whether the CBBCs are Category R CBBCs or Category N CBBCs.

“**Category N CBBCs**” refer to CBBCs of which the Call Price or the Call Level is equal to the Strike Price or the Strike Level (as the case may be). In respect of a series of Category N CBBCs, you will not receive any cash payment following the occurrence of the Mandatory Call Event.

“**Category R CBBCs**” refer to CBBCs of which the Call Price or the Call Level is different from the Strike Price or the Strike Level (as the case may be). In respect of a series of Category R CBBCs, you may receive a cash payment called the Residual Value upon the occurrence of the Mandatory Call Event. The amount of the Residual Value payable (if any) is calculated by reference to:

- (a) in respect of bull CBBCs, the difference between the Minimum Trade Price or the Minimum Index Level of the Underlying Asset and the Strike Price or the Strike Level (as the case may be); and
- (b) in respect of bear CBBCs, the difference between the Strike Price or the Strike Level and the Maximum Trade Price or the Maximum Index Level (as the case may be) of the Underlying Asset.

You must read the relevant Conditions and the relevant launch announcement and supplemental listing document to obtain further information on the calculation formula of the Residual Value applicable to the relevant series of Category R CBBCs.

You may lose all of your investment in a particular series of the CBBCs if:

- (A) in the case of a series of bull CBBCs, the Minimum Trade Price or the Minimum Index Level of the Underlying Asset is equal to or less than the Strike Price or the Strike Level (as the case may be); or

(B) in the case of a series of bear CBBCs, the Maximum Trade Price or the Maximum Index Level of the Underlying Asset is equal to or greater than the Strike Price or the Strike Level (as the case may be).

Where can you find the Conditions applicable to the CBBCs?

You should review the Conditions applicable to each type of the CBBCs before your investment.

The Conditions applicable to each type of the CBBCs are set out in Appendix 3 (as may be amended or supplemented by any addendum or the relevant launch announcement and supplemental listing document).

How is the funding cost calculated?

The issue price of a CBBC represents the difference between the initial spot price or level of the Underlying Asset as at the Launch Date of the CBBC and the Strike Price or the Strike Level (as the case may be), plus the applicable funding cost.

The initial funding cost applicable to each series of CBBCs will be specified in the relevant launch announcement and supplemental listing document for the relevant series and will fluctuate throughout the life of the CBBCs as the funding rate changes from time to time. The funding rate is a rate determined by us based on one or more of the following factors, including but not limited to the Strike Price or the Strike Level (as the case may be), the prevailing interest rate, the expected life of the CBBCs, expected notional dividends/distributions in respect of the Underlying Asset and the margin financing provided by us.

Further details about the funding cost applicable to a series of the CBBCs will be described in the relevant launch announcement and supplemental listing document.

Do you own the Underlying Asset?

The CBBCs convey no interest in the Underlying Asset. We may choose not to hold the Underlying Asset or any derivatives contracts linked to the Underlying Asset. There is no restriction through the issue of the CBBCs on our and/or our affiliates' abilities to sell, pledge or otherwise

convey all right, title and interest in any Underlying Asset or any derivatives products linked to the Underlying Asset.

What are the factors determining the price of a CBBC?

The price of a CBBC tends to mirror the movement in the value of the Underlying Asset in dollar value (on the assumption of an entitlement ratio of one CBBC to one Underlying Asset).

However, throughout the term of a CBBC, its price will be influenced by a number of factors, including:

- (a) the Strike Price or the Strike Level and the Call Price or the Call Level (as the case may be);
- (b) the likelihood of the occurrence of the Mandatory Call Event;
- (c) for Category R CBBCs only, the probable range of the Residual Value (if any) upon the occurrence of the Mandatory Call Event;
- (d) the time remaining to expiry;
- (e) the interim interest rates and expected dividend payments or other distributions on the Underlying Asset or on any components comprising the underlying index (as the case may be);
- (f) the liquidity of the Underlying Asset or of the futures contracts relating to the underlying index (as the case may be);
- (g) the supply and demand for the CBBCs;
- (h) the probable range of the Cash Settlement Amounts;
- (i) our related transaction cost; and
- (j) our creditworthiness and the creditworthiness of the Guarantor.

What is your maximum loss?

Your maximum loss in investing in a CBBC will be limited to your investment amount in that CBBC plus any transaction costs.

How can you get information about the CBBCs after issue?

You may visit HKEX's website at http://www.hkex.com.hk/Products/Securities/Callable-Bull-Bear-Contracts?sc_lang=en to obtain further information on CBBCs or any notice given by us or the Stock Exchange in relation to the CBBCs.

5. OVERVIEW OF THE BRRD AND ITS IMPLICATIONS TO THE STRUCTURED PRODUCTS

What is the BRRD?

The Bank Recovery and Resolution Directive (2014/59/EU) (“**BRRD**”) is a legislative development in the European Union (“**EU**”) which was introduced to address the shortcomings in the national laws and regulations of EU Member States for the resolution of failing banks and financial institutions. The BRRD provides that it should be applied by EU Member States from 1 January 2015, except for the Bail-In Power (as described below) which should be applied from 1 January 2016. The implementation date of the BRRD in each EU Member State depends on the implementation legislation enacted, or which will be enacted, in each such EU Member State. The BRRD has been implemented in both Luxembourg and France. In March 2016, the European Commission has adopted a Commission Delegated Regulation setting out a number of regulatory technical standards for the BRRD.

The BRRD provides for the establishment of an EU-wide framework for the recovery and resolution of EU credit institutions and investment firms as well as certain of their group companies falling under the scope of the BRRD. The BRRD requires the governments of all EU Member States to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of that institution’s critical financial and economic functions, while minimising the impact of that institution’s failure on the broader economy and financial system.

The BRRD contains four resolution tools and powers (the “**Resolution Tools**”) which may be used alone or in combination where the relevant resolution authority considers that (a) an affected institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such affected institution within a reasonable timeframe, and (c) a resolution action is in the public interest: (i) sale of business – which enables the relevant resolution authorities to direct the sale of the affected institution or the whole or part of its business on commercial terms; (ii) bridge institution – which enables the relevant resolution authorities to transfer all or part of the business of the affected institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation – which enables the relevant resolution authorities to transfer impaired or problem assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) Bail-In Power (as described in the paragraph headed “What is “Bail-In Power”?” below).

It is important to note that certain protections are granted to the creditors of an EU credit institution in case of the exercise of the Resolution Tools (including the Bail-In Power) over such institution. The most important one is the principle known as the “no creditor worse off principle” as provided for in the BRRD. This principle is intended to ensure that the creditors of an affected institution which is subject to the exercise of the Bail-In Power under the BRRD shall not incur greater losses than they would have incurred if such affected institution had been wound up under normal insolvency proceedings. For this purpose, the relevant resolution authorities in the EU have to ensure that it is assessed at the time of exercise of the Bail-In Power whether shareholders and creditors of an affected institution would have received better treatment if such affected institution had entered into normal insolvency proceedings.

The Issuer is subject to the BRRD

The Issuer is a financial institution incorporated in Luxembourg and is subject to Luxembourg legislation implementing the BRRD.

Under Luxembourg legislation implementing the BRRD, substantial powers are granted to the *Commission de surveillance du secteur financier* (“**CSSF**”) acting as resolution council, the Luxembourg resolution authority, and/or to other relevant resolution authorities in the EU, to implement

resolution measures (including the use of the Resolution Tools) in respect of a Luxembourg financial institution (including, for example, the Issuer) and certain of its affiliates (each a “**relevant entity**”) to protect and enhance the stability of the financial system of Luxembourg if the relevant resolution authorities consider the relevant entity as failing or likely to fail and that certain other conditions are satisfied (in particular, that resolution measures would be necessary in the public interest).

The Guarantor is subject to the BRRD

The Guarantor is a credit institution incorporated in France and is subject to French legislation implementing the BRRD.

Under French legislation implementing the BRRD, substantial powers are granted to the *Autorité de contrôle prudentiel et de résolution* (“**ACPR**”), the French resolution authority, and/or to other relevant resolution authorities in the EU, to implement resolution measures (including the use of the Resolution Tools) in respect of a French credit institution (including, for example, the Guarantor) and certain of its affiliates to protect and enhance the stability of the financial system of France if the relevant resolution authorities consider the failure of the relevant entity has become likely and certain other conditions are satisfied.

The Resolution Tools may be exercised over the Issuer and/or the Guarantor

The exercise of any Resolution Tool or any suggestion of any such exercise under the BRRD over the Issuer and/or the Guarantor could adversely affect the value of the Structured Products. You may therefore lose all or a substantial part of your investment in the Structured Products.

In addition, the resolution powers could be exercised (i) prior to the commencement of any insolvency proceedings in respect of the Issuer and/or the Guarantor, and (ii) by the relevant resolution authority without your consent or any prior notice to you. It is also uncertain how the relevant resolution authority would assess triggering conditions in different pre-insolvency scenarios affecting the Issuer and/or the Guarantor under the BRRD. Accordingly, you may not be able to anticipate a potential exercise of any such resolution powers over the Issuer and/or the Guarantor.

What is “Bail-In Power”?

“Bail-In Power” (as defined in the Conditions) means the power of the relevant resolution authorities to write down or convert to equity certain claims of unsecured creditors of a failing institution existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Luxembourg and/or in France, relating to the transposition of the BRRD as amended from time to time, and the instruments, rules and standards created thereunder, pursuant to which, in particular, the obligations of the Issuer under the Structured Products and/or the Guarantor in respect of the Guarantee can be reduced (in part or in whole), cancelled, modified, or converted into shares, other securities or other obligations of the Issuer and/or the Guarantor or any other person. Please see the Conditions as set out in Parts A to G of Appendix 1, Part A to B of Appendix 2 and Parts A to C of Appendix 3 of this document for further details, in particular Condition 1(f) of the Conditions with respect to the Bail-In Power. Please also see section 6 (Description of the Guarantee relating to the Structured Products) of this document for further details, in particular clause 4 of the Guarantee with respect to the Bail-In Power.

The Issuer’s obligations under the Structured Products and the Guarantor’s obligations with respect to the Guarantee are subject to the “Bail-In Power”

In addition to applicable relevant Luxembourg law provisions relating to the use of the bail-in tool, the Conditions include a contractual term regarding the “Bail-In Power” and will be contractually subject to the exercise of any “Bail-In Power” by the relevant resolution authority if such authority should so decide at the relevant time.

In addition, the Guarantee includes a contractual term regarding the “Bail-In Power” and will be contractually subject to the exercise of any “Bail-In Power” by the relevant resolution authority if such authority should so decide at the relevant time.

By investing in the Structured Products, you acknowledge, accept, consent and agree to be contractually bound by the exercise of any Bail-In Power by the relevant resolution authorities over the Issuer and the Guarantor. You further acknowledge, accept, consent and agree that your rights under the Structured Products and/or the Guarantee are contractually subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-In Power by the relevant resolution authorities.

The effect of the exercise of the Bail-In Power by the relevant resolution authority over the Issuer and/or the Guarantor may include and result in any of the following, or some combination thereof:

- (a) the reduction of all, or a portion, of the amounts payable by the Issuer under the Conditions and/or by the Guarantor under the terms of the Guarantee (including a reduction to zero);
- (b) the conversion of all, or a portion, of the amounts due under the Structured Products and/or the Guarantee into shares or other securities or other obligations of the Issuer and/or the Guarantor or of another person, including by means of an amendment, modification or variation of the Conditions and/or the terms of the Guarantee, in which case you agree to accept in lieu of your contractual rights under the terms of the Structured Products and/or the Guarantee any such shares, other securities or other obligations of the Issuer and/or the Guarantor or another person;
- (c) the cancellation of the Structured Products and/or the Guarantee;
- (d) the amendment or alteration of the maturity of the Structured Products and/or the Guarantee or amendment of the amount of interest payable on the Structured Products and/or the Guarantee, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and/or
- (e) if applicable, the variation of the Conditions and/or the terms of the Guarantee, if necessary to give effect to the exercise of the Bail-In Power by the relevant resolution authority.

In addition, if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):

- (a) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
- (b) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
- (c) which are not or are no longer eligible to be taken into account for the purposes of the MREL (Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014) ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Structured Products will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the holders of the Structured Products and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the holders of the Structured Products as if, in either case, the Structured Products had been directly issued by the Guarantor itself, and as if any amount due under the Structured Products had accordingly been directly subject to the exercise of the Bail-in Power.

By investing in the Structured Products, you acknowledge, accept, consent and agree that neither a cancellation of the Structured Products and/or the Guarantee, a reduction of all, or a portion of, the amounts due under the Conditions and/or the Guarantee, the conversion thereof into other securities or other obligations of the Issuer and/or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the holders of the Structured Products to any remedies (including equitable remedies) which are expressly waived.

Accordingly, if any Bail-In Power is exercised over the Issuer and/or the Guarantor, you may not be able to recover all or even part of the amount due under the Structured Products (if any) from the Issuer and/or from the Guarantor (under the Guarantee), or you may receive a different security issued by the Issuer and/or by the Guarantor (or another person) in place of the amount (if any) due to you under the Structured Products from the Issuer, which may be worth significantly less than the amount due to you under the Structured Products (if any).

Moreover, the relevant resolution authorities may exercise the Bail-In Power without providing any advance notice to, or requiring your further consent.

Please see the paragraph headed "Risks relating to the BRRD" under section 12 (Risk Factors) of this document for further details of the relevant risk factors applicable to the Structured Products.

6. DESCRIPTION OF THE GUARANTEE RELATING TO THE STRUCTURED PRODUCTS

Our obligations under the Structured Products issued during the Issue Period are guaranteed by the Guarantor pursuant to a guarantee dated 3 April 2020, the text of which is set out below. Mr Patrick Sommelet, Deputy Chief Financial Officer of the Guarantor, who signed the guarantee, was empowered by the power of attorney dated 27 October 2017 by Mr Phillippe Heim, Group Chief Financial Officer of the Guarantor, to execute guarantees in favour of third parties on behalf of the Guarantor. The power of attorney dated 1 October 2017 granted by Mr. Frédéric Oudéa, Chief Executive Officer of the Guarantor, authorised Mr Phillippe Heim, Group Chief Financial Officer of the Guarantor, with power of substitution to execute guarantees in favour of third parties on behalf of the Guarantor.

“This guarantee (the “**Guarantee**”) is made by way of deed poll by Société Générale, a *société anonyme* registered under No. 552 120 222 R.C.S. Paris, duly organized and existing under the laws of the Republic of France, with its principal office at 29 boulevard Haussmann, 75009 Paris, France (the “**Guarantor**”).

1. In this Guarantee, unless the context otherwise requires:

“**Exchange**” means The Stock Exchange of Hong Kong Limited.

“**Creditor**” means any person to whom an Obligation is from time to time owed.

“**Obligation**” means any obligation or liability of SG Issuer, 16, Boulevard Royal, L-2449 Luxembourg, Luxembourg (the “**Company**”) in respect of any structured products (the “**Structured Products**”) permitted by the rules governing the listing of securities on the Exchange issued by the Company between 3 April 2020 and 2 April 2021 (the “**Issue Period**”) and any further Structured Products issued by the Company after the Issue Period but forming part of the same series as the Structured Products issued during the Issue Period listed on the Exchange together with all reasonable costs, commissions and other expenses incurred by any person in connection with the enforcement of this Guarantee and, for the avoidance of doubt, “**Obligations**” shall include any such obligation or liability assumed under or incurred pursuant to any novation, transfer, assignment or other similar agreement between the Company and any other company within the same group of companies as the Guarantor.

“**person**” means any person, firm, trust estate, corporation, association, cooperative, government or government agency, or other entity.

2. (a) The Guarantor hereby unconditionally and irrevocably guarantees, for the benefit of each Creditor, in accordance with the terms and conditions of this Guarantee, the full performance by the Company when due (whether at stated maturity, upon acceleration or otherwise) of each and every Obligation and in the event that the Company shall default in the due and punctual performance of any Obligation, undertakes to perform or procure the performance of such Obligation including the payment of all amounts payable by the Company in respect of such Obligation (in the case of any payment Obligation, in the currency in which the particular Obligation is expressed to be payable).

As a separate and independent stipulation, the Guarantor agrees that each and every Obligation which is not binding on, or is not performed by, the Company for whatever reason and in whatever circumstance, shall nevertheless be performed by the Guarantor in accordance with its terms as though the Structured Products had been issued by the Guarantor and as though the Guarantor were the sole or principal obligor in respect of such Obligation.

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- (b) The Guarantor waives any right it may have of first requiring any Creditor to make demand, proceed or enforce any rights or security against the Company or any other person before making a claim against the Guarantor under this Guarantee.

3. The Creditor shall only be entitled to take or obtain the benefit of this Guarantee upon the condition that the Guarantor shall be entitled to deal with the Creditor, and the Creditor shall be obliged to deal with the Guarantor with respect to the Obligation due to the Creditor and this Guarantee without the necessity or duty to rely on, act through or otherwise involve or deal with one another as principals in relation to the same provided that the rights, powers, privileges and remedies of the Creditor under this Guarantee shall not thereby be in any way limited or otherwise affected.
4. Each Creditor acknowledges, accepts, consents and agrees by its acquisition of the Obligations:
 - (a) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority if the latter were to consider that the amounts due under this Guarantee fall within the scope of the Bail-In Power. This Bail-In Power may include and result in any of the following, or some combination thereof:
 - (i) the reduction of all, or a portion, of the amounts due under this Guarantee;
 - (ii) the conversion of all, or a portion, of the amounts due under this Guarantee into shares, other securities or other obligations of the Guarantor or another person, including by means of an amendment, modification or variation of the terms of this Guarantee, in which case the Creditor agrees to accept in lieu of its rights under this Guarantee any such shares, other securities or other obligations of the Guarantor or another person;
 - (iii) the cancellation of this Guarantee;
 - (iv) the amendment or alteration of the maturity of this Guarantee or amendment of the amount of interest payable on this Guarantee, or the date on which the interest becomes payable, including by suspending payment for a temporary period;
 - (b) if applicable, that the terms of this Guarantee are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority; and
 - (c) that neither a cancellation of this Guarantee, a reduction of all, or a portion of, the amounts due under this Guarantee, the conversion thereof into other securities or other obligations of the Guarantor or another person, as a result of the exercise of the Bail-In Power by the relevant resolution authority with respect to the Obligations will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Creditor to any remedies (including equitable remedies) which are hereby expressly waived.

For these purposes, the “**Bail-In Power**” is any resolution power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in France, whether relating to (i) the transposition of Directive 2014/59/EU establishing a framework for the recovery and resolution of credit institutions and investment firms (“**BRRD**”) as amended from time to time and as implemented under French law inter alia by the banking law dated 26 July 2013 regarding the separation and the regulation of banking activities (*Loi de séparation et de régulation des activités bancaires*) and by the Ordinance no. 2015-1024 dated 20 August 2015 (*Ordonnance no 2015-1024 du 20 août 2015 portant diverses dispositions d’adaptation de la législation au droit de l’Union européenne en matière financière*) (the Ordinance) published in the Official Journal on 21 August 2015, (ii) the Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010 (“**SRM**”), or (iii) otherwise arising under French law, and the instruments, rules and

standards created thereunder, pursuant to which, in particular, the obligations of the Guarantor can be reduced (in part or in whole), cancelled, modified or converted into shares, other securities, or other obligations of such regulated entity or any other person.

A reference to the “**relevant resolution authority**” is to the *Autorité de contrôle prudentiel et de résolution* (ACPR) and/or any other authority entitled to exercise or participate in the exercise of any Bail-In Power with the authority to exercise any of the Bail-In Powers against the Guarantor from time to time including the Council of the European Union and the European Commission when acting pursuant to Article 18 of the SRM.

The matters set forth in this clause 4 shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Guarantor and any Creditor.

5. No delay or omission on the part of the Creditor in exercising any right, power, privilege or remedy (hereinafter together called “**Rights**”) in respect of this Guarantee shall impair any such Rights or be construed as a waiver of any thereof nor shall any single or partial exercise of any such Rights preclude any further exercise thereof or the exercise of any other Rights. The Rights herein provided are cumulative and not exclusive of any rights, powers, privileges or remedies provided by law. Nothing in this Guarantee shall be construed as voiding, negating or restricting any right of set-off or any other right whatsoever existing in favour of the Creditor or arising at common law, by statute or otherwise howsoever.
6. This Guarantee is a continuing guarantee and shall not be satisfied, discharged or affected by any intermediate payment, performance or settlement of account. The provisions of this Guarantee shall continue in full force and effect until each and every Obligation shall have been performed in full.
7. The Guarantor shall be subrogated to all rights of the Creditors against the Company in respect of any amounts paid under this Guarantee, provided however that the Guarantor will not exercise any rights of subrogation or any other rights or remedies (including, without limiting the generality of the foregoing, the benefit of any security or right of set-off) which it may acquire due to its performance of any Obligation pursuant to the terms of this Guarantee and will not prove in the liquidation of the Company in competition with the Creditor unless and until each and every Obligation due to the Creditor hereby guaranteed have been satisfied in full by the Guarantor, and/or the Company. In the event that the Guarantor shall receive any payment or distribution on account of such rights while any Obligation remains outstanding, the Guarantor shall account for all amounts so received to the Creditor.
8. If the Guarantor makes a payment of any additional amount hereunder by reason of any requirement to deduct or withhold amounts from any payment hereunder and the Creditor determines that it has received or been granted a credit against or relief or payment of any tax paid or payable by it in respect thereof the Creditor shall to the extent that it can do so without prejudice to the retention of the amount of such credit relief or repayment pay to the Guarantor such amount as shall be attributable to such deduction provided that nothing contained in this clause shall interfere with the right of any Creditor to arrange its tax affairs in whatsoever manner it thinks fit and, in particular, no Creditor shall be under any obligation to claim relief in respect of any such deduction in priority to any other claims for relief available to it.

9. Any notice in respect of this Guarantee will be sufficiently given to a party if in writing and delivered in person, sent by certified or registered mail (airmail, if overseas) or their equivalent (with return receipt requested or by overnight courier or given by telex) (with answerback received). A notice will be effective:
- (a) if delivered by hand or sent by overnight courier, on the day it is delivered (or if that day is not a day on which commercial banks are open for business in Paris and Hong Kong (a **"Banking Day"**), or if delivered after the close of business on a Banking Day, on the first following day that is a Banking Day);
 - (b) if sent by telex, on the day of the recipient's answerback is received (or if that day is not a Banking Day, or if after the close of business on a Banking Day, on the first following day that is a Banking Day); or
 - (c) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), three Banking Days after despatch if the recipient's address for notice is in the same country as the place of despatch and otherwise seven Banking Days after despatch.
10. The liability of the Guarantor under this Guarantee shall not be affected by the liquidation, winding up or other incapacity of the Company. In the event that performance of any Obligation is avoided or reduced by virtue of any enactments for the time being in force relating to liquidation or insolvency the Creditor shall be entitled, subject to clause 4, to recover the value or amount so avoided or reduced from the Guarantor as if such Obligation had not been performed by the Company.
11. This Guarantee shall remain in full force and effect irrespective of the validity, regularity, legality or enforceability against the Company of, or of any defence or counterclaim whatsoever available in relation to, any Obligation whether or not any action has been taken to enforce the same or any judgment obtained against the Company or any other person, whether or not any time, indulgence, waiver or consent has been granted to the Company or any other person by or on behalf of the Creditor; whether or not there have been any dealings or transactions between the Company or any other person and any of the Creditors; whether or not the Company or any other person has been dissolved, liquidated, merged, consolidated, become bankrupt, has changed its status, functions, control or ownership or conveyed or transferred its asset; whether or not the Company or any other person has been prevented from performing any Obligation by foreign exchange or any other provision applicable at its place of registration or incorporation, and whether or not any circumstances have occurred which might otherwise constitute a legal or equitable discharge of or a defence to a guarantor.
12. The Guarantor represents and warrants to the Creditor that it has the full power and authority, and has taken all necessary steps, to execute and deliver this Guarantee and to perform its obligations hereunder and this Guarantee constitutes the valid and binding obligations of the Guarantor and is enforceable in accordance with its terms.
13. A person who is not a Creditor has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of this Guarantee.
14. The Guarantor agrees to submit for all purposes in connection with this Guarantee to the non-exclusive jurisdiction of the courts of Hong Kong Special Administrative Region of the People's Republic of China (**"Hong Kong"**).
15. The Guarantor not having a place of business in Hong Kong agrees that the process by which any suit, action or proceeding is begun may be served on it by being delivered in connection with any suit, action or proceeding in Hong Kong, to SG Securities (HK) Limited at Level 38, Three Pacific Place, 1 Queen's Road East, Hong Kong.

16. In the event that any of the terms or provisions of this Guarantee are or shall become invalid, illegal or unenforceable, the remaining terms and provisions hereof shall survive unaffected.
17. This Guarantee shall be governed by and construed in accordance with the laws of Hong Kong.”

7. INFORMATION ABOUT US

Incorporation, Duration, Seat and Purpose

We were incorporated on 16 November 2006 for an unlimited duration as a limited liability company under the laws of Luxembourg. We are a 100 percent subsidiary of the Société Générale Luxembourg S.A. and a fully consolidated company. We have no subsidiaries.

Our registered address is located at 16, Boulevard Royal, L-2449, Luxembourg. We are registered in the Luxembourg trade and companies register under No. B 121.363. We have not established a place of business in Hong Kong.

Our purpose and object pursuant to our Articles of Association, is to invest in particular financial instruments, or any other debt securities, acknowledgements of debts or capital securities and to issue debt securities, bonds, certificates, warrants and other debt securities or acknowledgements of debt or financial securities.

Share Capital

Our issued capital as at 29 February 2020 is EUR 2,000,280 divided into 50,007 ordinary shares of EUR 40.00 each, all issued and fully paid up.

Indebtedness

As at 31 December 2019 we have no hire purchase commitments, guarantees or other material contingent liabilities.

Under a debt instruments issuance programme, we (together with the Guarantor, SGA Société Générale Acceptance N.V. and SG Option Europe) may issue medium term notes. As at 29 February 2020, debt instruments amounting to EUR 194,500,013,393.02 (non-audited) were issued under the aforementioned programme. The medium term notes issued by us, SGA Société Générale Acceptance N.V. and SG Option Europe under the Debt Instruments Issuance Programme are unconditionally and irrevocably guaranteed by the Guarantor.

Management and Supervision

Pursuant to our Articles of Association, we are managed by an executive board under the supervision of a supervisory board. The members of the executive board as at 31 December 2019

are Yves Cacclin, Laurent Weil, Alexandre Galliche, Thierry Bodson, Estelle Stephen-Jaspard and Pascal Jacob (individually a “Director” and collectively the “**Executive Board**”). Laurent Weil, Alexandre Galliche, Yves Cacclin, Thierry Bodson and Pascal Jacob currently hold full-time management positions within the Société Générale Group.

The business address of Laurent Weil and Estelle Stephen-Jaspard as at 31 December 2019 is Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France. The business address of Alexandre Galliche, Yves Cacclin, Thierry Bodson and Pascal Jacob is 11, avenue Emile Reuter, L-2420 Luxembourg.

General Meetings of Shareholders

The annual general meeting of shareholders is held on the penultimate Thursday of March or, if it is not a bank working day in Luxembourg, the following day.

Shareholders are entitled to one vote per share. Resolutions proposed at ordinary annual general meetings of shareholders require a simple majority of the votes cast. Resolutions proposed at extraordinary meetings of shareholders require a two third of the votes cast when the resolution deals with either a modification of the Issuer’s Articles of Association or the Issuer’s dissolution.

Each time all of the shareholders are present or represented and if they declare being informed of the agenda of the shareholders meeting, the shareholders meeting can be held without notification.

Financial Information

We publish both unaudited condensed interim financial information and report and audited annual financial statements following the end of each financial year. Our financial year runs from 1 January to 31 December. We do not publish consolidated statement.

For the six-month period ended 30 June 2019, the condensed interim financial information was published in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union and reviewed, without qualification. For the financial year ended on 31 December 2018, the accounts were published in accordance with international

financial reporting standards as adopted by the European Union (IFRS) and audited, without qualification.

Our financial liabilities at fair value through profit or loss increased from EUR 49.2 billion on 31 December 2018 to EUR 58.7 billion on 31 December 2019 (non-audited). The EUR 9.5 billion (non-audited) increase can be detailed as follows:

- Increase in EUR 7.8 billion (non-audited) for notes issued under the euro medium term note programme activity; and
- Increase in EUR 1.6 billion (non-audited) for the warrants.

The nominal of warrants activity in the related off-balance sheet is approximately EUR 122.1 billion as of 31 December 2019 (non-audited).

Save as disclosed in this Base Listing Document, no person has, or is entitled to be given, an option to subscribe for our shares or debentures.

Our Deed of Incorporation provides that our directors may exercise all our powers to borrow money for the purposes of the company without limit and upon such terms as they think fit.

Further information

Following the publication of our condensed interim financial information for the six-month period ended 30 June 2019, during the fourth quarter of 2019, we identified that Société Générale SA had paid in 2019, as well as prior years, to us a remuneration in excess of the contractually agreed remuneration. However, such undue remuneration had no impact on any remuneration due to investors in our notes and warrants. Société Générale S.A. confirmed in a letter addressed to us and duly signed by both parties that it had decided to abandon any reimbursement claim from us related to such undue remuneration.

Therefore, this operational incident has no impact on our net result and shareholder's equity for the 2019 and 2018 financial years and on any other financial years.

In accordance with IAS 8, we will restate the presentation of our financial figures for 2018 as the economic nature of this excess remuneration is

different than the contractual remuneration. The excess remuneration will be included in "Other income" instead of "Commission Income".

This change in the presentation of the financial statements will be performed in the statement of profit and loss and other comprehensive income as well as in the notes to the financial statements (notes 11 and 16). For the year ended 31 December 2019, this excess remuneration will also be recorded in "Other Income".

This excess remuneration paid by Société Générale S.A. to us amounts to KEUR 14,384 for the year ended 31 December 2019 (KEUR 25,807 for the year ended 31 December 2018).

8. INFORMATION ABOUT THE GUARANTOR

Incorporation, Duration, Seat, Purpose and Financial Year

The Guarantor was founded in France in 1864. It was then nationalized in 1945, but returned to the private sector in July 1987 as a *Société Anonyme* under the laws of the Republic of France. Its existence has been extended to 31 December 2047.

The Guarantor, which is registered under n° 552 120 222 R.C.S. Paris, has its registered office at 29, boulevard Haussmann, 75009 Paris.

The purpose of the Guarantor is to engage in banking, finance, insurance brokerage and credit operations in France and outside France with all persons, corporate entities, public and local authorities in accordance with the regulations applicable to *établissements de crédit* (credit institutions).

The Guarantor may also engage on a regular basis in all transactions other than those listed above, including in particular insurance brokerage, under the conditions set by the *Comité de la réglementation bancaire et financière* (French Banking and Financial Regulations Committee).

Generally, the Guarantor may also carry out, on its own account, on behalf of third parties or in a joint venture, all financial, commercial, industrial or agricultural personalty and realty transactions, directly or indirectly related to the above-mentioned activities or likely to facilitate the accomplishment of such activities.

The Guarantor's financial year runs from 1 January to 31 December.

Organisational Structure

The Guarantor's subsidiaries included in its consolidated group as at 31 December 2019 are set out on pages 30 and 31 of the section headed "Group Management Report" in Appendix 5 of this document.

Business Overview

FRENCH RETAIL BANKING

French Retail Banking offers a wide range of products and services suited to the needs of a diversified base of individual and professional customers, businesses, non-profit associations and local authorities.

Leveraging the expertise of its teams and an efficient multi-channel distribution system, including nearly 2,600 branches, the pooling of best practices, and the optimisation and digitalisation of processes, French Retail Banking combines the strengths of three complementary brands: Societe Generale, the renowned domestic bank, Crédit du Nord, a group of regional banks, and Boursorama Banque, a major online bank.

The Retail Banking networks are innovating to build the relationship-focused banking group of tomorrow. French Retail Banking is exemplified by its:

- industry-recognised customer service;
- leading position in online and mobile banking in France;
- robust sales momentum;
- constant adaptation to customers' needs and expectations.

French Retail Banking strives to improve customer satisfaction across all segments and to further develop value-added services to assist businesses with their expansion in France and worldwide. It capitalises on synergies with the specialised business lines, notably with Insurance, Private Banking, and Corporate and Investment Banking. For example, French Retail Banking markets insurance products developed by Sogécap and Sogessur, subsidiaries operating in the International Retail Banking and Financial Services Division.

Life insurance outstandings amounted to EUR 95 billion at the end of 2019, compared with EUR 93.2 billion in 2018.

The networks continue to support the economy and help customers finance their projects, with growth in average loan outstandings up from EUR 187 billion in 2018 to EUR 196 billion in 2019. At the same time, and amid rife competition for savings inflows, robust deposit inflows resulted in a loan-to-deposit ratio of 95% in 2019, up on the 2018 performance.

Societe Generale network

The Societe Generale network offers solutions tailored to the needs of its individual customers and nearly 445,000 professional customers, non-profit associations and business customers that trust it with their business. The network leverages three major strengths:

- 1,793 branches located mainly in urban areas where a large portion of national wealth is concentrated;
- an exhaustive and diversified range of products and services, ranging from savings vehicles and asset management solutions to corporate finance and payment means;
- a comprehensive and innovative omnichannel system through Internet, mobile, telephone and service platforms.

With a network portfolio of nearly 5.7 million⁽¹⁾ current accounts, the individual customer base is a key component of the Societe Generale network portfolio.

Individual customer deposits amounted to EUR 96 billion in 2019, compared with EUR 91 billion in 2018. Outstanding loans granted to individual customers stood at EUR 81 billion in 2019, a 3% increase on the 2018 level. Mortgage loans accounted for 88% of this total.

In 2019, Societe Generale stepped up the pace of its modernisation initiative for retail customers. It launched instant payment products and services in the payment means segment, broadened its cash-back offering on payment cards and introduced a Visa card for frequent travellers. The Group also stepped up to the mark with projects designed in the wake of France's Pacte Law on company transformation and healthcare reform, furnishing two customised offers. Societe Generale also launched the Boost services platform geared to 18-24 year olds that was designed with the startup Wizbii, a project that forms part of the bank-as-a-platform strategy.

In keeping with its customer relationship strategy, Societe Generale introduced its new private banking initiative involving a 750-strong team of asset management specialists across France and laid the groundwork for a new retail customer onboarding arrangement.

Societe Generale is also moving forward with its network specialisation strategy by creating business centres for corporate customers and regional sales departments for retail and professional customers. The specialisation strategy is due to be completed in 2020.

⁽¹⁾ Including professional customers' private activity

Societe Generale has introduced a new commercial initiative for its 245,000 professional customers to better meet their specific requirements and changing expectations based on a threefold relationship-centric promise: to deliver more personal attention, expertise and simplicity.

Our professional customers now enjoy full support with two expert advisers assigned to assist them: one to deal with their work life and the other to deal with their private life. A specific system involving dedicated advisers has also been rolled out for self-employed customers.

Some 126 concept areas dedicated to professionals were also opened at end-2019, the goal being to reach 150 by end-2020. These concept areas provide the experts and services that professional customers need to manage their everyday affairs and develop their business.

In addition, customers can use 850 open plan concept areas to take advantage of extended opening hours to deposit cheques, and make cash deposits and withdrawals. A total of 1,000 concept areas are planned for end-2020.

In the corporate market, 2019 was marked by durably strong sales momentum. At end-2019, the Bank was serving just under 94,000 corporate customers.

As part of its commitment to support the economy, the Societe Generale network helps its customers finance their investment projects. Business customer deposits – for professionals, corporates, non-profit associations and the public sector – totalled EUR 52 billion in 2019, while loan outstandings came to EUR 63 billion, compared with EUR 51 billion and EUR 59 billion, respectively, in 2018.

In a bid to forge closer ties with entrepreneur customers, the Societe Generale network sales strategy is specialised according to market. By 2020, around 30 regional business centres will be created for business customers, public economic actors and social and institutional economic actors. Nineteen business centres were opened at end-2019.

The Societe Generale network also relies on the Mid Cap Investment Banking (MCIB) platform. MCIB, the Corporate and Investment bank for French SMEs and mid-caps, works in partnership with Global Banking and Investor Solutions to support listed and unlisted mid-cap companies with their development through external growth or organic growth and transfers (disposals and capital restructuring). It offers them an integrated range of integrated Corporate and Investment Banking services such as advisory, bank or capital market financing, and private equity. The MCIB team comprises more than 130 professionals based in Paris and in the six regional divisions of the Societe Generale network: Lille, Rennes, Strasbourg, Marseille, Lyon and Bordeaux. The comprehensive platform rounds out Private Banking's dedicated offer for entrepreneurs based on personal attention and responsiveness.

The SG Entrepreneurs programme combines strategic advice for business owners with complementary solutions through the expertise of Retail Banking, Corporate and Investment Banking, Private Banking and Real Estate Finance, grouped together in regional divisions. We are committed to being the preferred partner of business owners leveraging a comprehensive package – Societe Generale Entrepreneurs – and to supporting them throughout their career path as entrepreneurs by developing their business and assisting them, both as private individuals and from a wealth management perspective.

To support businesses in the new economy, Societe Generale launched a programme aimed at startups in 2017. The programme includes initiatives such as a partnership with Bpifrance to strengthen relations between our two networks. Furthermore, 150 specialist advisers were appointed across France by end-2019. The measure was rounded out by dedicated support from the Mid Cap Investment Banking (MCIB) platform to leverage their expertise in raising capital.

Crédit du Nord network

The Crédit du Nord group consists of eight regional banks – Courtois, Kolb, Laydernier, Nuger, Rhône-Alpes, Société Marseillaise de Crédit, Tarneaud and Crédit du Nord – and an investment services provider, the brokerage firm Gilbert Dupont.

Crédit du Nord entities are characterised by a large degree of autonomy when managing their activities which is chiefly expressed by rapid decision-making and responsiveness to customer demands.

After rethinking its purpose, Crédit du Nord introduced a sweeping transformation plan called Agir 3 to give shape to its purpose of “placing our energy at the service of the country’s entrepreneurs at all times”.

The strategy of Crédit du Nord’s banks is underpinned by three pillars:

- be the bank for entrepreneurs in France’s regions to ensure a strong presence with targeted customers in the Corporate, Professional and Retail markets;
- be the bank close enough to be able to reinforce network adaptability in the group and organise fully complementary modes of interaction with customers;
- be the bank that uses a short decision-making circuit in a decentralised organisation, one that is agile and seeks to promote operational efficiency, responsibility and self-reliance and which is headed by a strong managerial culture.

The quality and strength of Crédit du Nord’s results have been recognised by the market and are confirmed by the long-term A rating at Standard & Poor’s and the A rating at Fitch Ratings.

Spanning a network of 805 branches, Crédit du Nord serves 1.8 million individual customers⁽¹⁾, 219,000 professional customers and non-profit associations and 43,200 corporate and institutional customers. In 2019, Crédit du Nord’s average outstanding deposits totalled EUR 45.1 billion, compared with 43.9 billion in 2018, while loan outstandings stood at EUR 43.9 billion, compared with EUR 41.5 billion in 2018.

Boursorama

Boursorama is a subsidiary of Societe Generale and a pioneer and leader in France for its three main businesses: online banking, online brokerage and online financial information at boursorama.com, ranked No. 1 for economic and stock market news.

The most price competitive bank in France for the twelfth consecutive year, Boursorama Banque has trebled its customer numbers since 2015 and currently has more than 2.1 million customers registered. Its recommendation rate continues to rank at a high 90% and its Net Promoter Score stands at +47. An online bank accessible to everyone and free of revenue and financial wealth prerequisites, Boursorama Banque’s promise is the same as it was when it was first created, i.e. simplify customers’ lives at the most competitive price and furnish the best service possible.

In 2019, Boursorama expanded its range of products and services by launching the Instant Payment and Performance Bourse (stock market data) modules, the Ultim travellers card, the Cli€ financing solution, as well as the Fitbit Pay and Garmin Pay mobile payment solutions.

By keeping development focused firmly on customers’ changing expectations, on simplicity and efficiency, in addition to security and lower fees, Boursorama Banque has each year systematically reinforced its position as a leading banking operator and plans to reach its target of more than three

⁽¹⁾ Number of active customers

million customers in 2021. Boursorama is also an online portal, www.boursorama.com. Launched over 20 years ago, it is ranked the No. 1 website for financial and economic news and receives 35 million visits a month (Source ACPM, November 2019).

INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

International Retail Banking and Financial Services (IBFS) combines:

- International Retail Banking activities, divided into three Business Units: Europe, Russia and AFMO (Africa, Mediterranean Basin and Overseas France);
- three specialised businesses: Insurance, Operational Vehicle Leasing and Fleet Management, and Vendor and Equipment Finance.

Through this pillar, the Group's ambition is to better serve its individual and corporate customers, by adapting to changes in the economic and social environments and supporting the international growth of the Group's customers by drawing on the strength of its network in fast-growing regions. IBFS bases its strategy on the relationship-centric universal banking model, enhancing its customer base through an extended range of products, and distributing and pooling expertise to improve revenues while systematically seeking to optimise risk management and the allocation of scarce resources.

With almost 63,000 employees⁽¹⁾ and commercial operations in 62 countries, IBFS is dedicated to offering a wide range of products and services to its individual, professional and corporate customers.

Leveraging its complementary expertise, IBFS enjoys solid and recognised positions in its different markets.

International Retail Banking

International Retail Banking combines the services of the international banking networks and consumer finance activities. These networks are forging ahead with their growth strategy and currently hold leading positions in the regions where they operate, such as Europe, Russia, the Mediterranean Basin and Sub-Saharan Africa. They help finance the economies in which they grow, enabling the Group to continue bolstering growth in its own activities through this high-potential geographic strategy.

EUROPE

The Group is established in Western Europe predominantly via consumer finance and car finance activities in France, Germany and Italy. Loan outstandings grew by 9.9% in 2019 to EUR 22.1 billion, chiefly on back of strong growth in car finance markets.

In the Czech Republic, Komerční Banka (KB) is ranked third in terms of balance sheet size. At December 2019, it had loan outstandings of EUR 25.7 billion, 342 branches and 7,893 employees (FTE). KB was founded in 1990 and became a subsidiary of Société Générale in 2001. The Bank has developed its universal banking activities for individual customers and expanded its traditionally significant presence among corporate customers and municipalities. KB Group also offers a range of products geared to individual customers through ESSOX (consumer loans and car financing), Modra Pyramida (mortgage facilities), as well as a range developed in conjunction with Private Banking. In 2019, Komerční banka was ranked No. 1 for cash management and named "Euromoney Market Leader" in the Czech Republic in a Euromoney survey.

In Romania, BRD is the leading privately-owned banking network in the country with 649 branches, and the No. 3 bank in terms of balance sheet size with market share of approximately 12% in deposits and 12% in loans at end-November 2019. Société Générale Group became BRD's main shareholder in

⁽¹⁾ Headcount at end of period, excluding temporary staff

1999. BRD Group's activity is divided into three major business lines: Retail Banking for individual and professional customers and SMEs, Corporate and Investment Banking, and Consumer Finance with BRD Finance. Loan and deposit outstandings respectively totalled EUR 6.5 billion and EUR 9.6 billion.

In 2019, Société Générale announced the sale of its majority stake in four of its European subsidiaries: Mobiasbanka in Moldova, SKB in Slovenia, Societe Generale Bank Montenegro in Montenegro and Ohridska Banka in Macedonia.

RUSSIA

The Group is developing its universal banking model and has established itself as the No. 2 banking group financed by foreign capital in Russia based on balance sheet size. At end-2019, loan and deposit outstandings totalled EUR 11.0 billion and EUR 11.6 billion, respectively. Societe Generale operates in Russia covering the different activities of corporate and individual client segments, with mortgage loans (previously operated by DeltaCredit, which merged with Rosbank in 2019) and car loans granted by Rusfinance Bank. In 2019, Rosbank exited the point of sale lending segment.

For its corporate customers, the Group continues to focus on financing and investment activities in partnership with SG CIB, targeting Russian and multi-national large corporates, and is gradually expanding its target client base. It is also keeping a strict focus on operational efficiency and on containing and reducing its risk profile.

The Group also operates in Russia through other consolidated entities in the Insurance business (Societe Generale Insurance) and in Corporate Financial Services.

AFRICA, MEDITERRANEAN BASIN AND OVERSEAS FRANCE

Through its operations in 19 countries, Societe Generale has reaffirmed its commitment for Africa in the Transform to Grow strategic plan and its contribution to the development of the banking and financial system.

In the Mediterranean Basin, the Group has been present in Morocco since 1913, in Algeria since 1999, and in Tunisia since 2002. The Group has 679 branches in the region and more than 2.4 million customers. At end-December 2019, deposit outstandings totalled EUR 10.7 billion and loan outstandings stood at EUR 11.6 billion.

The Group has a historic presence in Sub-Saharan Africa and operates in 16 countries. It boasts solid local positions, particularly in Côte d'Ivoire where it is market leader for loans and deposits, Senegal where it is ranked No. 2 for loans and deposits, and Cameroon where it is No. 1 for loans and No. 2 for deposits. In 2019, loan outstandings grew by a solid +14.4% at constant change and scope to EUR 6.8 billion while deposit outstandings increased to EUR 8.1 billion (+9.8% at constant change and scope).

In 2019, Societe Generale was singled out for the "Africa's Best Bank for Corporate Responsibility" award by Euromoney, which also named Société Générale Algérie and Société Générale Côte d'Ivoire "Best Bank" in their respective countries. Societe Generale also notched up a raft of other awards including "Best Bank" and "Best Investment Bank" in Cameroon for the fifth consecutive year, "Best Foreign Bank", "Best Investment Bank" and "Best Asset Manager" in Morocco, "Best Bank" in Benin and Guinea (EMEA Finance magazine), "Best Bank" in Benin, Cameroon, Côte d'Ivoire, Guinea and Senegal, and "Best Trade Finance Bank in Africa", as well as in Cameroon, Côte d'Ivoire, Morocco and Tunisia (Global Finance).

To address the strategic challenges in the Group's "Transform to Grow" programme, the purpose of the "Grow with Africa" initiative launched in November 2018 is to contribute collectively to Africa's sustainable development. The initiative operates in partnership with local territories and actors as well as international experts by establishing dialogue, listening and sharing innovative resources and

approaches. It focuses on four pillars: assisting the development of African SMEs, providing infrastructure finance, offering products and services that promote financial inclusion and delivering innovative finance for renewable energies and agribusiness.

In **Overseas France**, the Group operates in Reunion and Mayotte, French Polynesia and New Caledonia, where it has been present for more than 40 years. Societe Generale offers the same universal banking services to individual and corporate customers alike.

In 2019, Societe Generale announced the disposal of its subsidiary Société Générale de Banque aux Antilles.

Insurance (Societe Generale Insurance)

Societe Generale Assurances' works in synergy with its retail banking, private banking and financial services businesses and follows Societe Generale Group's development strategy. Societe Generale Assurances is also moving forward with the launch of its distribution model by developing external partnerships. Societe Generale Assurances furnishes a comprehensive range of products and services to meet the needs of individual, professional and corporate customers in the Life Insurance Savings, Retirement Savings and Property and Casualty segments. Leveraging the expertise of its 2,652 employees (FTE), Societe Generale Assurances combines financial strength with robust innovation and a sustainable development strategy to be its customers' trusted partner.

In 2019, Societe Generale Assurances' businesses continued to grow while broadening the services offered to policyholders. Furthermore, the diversification strategy in place on Societe Generale Assurance's business mix picked up speed with more unit-linked funds in life insurance investment solutions and the greater choice for personal protection and property and casualty insurance.

At the end of 2019, Societe Generale Assurance's outstandings in life insurance investment solutions rose by +8% to EUR 125 billion; the share of unit-linked outstandings amounted to 30%, growing rapidly compared to 2018. In personal protection and property and casualty insurance, revenue was up by +8% compared with 2018. In 2019, Societe Generale Assurance stepped up the pace of digital transformation in its bank insurance model by focusing on the design of innovative products and services to enhance customer satisfaction. On back of the transformation initiative, 56% of customer journeys in France are fully digital and 36% of contracts are sold on line. In the wake of the Pacte legislation (the action plan for business growth and transformation), Societe Generale Assurances was one of the first insurers on the French market to offer an individual retirement savings product adapted to each client segment for all its policy distributors, integrating a wide range of unit-linked supports, notably 100% SRI funds. Societe Generale Assurances also continued to diversify its business model in synergy with other Group businesses such as ALD, Boursorama and CGI, as well as with external partners, to test new markets and new offers.

Financial Services to Corporates

OPERATIONAL VEHICLE LEASING AND FLEET MANAGEMENT (ALD AUTOMOTIVE)

ALD Automotive furnishes mobility solutions centred on operational vehicle leasing and fleet management for businesses of every size in both local and international markets, as well as for private individuals. The activity combines the financial benefits of operational leasing with a comprehensive range of top-quality services, including maintenance, tyre management, fuel consumption, insurance and vehicle replacement. The ALD Automotive Group employs more than 6,142 people (FTE). With operations in 43 countries, ALD Automotive has the largest geographic coverage of any leasing company and manages more than 1.76 million vehicles. It boasts unparalleled knowledge of emerging markets and has established partnerships with Wheels in North America, FleetPartners in Australia and New Zealand, Absa in South Africa, AutoCorp in Argentina, and Arrend Leasing in Central America. In 2019, the business ranked No. 1 in Europe for multi-brand operational vehicle leasing and fleet management, and ranked No. 2 worldwide.

A pioneer in mobility solutions, ALD Automotive is constantly innovating to provide unrivalled support to customers, fleet managers and drivers, and to furnish customised solutions. The strategy received industry recognition again in 2019: the BVA Group-Viséo CI survey conducted from May to July 2019 awarded ALD Automotive France the “Customer Service of the Year 2020” prize for the operational vehicle leasing market for the twelfth consecutive year.

ALD has been listed on the Euronext Stock Market since June 2017, with 20.18% of its shares listed for trading. Societe Generale remains ALD’s controlling shareholder and ALD Automotive continues to benefit from the Group’s financing capacity.

VENDOR AND EQUIPMENT FINANCE (SGEF)

Societe Generale Equipment Finance is specialised in vendor and professional equipment finance. The business is conducted through partnership agreements with international vendors (professional equipment manufacturers and distributors), and also directly with local manufacturers and distributors. Societe Generale Equipment Finance leverages its expertise in four major sectors: transport, industrial equipment, technology and healthcare, and green energy. SGEF boasts a leading position in Europe, operating in 31 countries. It employs over 2,500 people (FTE), and manages a portfolio of EUR 26.3 billion in outstandings⁽¹⁾. It has a broadly diverse customer base, ranging from large international companies to SMEs, to which it offers a varied array of products including financial leasing, loans, leasing and purchase of receivables, and services such as insurance and marketing. In 2019, Société Générale announced the sale of its majority stake in two of its equipment finance subsidiaries, Pema in Germany and SG Finans in Scandinavia. A regular recipient of leasing industry awards, Societe Generale Equipment Finance was named “European Lessor of the Year” by Leasing Life Awards and ranked No. 1 by Annual Asset Finance Europe 50 in 2019.

GLOBAL BANKING AND INVESTOR SOLUTIONS

Global Banking and Investor Solutions (GBIS) is tasked with providing Global Markets and Investor Services, Financing and Advisory, and Asset Management and Private Banking to a select customer base of businesses, financial institutions, investors, wealth managers and family offices, as well as private clients.

The linchpin of economic flows between issuers and investors, GBIS supports its customers over the long term, offering them a variety of services and integrated solutions tailored to their specific needs.

GBIS employs over 21,000 people located in 45 countries, and has operations⁽¹⁾ in more than 60 countries. It boasts extensive European coverage and representative offices in Central and Eastern Europe, the Middle East, Africa, the Americas and the Asia-Pacific region.

GBIS experts offer their issuer customers – large corporates, financial institutions, sovereigns and the public sector – strategic advisory on their development, as well as market access to finance their development and hedge their risks. They also furnish services to investors that manage savings according to defined risk/return targets. The Bank provides comprehensive access to equities and fixed income, credit and currencies to asset managers, pension funds, family offices, hedge funds, sovereign funds, public agencies, private banks, insurance companies and distributors, together with a range of unique cross-asset solutions and advisory services underpinned by first-rate research expertise. The offering is rounded out by a full range of investor services.

Pioneer in sustainable and positive-impact finance, the Group furnishes advisory to its clients and offers them concrete financing and investment solutions aimed at transitioning to a fairer and greener economy.

⁽¹⁾ Figures at 31 December 2019, including Franfinance, Sogelease and Starlease

⁽¹⁾ In-country operations through partnerships within the Societe Generale Group.

The Group's ambition is to become the leading partner bank, delivering the most relevant and value-added experience to its customers, both in Europe and the rest of the world. To meet the challenge, the Group is accelerating its platform strategy with the aim of building THE pioneering marketplace for Business-to-Business financial services, capitalising on the functionalities of the SG Markets tool.

In 2019, Global Banking & Investor Solutions successfully implemented its restructuring plan, respecting the given financial targets. Societe Generale continues to focus its Global Banking model on its areas of strength where it has sustainable and differentiated competitive advantages, while reinforcing the allocation of resources to the geographic-offer-customer mix that is most relevant to customers and the Group.

Global Markets and Investor Services

The Global Markets and Investor Services (GMIS) Division is continuing to develop an integrated capital markets offering for its customers, combining the "Fixed Income and Currencies", "Equities" and "Securities Services". As such, the division combines the strength of a leading financial institution offering global access to markets with the customer-oriented approach of a broker positioned as a market leader in its activities.

In 2019, Societe Generale was named "Structured Products House of the Year" (Risk Awards 2019). Global Capital also singled out Societe Generale for its unprecedented "Hedge to Pledge" initiative of rounding up foreign exchange transactions to donate to a worthy cause (Global Capital Derivatives Awards 2019).

To help customers navigate through today's landscape of increasingly interconnected financial markets, experts – financial engineers, salespeople, traders and specialist advisors – use SG Markets, a unique integrated platform, to offer tailored solutions designed to meet the needs and specific risks of each customer.

As part of the restructuring plan under way in Global Banking and Investor Solutions, the proprietary trading subsidiary Descartes Trading has been closed and the OTC commodities trading desk is in the process of being wound down. The Bank also reorganised and refocused its flow activities (cash and flow derivatives) to make them more profitable, notably the Fixed Income and Currencies and Prime Services businesses.

FIXED INCOME AND CURRENCIES

Fixed Income and Currencies (FIC) activities cover a comprehensive range of products and services ensuring the liquidity, pricing and hedging of risks related to the fixed income, credit, forex and emerging market activities of Societe Generale customers.

Teams are based in London, Paris, Madrid and Milan, as well as the United States and the Asia-Pacific region, and offer a wide range of flow and derivative products. Underpinned by in-depth research, engineering, trading and e-commerce expertise, they furnish strategic advisory, flow data and competitive prices.

FIC teams receive regular industry accolades and were singled out at the Global Finance Awards 2019 as "Best FX Provider" in the following categories: "Best FX Provider in Central and Eastern Europe", "Best FX Provider for Corporates", "Best FX Execution Algorithms" and "Best FX Providers in France, Algeria, Romania". The teams also took out "Best House Interest Rates", "Best House Foreign Exchange" and "Best House Credit" at the Structured Retail Products Europe Awards 2019.

EQUITIES

Leveraging its historic presence in the world's major primary and secondary equity markets and its longstanding tradition of innovation, Societe Generale is a leader in a comprehensive range of varied solutions covering the full spectrum of cash, derivative and equity research activities. The Equity Department is one of the Group's areas of excellence. For several years, its expertise has been recognised by industry peers and clients alike. Accordingly, Societe Generale was named "Best Global Equity Derivatives House" and "Best House Europe" at the Structured Retail Products Europe Awards 2019.

Societe Generale announced in 2018 the acquisition of the Equity Markets and Commodities (EMC) activities at Commerzbank, a European leader in the design, distribution and maintenance of structured products and flow products markets, and asset management solutions.

The Prime Services & Clearing business houses clearing, prime brokerage and electronic and semi-electronic execution services. Prime Services & Clearing furnishes comprehensive expertise and global access to a complete cross-asset service in cash and derivative instruments.

Societe Generale's Cross Asset Research Department assesses the impact of chief events on the different asset categories, weighs up the relationship between them and delivers a strategic summary of key information to provide an integrated picture. In October 2019, the Bank announced that it would systematically include, with effect from January 2020, the Environmental, Social and Governance (ESG) aspects of companies in its Equity research in addition to its fundamental financial analyses.

SECURITIES SERVICES

The Societe Generale Security Services (SGSS) business offers a comprehensive range of solid and efficient securities services, including:

- market-leading clearing services;
- custody and depository bank activities, covering all asset classes;
- fund administration services for managers of complex financial products;
- issuer services, including administration of stock option plans and employee shareholdings;
- liquidity management services (cash and securities);
- transfer agent activities, providing a comprehensive array of services ranging from support to fund distribution.

With EUR 4,213 billion in assets under custody at end-December 2019 (versus EUR 4,011 billion at 31 December 2018), SGSS ranks second among European custodians. It also offers custodian services to more than 3,275 mutual funds and provides valuation services to more than 4,200 mutual funds, with EUR 647 billion in total assets under management in Europe.

In 2019, Societe Generale was singled out by Global Finance as "Best Sub-Custodian of the Year 2019" – Ivory Coast, Tunisia, Russia, Romania" and by Custody Risk as "Custodian of the Year – Italy".

Financing and Advisory

Financing and Advisory is responsible for covering and developing global relationships with the Bank's strategic clients. The business houses:

- the **Global Banking & Advisory platform** (GLBA) which now combines in one business unit the Coverage teams dedicated to Global Banking customers and the business teams: mergers & acquisitions, advisory and other corporate finance advisory services, corporate banking and investment banking (capital raising solutions for debt or equity, financial engineering and hedging for issuers), and
- the services of **Global Transaction and Payment Services**.

The GLBA platform operates on a worldwide scale with expert teams located in France and Europe, the CEEMEA region, the Americas and in Asia region, whose knowledge of customers and local regulations are key to conducting domestic, international and cross-border activities due to the international dimension of customers.

Leveraging this global expertise and sectoral knowledge, the **Financing Banking** teams provide issuer clients with a full range of products and integrated solutions, products and advisory, and are housed in three divisions:

- The Asset Finance division, which consists of five businesses: export finance, aircraft finance, shipping finance, real estate finance, and structured solutions and leasing. Through a wide range of products, experienced professionals design tailor-made solutions for customers, financial companies and public institutions, combining financial knowledge and industry expertise.
- The Natural Resources and Infrastructures division is tasked with developing a global activity in the natural resources, energy and infrastructure sector by providing clients with financing solutions, as well as advisory services. The customers of this division are producers, operators, refinery groups, traders, commodity service providers, commodity and distributor logistics companies, as well as public and private institutions.
- The Asset Backed Product division, which combines GLBA's expertise in the primary markets, blends sectoral skills, securitisation and structuring with know-how in secondary market trading, distribution channels and debt security refinancing, making it possible to capitalise on credit capacities and act as the single entry point for ABS-type products and structured loans, and assist the development of our issuer clients and investors.

Societe Generale was named "Most Innovative Bank in Infrastructure and Project Finance" by the The Banker 2019, "Europe Bank of the Year" at the PFI Awards 2019 and "TMT Financing Bank of the Year" at the TMT M&A Awards 2019.

The **investment Banking** teams offer customers, businesses, financial institutions and the public sector an integrated, comprehensive and tailored approach based on:

- extensive strategic advisory services, covering mergers and acquisitions and IPO structurings, as well as secondary share offerings. Societe Generale holds a leading position in the equity capital markets and on euro-denominated issues for corporate and financial institutions.
- access to optimised capital-raising solutions jointly with the Global Finance and Retail Banking teams.

Societe Generale notched up several awards for its Investment Bank in 2019, including “Best Investment Bank in France” at the Euromoney Awards for Excellence 2019, “Bond House of the Year” at the IFR Awards and “Best European Corporate and Investment Bank” by Finance Leaders Trophy 2019.

The **Global Transaction & Payment Services** (GTPS) teams are geared to economic and financial operators and particularly domestic and international financial institutions, medium and large companies with international and multinational activities that require flow management assistance for their banking, commercial, corporate flows and/or payment flow assistance.

Operating in more than 50 countries, the business line offers a full and integrated range of solutions and services, leveraging the expertise of the Transaction Banking business lines. It houses five transactional banking activities:

- cash management;
- trade finance;
- correspondent banking;
- supply chain finance;
- foreign exchange services associated with the payments of our activities, in partnership with Global Markets.

Global Transaction Banking teams are regular recipients of industry awards. In 2019, the Group was named “Best Trade Finance Provider in Emerging Markets” and “Best Bank for Cash Management in Africa” by Global Finance, “No. 1 Market Leader” for companies in the Euromoney Cash Management 2019 survey in France and notably the Czech Republic, Distinguished Provider of Transaction Banking Services for its correspondent banking services by FImetrix, and Best Factoring Services in EMEA, Europe and Africa, as well as Best Transactional Bank for Financial Institutions in Europe, Central and Eastern Europe and Africa by EMEA Finance.

Asset & Wealth Management

This business unit encompasses Asset Management through Lyxor Asset Management and Private Banking, which operates under the Societe Generale Private Banking brand. Lyxor has in the process added a retail segment to its institutional offering and furnishes a differentiating asset management service for the benefit of Societe Generale customers. Societe Generale Private Banking leverages Lyxor’s presence to increase market penetration and its expertise in asset and liability management. Thanks to these partnerships, the offer is available to internal and external customers, particularly in the responsible finance segment.

SOCIETE GENERALE PRIVATE BANKING

Societe Generale Private Banking has an extensive foothold in Europe and offers global financial engineering and wealth management solutions, in addition to global expertise in structured products, hedge funds, mutual funds, private equity funds and real estate investment solutions. It also offers customer access to the capital markets.

Since January 2014 and in conjunction with the French Retail Banking Division, Societe Generale Private Banking has extensively modified its relationship banking model in France, extending its offering to all individual customers with more than EUR 500,000 in their accounts. These customers receive the benefits of close-hand service provided by 80 regional franchises and the know-how of Private Banking’s expert teams.

Societe Generale Private Banking's offering is available in 13 countries. At the end of 2019, Private Banking held assets under management of EUR 119 billion, compared with EUR 113 billion at the end of 2018.

Societe Generale Private Banking's expertise is the regular recipient of industry accolades. In 2019, Private Banking was singled out as "Best Private Bank" for its digital advisory service proposal in Europe at the PWM Wealth Tech Awards. It was also named "Best Wealth Engineering Team and Best Credit Provider" by Wealth Briefing, in addition to "Best Private Bank" for its "Next Generations" offer by Private Banker International, and "Best Private Bank for Entrepreneurs in Western Europe" by Global Finance.

LYXOR ASSET MANAGEMENT

Lyxor Asset Management ("Lyxor") is a wholly-owned subsidiary of the Societe Generale Group and was founded in 1998. Lyxor is a European asset management specialist with expertise in the full array of investment styles. It is able to create innovative investment solutions to address the challenges of the future.

Driven by its tradition of engineering and research, and building on an agile combination of passive, active and alternative management styles, Lyxor covers the whole liquidity spectrum and adapts to customer needs, irrespective of their financial constraints, by offering the most astute combination of long-term performance and disciplined risk management.

As a financial architect and asset manager, Lyxor furnishes customers with allocation advisory within a comprehensive investment universe, developed both internally and selected externally in an open architecture structure. Its fiduciary services and investment platforms help institutional investors meet their investment objectives while increasing their operational efficiency.

Lyxor pioneered the asset management industry by creating the first alternative managed accounts platform in 1998, and the European ETF market with the first ETF on the CAC 40 index in 2001. Lyxor is now ranked third-largest European ETF provider⁽¹⁾.

At the end of 2019, Lyxor's total assets under management stood at EUR 149 billion, an increase of +26.1% over the year, including EUR 17 billion from the integration of Commerzbank assets.

In 2019, Lyxor notched up a number awards, notably "Best UCITS Alternative Platform" by The Hedge Fund Journal and "Best ETF Provider" by Wealthbriefing.

⁽¹⁾ Source: ETFGI, ranking by total assets under management at end-December 2019

Board of Directors

The members of the Board of Directors of the Guarantor as at 1 January 2019 are as follows:

Lorenzo BINI SMAGHI

(Date of birth: 29 November 1956)

- Chairman of the Board of Directors
- Independent Director

Frédéric OUDEA

(Date of birth: 3 July 1963)

- Chief Executive Officer

William CONNELLY

(Date of birth: 3 February 1958)

- Company Director
- Independent Director, Member of the Risk Committee and Member of the Nomination and Corporate Governance Committee

Jérôme CONTAMINE

(Date of birth: 23 November 1957)

- Company Director
- Independent Director, Member of the Audit and Internal Control Committee

Diane CÔTÉ

(Date of birth: 28 December 1963)

- Chief Risk Officer of LSE Group
- Independent Director, Member of the Audit and Internal Control Committee

Kyra HAZOU

(Date of birth: 13 December 1956)

- Company Director
- Independent Director, Member of the Audit and Internal Control Committee and of the Risk Committee

Jean-Bernard LÉVY

(Date of birth: 18 March 1955)

- Chairman and Chief Executive Officer of EDF
- Independent Director, Chairman of the Compensation Committee and Member of the Nomination and Corporate Governance Committee

Gérard MESTRALLET

(Date of birth: 1 April 1949)

- Independent Director, Chairman of the Nomination and Corporate Governance Committee and Member of the Compensation Committee

Juan Maria NIN GÉNOVA

(Date of birth: 10 March 1953)

- Company Director
- Independent Director, Member of the Risk Committee and of the Compensation Committee

Nathalie RACHOU

(Date of birth: 7 April 1957)

- Company Director
- Independent Director, Chairman of the Risk Committee and Member of the Nomination and Corporate Governance Committee

Lubomira ROCHET

(Date of birth: 8 May 1977)

- Chief Digital Officer of the L'Oréal Group
- Independent Director

Alexandra SCHAAPVELD

(Date of birth: 5 September 1958)

- Company Director
- Independent Director, Chairman of the Audit and Internal Control Committee and Member of the Risk Committee

France HOUSSAYE

(Date of birth: 27 July 1967)

- Director elected by employees
- Branch manager of Bois Guillaume, DEC of Rouen
- Member of the Compensation Committee

David LEROUX

(Date of birth: 3 June 1978)

- Director elected by employees
- In charge of General Meeting conduct for Securities Services

Group Management Committee

The Group Management Committee of the Guarantor as at 10 February 2020 is as follows:

General Management:**Frédéric OUDEÁ**

Chief Executive Officer

Diony LEBOT

Deputy Chief Executive Officer

Philippe AYMERICH

Deputy Chief Executive Officer

Séverin CABANNES

Deputy Chief Executive Officer

Philippe HEIM

Deputy Chief Executive Officer

Members of Group Strategy Committee (excluding General Management):**David ABITBOL⁽¹⁾**

Global Head of Societe Generale Securities Services

Pascal AUGÉ⁽¹⁾

Head of the Inspection and Audit Division

Cécile BARTENIEFF⁽¹⁾

Chief Operating Officer of Global Banking and Investor Solutions

Gilles BRIATTA⁽¹⁾

Group General Secretary

Bruno DELAS⁽¹⁾

Chief Operating Officer of the French Network

Marie-Christine DUCHOLET⁽¹⁾

Head of Societe Generale Retail Banking in France

Patrick FOLLÉA⁽¹⁾

Head of Societe Generale Private Banking, LYXOR supervisor

Laurent GOUTARD⁽¹⁾

Head of International Retail Banking for Africa, the Mediterranean Basin & Overseas

Jean-François GRÉGOIRE⁽¹⁾

Head of Global Markets

Benoît GRISONI⁽¹⁾

Chief Executive Officer of Boursorama

Caroline GUILLAUMIN⁽¹⁾

Group Head of Human Resources and Group Head of Communication

Édouard-Malo HENRY⁽¹⁾

Group Head of Compliance

Jochen JEHLICH⁽¹⁾

Head of the Equipment Finance businesses and CEO of GEFA Bank

William KADOUCH-CHASSAING⁽¹⁾

Groupe Chief Financial Officer

Slawomir KRUPA⁽¹⁾

Chief Executive Officer for Societe Generale Americas

Christophe LEBLANC⁽¹⁾

Group Head of Corporate Resources and Digital Transformation

Mike MASTERSON⁽¹⁾

Chief Executive Officer of ALD Automotive

Alexandre MAYMAT⁽¹⁾

Head of Global Transaction and Payment Services

Françoise MERCADAL-DELASALLES⁽¹⁾

Chief Executive Officer of Credit du Nord

Gaëlle OLIVIER⁽¹⁾

Chief Executive Officer of Societe Generale Asia Pacific

Pierre PALMIERI⁽¹⁾

Head of Global Banking & Advisory

Philippe PERRET⁽¹⁾

Head of the Insurance businesses

Sylvie RÉMOND⁽¹⁾
Group Chief Risk Officer

Giovanni-Luca SOMA⁽¹⁾
Head of International Retail Banking for Europe & Group Country Head for Russia

Members of Group Management Committee (excluding members of Group Strategy Committee):

Tim ALBERTSEN
Deputy Chief Executive Officer of ALD Automotive

Philippe AMESTOY
Director of the French Network

Hervé AUDREN de Kerdrel
Deputy Group Head of Compliance

François BLOCH
Chief Executive Officer of BRD

Claire CALMEJANE
Group Chief Innovation Officer

Antoine CREUX
Chief Security Officer

Geoffroy DALLEMAGNE
Global Head of Permanent Control and Internal Control Coordination

Thierry D'ARGENT
Deputy Head of Global Banking and Advisory

Odile de SAIVRE
Deputy Chief Officer of Societe Generale Equipment Finance

Claire DUMAS
Deputy Chief Financial Officer

Carlos GONCALVES
Head of Global Technology Services

Donato GONZALEZ-SANCHEZ
Head of Corporate & Investment Banking, Private Banking, Asset Management, Securities Services and Group Country Head for Spain and Portugal

Éric GROVEN
Head of the Real Estate Division of Retail Banking activities in France

Alvaro HUETE
Deputy Head of Global Banking and Advisory

Arnaud JACQUEMIN
Group Country Head for Luxembourg and CEO of Societe Generale Luxembourg

Jan JUCHELKA

Chairman of the Board and CEO of Komerční Banka and Group Country Head for the Czech Republic and Slovakia

Jean-Louis KLEIN

Deputy Chief Executive Officer of Crédit du Nord

Véronique LOCTIN

Head of Corporate Accounts for Societe Generale Retail Banking in France

Xavier LOFFICIAL

Deputy Chief Financial Officer of the Group

Michala MARCUSSEN

Group Chief Economist and Head of Economic and Sectorial Research

Anne MARION-BOUCHACOURT

Group Country Head for Switzerland et Chief Executive Officer of SG Zurich

Laetitia MAUREL

Group Deputy Head of Communication

Jean-François MAZAUD

Head of Group transformation

Ilya POLYAKOV

Chief Executive Officer and Chairman of Rosbank's Management Board

Sylvie PRÉA

Director of Corporate Social Responsibility

Sébastien PROTO

Head of Group Strategy

Sadia RICKE

Deputy Group Chief Risk Officer

John SAFFRETT

Deputy Chief Executive Officer of ALD Automotive

Grégoire SIMON-BARBOUX

Deputy Group Chief Risk Officer

Mathieu VEDRENNE

Head of Societe Generale Private Banking France

Guido ZOELLER

Group Country Head for Germany and Head of Societe Generale Corporate & Investment Banking activities in Germany

⁽¹⁾ Manager of Business Unit or Service Unit

Auditors

In accordance with French law, the Guarantor is required to have two statutory auditors (*commissaires aux comptes*).

As at the date of this document, the statutory auditors are:

- Ernst & Young et Autres (represented by Micha Missakian) of Tour First, TSA 14444, 92037 Paris-La Défense Cedex, France; and
- Deloitte & Associés (represented by Jean-Marc Mickeler) of 6, place de la Pyramide, 92908 Paris-La Défense Cedex, France.

General Meetings of Shareholders

The annual general meeting of shareholders is convened and held as provided by legal provisions in force.

Being a credit institution, the Guarantor is obliged by virtue of Article 8 of French décret no 84-708 of 24 July 1984 to submit its annual financial statements at the general meeting of shareholders before 31 May of each year, unless otherwise authorised by the *Autorité de Contrôle Prudentiel et de Résolution* (French Prudential Supervisory Authority).

Share capital

At 31 December 2019, the registered and fully-paid capital of the Guarantor are EUR 1,066,714,367.50 divided into 853,371,494 ordinary shares with a nominal value of EUR 1.25 each.

Risk Management Policies

Appendix 5 to this document contains a reproduction of the description of the Guarantor's risk management policies.

Financial Information of the Guarantor

The Guarantor's consolidated financial statements as at and for the year ended 31 December 2019 prepared in accordance with IFRS as endorsed by the European Union as of 31 December 2019 are included in Appendix 5 and have been audited in accordance with French auditing professional standards by Ernst & Young et Autres and Deloitte & Associés as stated in their auditors' report dated 12 March 2020 included therein.

Any interim and/or quarterly unaudited reports will be reproduced in the relevant launch announcement and supplemental listing document(s) or in an addendum to the Base Listing Document. All these reports are available for inspection at the address specified in section 1 (Important Information) on page 5 of this document.

Capitalisation of the Guarantor

The following table sets out the Guarantor's capitalisation as at 31 December 2019 and 31 December 2018, as adjusted to give effect to the issuance of additional debt by the Guarantor since such dates.

Except as set out below (see item 5), there has been no material change in the Guarantor's capitalisation since 31 December 2019.

	31 December 2019	31 December 2018
	(EUR millions)	(EUR millions)
Medium and long-term debt ⁽²⁾⁽³⁾		
– denominated in Euros	0	0
– denominated in other currencies ⁽⁴⁾	1,780	1,747
SUB TOTAL	1,780	1,747
Long-term subordinated debt		
– denominated in Euros	5,891	6,268
– denominated in other currencies ⁽⁴⁾⁽⁵⁾	7,803	7,460
SUB TOTAL	13,694	13,728
TOTAL	15,474	15,475
Shareholders' equity and undated subordinated loans and capital notes		
– Undated subordinated capital notes	9,783	9,702
– Capital stock	1,067	1,010
– Reserves and unappropriated earnings	33,222	32,312
TOTAL	44,072	43,024
TOTAL CAPITALISATION	59,546	58,499
Net income	3,695	1,725

- (1) At 31 December 2019, the Guarantor's fully paid-up capital amounted to EUR 1,066,714,367.50 and comprised 853,371,494 shares with a nominal value of EUR 1.25.
- (2) In accordance with French bank regulatory practice, the Bank debt is classified depending on its initial term to maturity as short-term (less than one year), medium-term (one to seven years) and long-term (more than seven years). Medium- and long-term debt of the bank, other than its long-term subordinated debt and undated subordinated capital notes, ranks equally with deposits.
- (3) Includes only debt in the form of debt securities. In addition to debt securities, Société Générale regularly sells to its customers term savings certificates, most of which mature in five years, and certificates of deposit in varying maturities. These instruments have maturities similar to medium- and long-term unsubordinated debt and rank equally with such debt and deposits.
- (4) Principal amounts of debt denominated in foreign currencies have been translated to Euros at the indicative exchange rates for such currencies released by the Banque de France on 31 December 2019 (first column) and on 31 December 2018 (second column).

Rate of conversion: (Exchange rates against EUR)	31 December 2019	31 December 2018
Exchange Rate USD:	1.1234	1.1450
Exchange Rate JPY:	121.94	125.85
Exchange Rate GBP:	0.8508	0.8945
Exchange Rate AUD:	1.5995	1.6220
Exchange Rate SGD:	1.5111	1.5591
Exchange Rate CNH:	7.8225	7.8699

(5) Since 31 December 2019, the Guarantor has, inter alia:

Tier 1 Notes:

- redeemed USD 1,500,000,000 Tier 1 Notes due 2020.

Except as set forth in this section, there has been no material change in the capitalisation of the Guarantor since 31 December 2019.

The issue of notes have no fixed maturity dates (although they may be redeemed at the Guarantor's option), and the Guarantor may defer payment of interest on either issue in any year during which it does not declare a dividend. The issue of notes become due and payable upon the Guarantor's liquidation, after all unsubordinated creditors have been paid in full.

Further Information

As a company whose shares are quoted on the Paris Stock Exchange, the Guarantor is required to make periodic and/or continuous disclosure obligations under the relevant listing rules of the Paris Stock Exchange.

Financial information and/or any major developments of the Guarantor including filings requested by the Paris Stock Exchange may be viewed from www.societegenerale.com/en/investors.

Board of Directors meeting of 31 March 2020

The Guarantor issued a press release on 31 March 2020 (Paris time) in respect of the board of directors meeting of 31 March 2020. An extract of the press release is reproduced below:

“The Board of Directors has reviewed implications of the communication from the European Central Bank asking that banks do not pay dividends for the financial years 2019 and 2020 for the duration of the coronavirus crisis and until “at least the beginning of October 2020”.

It has been decided to maintain the Annual General Meeting of Shareholders on May 19th, 2020 but to cancel any dividend distribution for the 2019 fiscal year. Indeed, the ECB does not want a decision on the payment of the dividend to be taken before the beginning of October. However, this deadline is incompatible with French law, which stipulates payment of the annual dividend by 30th September at the latest.

During the second half of 2020, the Board will propose guidelines on shareholder return, that could consist in the payment of an interim dividend on 2020 results or an exceptional dividend in the form of a distribution of reserves, the latter requiring the holding of a Shareholders' Meeting.

These decisions have no impact on coupon payments on AT1 bonds.

Given the uncertainties related to the magnitude and duration of the Covid-19 pandemic, the Group is currently analysing potential scenarios and their impact on the Group's results, as well as potential corrective measures. In compliance with the Autorité des Marchés Financiers (French Market Authorities) recommendations and pending the conclusion of this work, the Group is suspending its 2020 targets communicated on February 6th, 2020 during its 2019 annual results release.

The Group emphasises the solidity of its balance sheet (CET1 ratio at 13.2% as at December 31st including the write-back of 2019 dividend provision of 54bp, offering circa 410bp buffer over regulatory requirements*) and its liquidity position with a LCR ratio at 150% at end-February 2020. The Group benefits from the strong quality of its loan portfolio, well diversified in term of geographies and sectors, thanks to strict and proven risk management. The Group remains fully committed to supporting its clients, developing its franchise and improving the profitability of its activities.

As the situation of the Covid-19 health crisis evolves, the Group's duty is to protect all its teams and provide the best possible support to its clients. The Group has implemented operational measures to ensure the safety of its employees while maintaining business continuity and quality of service for its clients. The Group is determined to fulfill its role of supporting the economy, particularly through the plan to strengthen the cash position of companies weakened by the health crisis.

* Taking into account the application of Article 104 A of CRD5 and the notifications to date relating to countercyclical buffers"

9. INFORMATION ABOUT THE LIQUIDITY PROVIDER

We and the Guarantor have appointed our affiliate, SG Securities (HK) Limited, as the liquidity provider (the “**Liquidity Provider**”) for the Structured Products. The Liquidity Provider is a wholly owned subsidiary of the Guarantor. We are a 100 per cent. owned subsidiary of Société Générale Luxembourg S.A. and is a fully consolidated company. Société Générale Luxembourg S.A. is a wholly owned subsidiary of the Guarantor. The Liquidity Provider is a Stock Exchange participant and its conduct is therefore regulated by the Stock Exchange and the Securities and Futures Commission in Hong Kong.

Further information on the Liquidity Provider in relation to the Structured Products will be set out in the relevant launch announcement and supplemental listing document.

10. SALES RESTRICTIONS

General

We have not taken, and will not take, any action that would permit a public offering of the Structured Products or possession or distribution of any offering material in relation to the Structured Products in any jurisdiction where action for that purpose is required. No offers, sales or deliveries of any Structured Products, or distribution of any offering material relating to the Structured Products may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws or regulations and will not impose any obligation on us. In the event that we contemplate a placing, placing fees may be payable in connection with any issue and we may at our discretion allow discounts to places.

European Economic Area and the United Kingdom

Each dealer represents and agrees, and each further dealer appointed in respect of the Structured Products will be required to represent and agree that, it has not offered, sold or otherwise made available and will not offer, sell, or otherwise make available any Structured Products which are the subject of the offering as contemplated by this Base Listing Document to any retail investor in the European Economic Area or in the United Kingdom. For the purposes of this provision:

- a) the expression “**retail investor**” means a person who is one (or more) of the following:
 - i. a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “**MiFID II**”); or
 - ii. a customer within the meaning of Directive 2016/97/EU (as amended, the Insurance Distribution Directive), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - iii. not a qualified investor as defined in Regulation (EU) 2017/1129 (as amended and superseded, the Prospectus Regulation); and

- b) the expression “**offer**” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Structured Products to be offered so as to enable an investor to decide to purchase or subscribe the Structured Products.

In respect of the United Kingdom, each dealer has further represented and agreed, and each further dealer appointed in respect of the Structured Products will be required to further represent and agree, that:

- (a) in respect to Structured Products having a maturity of less than one year: (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business; and (ii) it has not offered or sold and will not offer or sell any Structured Products other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Structured Products would otherwise constitute a contravention of Section 19 of Financial Services and Markets Act, as amended (the “**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Structured Products in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Structured Products in, from or otherwise involving the United Kingdom.

United States

The Structured Products and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or any state securities law, and trading in Structured Products has not been approved by the United States Commodity Futures Trading Commission (the “**CFTC**”) under the United States Commodity Exchange Act of 1936, as amended (the “**Commodity Exchange Act**”) and the Issuer will not be registered as an investment company under the United States Investment Company Act of 1940, as amended, and the rules and regulations thereunder (the “**Investment Company Act**”). None of the Securities and Exchange Commission (the “**SEC**”), any state securities commission or regulatory authority or any other United States, French or other regulatory authority has approved or disapproved of the Structured Products or the Guarantee or passed upon the accuracy or adequacy of this document. Accordingly, Structured Products, or interests therein, may not at any time be offered, sold, resold, traded, pledged, exercised, redeemed, transferred or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, nor may any U.S. person at any time trade, own, hold or maintain a position in the Structured Products or any interests therein. In addition, in the absence of relief from the CFTC, offers, sales, re-sales, trades, pledges, exercises, redemptions, transfers or deliveries of Structured Products, or interests therein, directly or indirectly, in the United States or to, or for the account or benefit of, U.S. persons, may constitute a violation of United States law governing commodities trading and commodity pools. Consequently, any offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised.

Each dealer has represented and agreed, and each further dealer will be required to represent and agree, that it has not and will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, Structured Products in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redeem, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any

person purchasing Structured Products of any tranches must agree with the relevant dealer or the seller of such Structured Products that (i) it will not at any time offer, sell, resell, trade, pledge, exercise, redeem, transfer or deliver, directly or indirectly, any Structured Products in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade, pledge, exercise, redemption, transfer or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, and (ii) it is not purchasing any Structured Products for the account or benefit of any U.S. person.

Exercise or otherwise redemption of Structured Products will be conditional upon certification that each person exercising or otherwise redeeming a Structured Products is not a U.S. person or in the United States and that the Structured Products is not being exercised or otherwise redeemed on behalf of a U.S. person. No payment will be made to accounts of holders of the Structured Products located in the United States.

As used in the preceding paragraphs, the term “**United States**” includes the territories, the possessions and all other areas subject to the jurisdiction of the United States of America, and the term “**U.S. person**” means any person who is (i) a U.S. person as defined under Regulation S under the Securities Act, (ii) a U.S. person as defined in paragraph 7701(a)(30) of the Internal Revenue Code of 1986, or (iii) a person who comes within any definition of U.S. person for the purposes of the United States Commodity Exchange Act of 1936, as amended (the “**CEA**”) or any rules thereunder of the CFTC (the “**CFTC Rules**”), guidance or order proposed or issued under the CEA (for the avoidance of doubt, any person who is not a “Non-United States person” defined under CFTC Rule 4.7(a)(1)(iv), but excluding, for purposes of subsection (D) thereof, the exception for qualified eligible persons who are not “Non-United States persons”, shall be considered a U.S. person).

11. TAXATION

The information below is of a general nature and only a summary of the law and practice currently applicable under the laws of Hong Kong and the United States of America. The comments relate to the position of persons who are the absolute beneficial owners of the Structured Products and may not apply equally to all persons. If you are in any doubt as to your tax position on purchase, ownership, transfer or exercise of any Structured Product, you should consult your own tax advisers as to the Hong Kong or the United States of America laws or other tax consequences of the acquisition, ownership and disposition of Structured Products, including, in particular, the effect of any foreign, state or local tax laws to which you are subject.

Taxation in Hong Kong

Profits Tax

No tax is payable in Hong Kong by withholding or otherwise in respect of:

- (a) dividends of any company;
- (b) distributions of any trust authorised as a collective investment scheme by the Securities and Futures Commission under section 104 of the Securities and Futures Ordinance (Cap 571, The Laws of Hong Kong) or otherwise approved by the SFC which has issued the underlying units; and
- (c) any capital gains,

arising on the sale of the underlying securities or Structured Products, except that Hong Kong profits tax may be chargeable on any such gains in the case of certain persons carrying on a trade, profession or business in Hong Kong.

Stamp Duty

You do not need to pay any stamp duty in respect of purely cash settled Structured Products.

Taxation in the United States of America

Foreign Account Tax Compliance Withholding

Pursuant to certain provisions of the Code, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“foreign passthru payments”) to persons that fail to meet certain certification, reporting, or related requirements. The issuer is a foreign financial institution for these purposes. A number of jurisdictions (including France) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“IGAs”), which modify the way in which FATCA applies in their jurisdictions. A foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Structured Products, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Structured Products, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to foreign passthru payments on instruments such as the Structured Products, such withholding would not apply prior the date that is two years after the date on which the final U.S. Treasury Regulations defining “foreign passthru payments” are published in the Federal Register. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Structured Products. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Structured Products, no person will be required to pay additional amounts as a result of the withholding.

Section 871(m) of the U.S. Internal Revenue Code of 1986

U.S. Treasury regulations issued under Section 871(m) of the U.S. Internal Revenue Code of 1986 (“**Section 871(m) Regulations**”) generally impose a 30% withholding tax on dividend equivalents paid or deemed paid to a non-United States holder as defined pursuant to Section 871(m) Regulations (a “**Non-U.S. Holder**”) with respect to certain financial instruments linked to U.S. equities (or other securities that can pay U.S.-source dividend income) or indices that include U.S. equities (or such securities) (“**U.S. Underlying Equities**”). The 30% withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders may be reduced by an applicable tax treaty, eligible for credit against other U.S. tax liabilities or refunded, provided that the beneficial owner claims a credit or refund from the United States Internal Revenue Service (“**IRS**”) in a timely manner, but the Issuer makes no assessment as to whether any such tax credits will be available to Non-U.S. Holders.

Specifically, Section 871(m) Regulations will generally apply to Structured Products the pricing date of which occurs from 1 January 2017 and that substantially replicate the economic performance of one or more U.S. Underlying Equity(ies) as determined by the Issuer on the date for such Structured Products as of which the expected delta of the product is determined by the Issuer (such date being the “pricing date”) based on tests in accordance with the applicable Section 871(m) Regulations (for the purposes of the relevant notices describing these rules, such Structured Products are deemed “delta-one” instruments) (“**Specified Securities**”). If one or more of the U.S. Underlying Equities are expected to pay dividends during the term of the Specified Securities, withholding generally will still be required even if the Specified Security does not provide for payments explicitly linked to dividends. Even where a Structured Product is a Specified Security, no tax should be imposed under Section 871(m) as long as either (1) no dividend is paid with respect to any U.S. Underlying Equity during the term of the Structured Product or (2) both (x) no additional amount is paid to the holder of a Structured Product in respect of any such dividend and (y) as estimated by the Issuer (with the meaning of Treas. Reg. § 1.871-15(i)(2)(iii)) at the time of issuance the amount of all such dividends will be zero (Zero Estimated Dividends Securities). In such case, we will estimate the amount of dividends to be paid with respect to U.S. Underlying Equities for all periods during the term of the Structured Product to be zero and will not make any adjustments for dividends, including extraordinary dividends, that are taxable as dividend for U.S. federal income tax purposes, and thus there should be no tax imposed under section 871(m) on the Structured Product even if one or more dividends are paid with respect to a U.S. Underlying Equity.

In withholding this tax, the Issuer will regularly apply the general tax rate of 30% to the payments subject to U.S. provisions (or amounts deemed payments) without regard to any applicable treaty rate. Therefore, in such cases, an investor’s individual tax situation will not be taken into account. Structured Products linked to U.S. Underlying Equities which the Issuer has determined not to be a Specified Security will not be subject to withholding tax under Section 871(m) Regulations.

The Issuer has determined that generally Structured Products should not be linked to US Underlying Equities and should not be “delta-one” transactions within the meaning of the relevant notices and, therefore, should not be Specified Securities subject to withholding tax under Section 871(m) Regulations. Investors are advised that the Issuer’s determination is binding on all Non-U.S. Holders of the Structured Products, but it is not binding on the IRS and the IRS may therefore disagree with the Issuer’s determination.

The rules of Section 871(m) Regulations require complex calculations in respect of the instruments that include U.S. Underlying Equities and application of these rules to a specific issue of Structured Products may be uncertain. Consequently the IRS may determine they are to be applied even if the Issuer initially assumed the rules would not apply. There is a risk in such case that holders of the Structured Products are subject to withholding tax ex post.

As neither the Issuer nor the withholding agent will be required to gross up any amounts withheld in connection with a Specified Security, holders will receive smaller payments in such case than they would have received without withholding tax being imposed.

Investors should consult their tax adviser regarding the potential application of Section 871(m) Regulations to their investment in the Structured Products.

12. RISK FACTORS

Not all of the risk factors described below will be applicable to a particular series of the Structured Products. Please consider all risks carefully prior to investing in any Structured Products and consult your professional independent financial adviser and legal, accounting, tax and other advisers with respect to any investment in the Structured Products. Please read the following section together with the risk factors set out in the relevant launch announcement and supplemental listing document.

General risks in relation to us and the Guarantor

Non-collateralised structured products

The Structured Products are not secured on any of our or the Guarantor's assets or any collateral. Each series of the Structured Products constitutes our general unsecured contractual obligations and of no other person, and the Guarantee constitutes general and unsecured contractual obligations of the Guarantor and of no other person. Each series of the Structured Products will rank equally with our other unsecured contractual obligations and the Guarantor's unsecured and unsubordinated debt. At any given time, the number of the Structured Products issued by us which are outstanding may be substantial since we issue a large number of financial instruments on a global basis.

Repurchase of our Structured Products

Our Group may repurchase the Structured Products from time to time in the private market or otherwise at a negotiated price or at the prevailing market price at our discretion. You should not make any assumption as to the number of Structured Products in issue for any particular series at any time.

Creditworthiness

If you purchase the Structured Products, you are relying upon our creditworthiness and the creditworthiness of the Guarantor and have no rights under the Structured Products against:

- (a) the company which issues the underlying securities;
- (b) the trustee or the manager of the underlying unit trust; or
- (c) the index compiler of the underlying index.

We do not guarantee the repayment of your investment in any of the Structured Products. If we become insolvent or default on our obligations under the Structured Products or the Guarantor becomes insolvent or defaults on its obligations under the Guarantee, you can only claim as our or the Guarantor's unsecured creditor regardless of the performance of the underlying asset and you may not be able to recover all or even part of the amount due under the Structured Products (if any).

Any downgrading of our rating or the Guarantor's rating by rating agencies such as Moody's or S&P could result in a reduction in the value of the Structured Products.

No deposit liability or debt obligation

We are obliged to deliver to you the Cash Settlement Amount under the Conditions of each series of the Structured Products upon the termination or expiry thereof, as the case may be. We do not intend (expressly, implicitly or otherwise) to create a deposit liability or a debt obligation of any kind by the issue of Structured Product.

Conflicts of interest

We, the Guarantor or our affiliates (the "SG Group") may engage in trading or hedging transactions involving the Underlying Assets or other derivative products that may affect the value of the Underlying Assets. In addition, the SG Group may engage in other business activities such as the introduction of competing products, acting as underwriter and/or financial adviser of other securities offerings which may create conflicts of interest with the Underlying Assets thus affecting the value of the Underlying Assets. Such actions and conflicts may include, without limitation, the purchase and sale of securities, financial advisory relationships and exercise of creditor rights. The SG Group:

- (a) is not obliged to disclose such information about the Underlying Assets or such activities. The SG Group and/or our respective officers and directors may engage in any such activities without regard to the issue of the Structured Products by us or the effect that such activities may directly or indirectly have on any of the Structured Products;
- (b) may from time to time engage in transactions involving the Underlying Assets for our proprietary accounts and/or for accounts under our management and/or to hedge against the market risk associated with issuing the Structured Products. Such transactions may have a positive or negative effect on the value of the Underlying Assets and consequently upon the value of the relevant series of the Structured Products;
- (c) may from time to time act in other capacities with regard to the Structured Products, such as in an agency capacity and/or as the liquidity provider;
- (d) may issue other derivative instruments in respect of the Underlying Assets and the introduction of such competing products into the market place may affect the value of the relevant series of the Structured Products; and
- (e) may also act as underwriter in connection with future offerings of shares, units or other securities or may act as financial adviser to the issuer, or sponsor, as the case may be, of any such share or other security or in a commercial banking capacity for the issuer of any share or other security or the trustee or the manager of the unit trust. Such activities could present certain conflicts of interest and may affect the value of the Structured Products.

General risks relating to Structured Products

You may lose all your investment in the Structured Products

The Structured Products involve a high degree of risk, and are subject to a number of risks which may include, but are not limited to, interest rate, foreign exchange, time value, market and/or political risks. The Structured Products may expire worthless.

Options, warrants and asset linked instruments are priced primarily on the basis of the price or level of the Underlying Asset, the volatility of the Underlying Asset's price or level, the time remaining to expiry of the Structured Products and our creditworthiness and the creditworthiness of the Guarantor.

The price of the Structured Products may fall in value as rapidly as it may rise and you should be prepared to sustain a significant or total loss of the purchase price of the Structured Products. Assuming all other factors are held constant, the more the underlying share price, unit price or index level of a Structured Product moves in a direction against you and the shorter its remaining term to expiration, the greater the risk that you will lose all or part of your investment.

"European Style" Structured Products are only exercisable on their respective Expiry Dates and may not be exercised by you prior to the relevant Expiry Date. Accordingly, if on such Expiry Date the Cash Settlement Amount is zero or negative, you will lose the value of your investment.

The risk of losing all or any part of the purchase price of a Structured Product means that, in order to recover and realise a return on investment, you must generally anticipate correctly the direction, timing and magnitude of any change in the price or level of the Underlying Asset as may be specified in the relevant launch announcement and supplemental listing document.

Changes in the price or level of an Underlying Asset can be unpredictable, sudden and large and such changes may result in the price or level of the Underlying Asset moving in a direction which will negatively impact upon the return on your investment. You therefore risk losing your entire investment (or, in the case of Inline Warrants, a substantial part of your investment) if the price or level of the relevant Underlying Asset does not move in the anticipated direction.

The value of the Structured Products may be disproportionate or opposite to a movement in value of the Underlying Assets

An investment in the Structured Products is not the same as owning the Underlying Assets or having a direct investment in the Underlying Assets. The market values of the Structured Products are linked to the relevant Underlying Assets and will be influenced (positively or

negatively) by it or them but any change may not be comparable and may be disproportionate. It is possible that while the Underlying Asset is increasing in value, the value of the Warrant or CBBC is falling. In the case of Inline Warrants, generally, ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant, the closer the price/level of the Underlying Asset towards the mid-way of the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level, the greater the value of the Inline Warrants; conversely, the farther the price/level of the Underlying Asset from the mid-way of the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike Level, the lower the value of the Inline Warrants.

If you intend to purchase any series of the Structured Products to hedge against the market risk associated with investing in the Underlying Asset specified in the relevant launch announcement and supplemental listing document, you should recognise the complexities of utilising the Structured Products in this manner. For example, the value of the Structured Products may not exactly correlate with the price or level of the Underlying Asset. Due to fluctuations in supply and demand for the Structured Products, there is no assurance that their value will correlate with movements of the Underlying Asset. The Structured Products may not be a perfect hedge to the Underlying Asset or portfolio of which the Underlying Asset forms a part.

It may not be possible to liquidate the Structured Products at a level which directly reflects the price or level of the Underlying Asset or portfolio of which the Underlying Asset forms a part. Therefore, it is possible that you could suffer substantial losses in the Structured Products in addition to any losses suffered with respect to investments in or exposures to the Underlying Asset.

Possible illiquidity of secondary market

It is not possible to predict if and to what extent a secondary market may develop in any series of the Structured Products and at what price such series of the Structured Products will trade in the secondary market and whether such market will be

liquid or illiquid. The fact that the Structured Products are listed does not necessarily lead to greater liquidity than if they were not listed.

The liquidity of any series of the Structured Products may also be affected by restrictions on offers and sales of the Structured Products in some jurisdictions. Transactions in off-exchange Structured Products may be subject to greater risks than dealing in exchange-traded Structured Products.

While we have appointed, or will appoint, a liquidity provider for the purposes of making a market for each series of the Structured Products, there may be circumstances outside our control or the appointed liquidity provider's control where the appointed liquidity provider's ability to make a market in some or all series of the Structured Products is limited, restricted, and/or without limitation, frustrated. In such circumstances we will use our best endeavours to appoint an alternative liquidity provider.

Interest rates

Investments in the Structured Products may involve interest rate risk with respect to the currency of denomination of the Underlying Assets and/or the Structured Products. A variety of factors influence interest rates such as macro economic, governmental, speculative and market sentiment factors. Such fluctuations may have an impact on the value of the Structured Products at any time prior to valuation of the Underlying Assets relating to the Structured Products.

Time decay

The settlement amount of certain series of the Structured Products at any time prior to expiration may be less than the trading price of such series of the Structured Products at that time. The difference between the trading price or level and the settlement amount will reflect, among other things, a "time value" of the Structured Products. The "time value" of the Structured Products will depend upon, among others, the time remaining to expiry and expectations concerning the range of possible future price or level of the Underlying Assets. The value of a Warrant or CBBC will decrease over time. The value of an Inline Warrant is likely to decrease over time when the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower Strike Price or Lower

Strike Level (both inclusive), ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant. Therefore, the Structured Products should not be viewed as products for long term investments.

Exchange rate risk

There may be an exchange rate risk in the case where the Cash Settlement Amount of the Structured Products will be converted from a foreign currency into the Settlement Currency. Exchange rates between currencies are determined by forces of supply and demand in the foreign exchange markets. These forces are, in turn, affected by factors such as international balances of payments and other economic and financial conditions, government intervention in currency markets and currency trading speculation.

Fluctuations in foreign exchange rates, foreign political and economic developments and the imposition of exchange controls or other foreign governmental laws or restrictions applicable to such investments may affect the foreign currency market price and the exchange rate-adjusted equivalent price of the Structured Products. Fluctuations in the exchange rate of any one currency may be offset by fluctuations in the exchange rate of other relevant currencies. There can be no assurance that the rates of exchange between any relevant currencies which are current rates at the date of issue of any of the Structured Products will be representative of the relevant rates of exchange used in computing the value of the relevant Structured Products at any time thereafter.

Where Structured Products are described as being “quantoed”, the value of the Underlying Assets will be converted from one currency (the “**Original Currency**”) into a new currency (the “**New Currency**”) on the date and in the manner specified in, or implied by, the Conditions using a fixed exchange rate. The cost to us of maintaining such a fixing between the Original Currency and the New Currency will have an implication on the value of the Structured Products, which will vary during the term of the Structured Products. No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the Original Currency and the New Currency, a quanto feature in a Structured Product would at any time enhance

the return on the Structured Product over a level of a similar Structured Product issued without such a quanto feature.

Fixed notional exchange rate

In some series of the Structured Products the exchange rate may be fixed and the Cash Settlement Amount will be converted from the relevant foreign currency into the Settlement Currency based on a fixed notional exchange rate of one unit of the foreign currency to one unit of the Settlement Currency. You should note that the fixed exchange rate feature will affect the calculation of the market value of the Structured Products in the secondary market. Our cost of arranging such a fixed exchange rate may have an implication on the value of the Structured Products, and may vary during the terms of the Structured Products.

No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the relevant foreign currency and the Settlement Currency, a fixed exchange rate feature in the Structured Products would at any time enhance the return of the Structured Products over the same Structured Products issued without such a feature.

Taxes

You may be required to pay stamp duty, other taxes or other documentary charges. If you are in doubt as to your tax position, you should consult your own independent tax advisers. In addition, you should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time. See the section headed “Taxation” and the paragraph “Do you need to pay any tax?” in section 1 (Important Information) on page 5 of this document for further information.

The Foreign Account Tax Compliance Act (“FATCA”)

FATCA generally imposes a 30 percent withholding tax on certain U.S.-source payments to certain non-US persons that do not provide certification of their compliance with IRS rules to disclose the identity of their US owners and account holders (if any) or establish a basis for exemption for such disclosure. We are subject to

FATCA and, as a result, is required to obtain certification from investors that they have complied with FATCA disclosure requirements or have established a basis for exemption from FATCA. If an investor does not provide us with such certification, we and our Guarantor could be required to withhold U.S. tax on U.S.-source income (if any) paid pursuant to the Structured Products. In certain cases, we could be required to close an account of an investor who does not comply with the FATCA certification procedures.

FATCA IS PARTICULARLY COMPLEX. EACH INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER TO OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO DETERMINE HOW THIS LEGISLATION MIGHT AFFECT EACH INVESTOR IN ITS PARTICULAR CIRCUMSTANCES.

Modification to the Conditions

Under the Conditions, we may, without your consent, modify the terms and conditions of the Structured Products or the Master Instrument, which, in our opinion, is:

- (a) not materially prejudicial to the interests of the holders of Structured Products generally (without considering your individual circumstances or the tax or other consequences of such modification in any particular jurisdiction);
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error; or
- (d) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Possible early termination for illegality or impracticability

If we determine in good faith and in a commercially reasonable manner that, for reasons beyond our control, the performance of our obligations under the Structured Products has become illegal or impracticable (or in the case of CBBCs only, it is no longer desirable or practical for us to maintain our hedging arrangement with respect to the CBBCs), we may early terminate the Structured Products. If we early terminate the Structured Products, we will, if and to the extent permitted by applicable law, pay you an amount

determined by us in good faith and in a commercially reasonable manner to be its fair market value notwithstanding the illegality or impracticability less the cost to us of unwinding any related hedging arrangements. Such amount may be substantially less than your initial investment and may be zero.

Risks relating to the BRRD

Regulatory action(s) by the relevant resolution authorities in the event that the Issuer and/or the Guarantor is failing or likely to fail could materially affect the value of the Structured Products, and you may not be able to recover all or even part of the amount due by the Issuer under the Structured Products (if any)

The Issuer is a financial institution incorporated in Luxembourg as a public limited liability company (*société anonyme*) and is subject to Luxembourg legislation implementing the BRRD. The Guarantor is a bank incorporated in France and is subject to French legislation implementing the BRRD. The BRRD provides for the establishment of an EU framework for the recovery and resolution of credit institutions and investment firms falling under the scope of the BRRD. The BRRD requires the governments of all EU Member States to provide their relevant resolution authorities with a set of tools to intervene sufficiently early and quickly in an unsound or failing institution so as to ensure the continuity of that institution's critical financial and economic functions, while minimising the impact of that institution's failure on the broader economy and financial system.

Under both Luxembourg and French legislation implementing the BRRD, substantial powers are granted to the CSSF (in Luxembourg), the ACPR (in France) and/or other relevant resolution authorities, to implement resolution measures in respect of a relevant entity (including, for example, the Issuer and Guarantor) to protect and enhance the stability of the financial system of Luxembourg and/or France if the relevant resolution authorities consider the failure of the relevant entity has become likely and certain other conditions are satisfied (in particular, that resolution measures would be necessary in the public interest).

These powers include share transfer powers, property transfer powers (including powers for the partial transfer of property, rights and liabilities),

and resolution instrument powers (including powers to make special bail-in provisions) over the relevant affected financial institution(s). In connection with the exercise of these powers under the BRRD, the relevant resolution authorities may take various actions in relation to certain liabilities of the Issuer and/or the Guarantor due under the Structured Products and/or the Guarantee without your consent, including (if applicable, among other things):

- (a) transferring the Structured Products and/or the Guarantee to another person (such as parent undertaking or a bridge institution) notwithstanding any restrictions on transfer under the terms of the Structured Products and/or the Guarantee;
- (b) the reduction of all, or a portion, of the amounts payable by the Issuer under the Conditions and/or by the Guarantor under the terms of the Guarantee (including a reduction to zero);
- (c) the conversion of all, or a portion, of the amounts due under the Structured Products and/or the Guarantee into shares or other securities or other obligations of the Issuer and/or the Guarantor or of another person, including by means of an amendment, modification or variation of the Conditions and/or the terms of the Guarantee, in which case you agree to accept in lieu of your contractual rights under the terms of the Structured Products and/or the Guarantee any such shares, other securities or other obligations of the Issuer and/or the Guarantor or another person;
- (d) the cancellation of the Structured Products and/or the Guarantee;
- (e) the amendment or alteration of the maturity of the Structured Products and/or the Guarantee or amendment of the amount of interest payable on the Structured Products and/or the Guarantee, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and/or
- (f) if applicable, the variation of the Conditions and/or the terms of the Guarantee, if necessary to give effect to the exercise of the Bail-In Power by the relevant resolution authority.

In addition, if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):

- (a) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
- (b) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
- (c) which are not or are no longer eligible to be taken into account for the purposes of the MREL (Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014) ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer’s obligations under the Structured Products will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the holders of the Structured Products and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the holders of the Structured Products as if, in either case, the Structured Products had been directly issued by the Guarantor itself, and

as if any amount due under the Structured Products had accordingly been directly subject to the exercise of the Bail-in Power.

The exercise of any resolution power or any suggestion of such exercise under the BRRD over the Issuer and/or the Guarantor could adversely affect the value of the Structured Products, and you may not be able to recover all or even part of the amount due under the Structured Products (if any). You may therefore lose all or a substantial part of your investment in the Structured Products.

In addition, the resolution powers could be exercised (i) prior to the commencement of any insolvency proceedings in respect of the Issuer and/or the Guarantor, and (ii) by the relevant resolution authorities without your consent or any prior notice to you. It is also uncertain how the relevant resolution authorities would assess triggering conditions in different pre-insolvency scenarios affecting the Issuer and/or the Guarantor under the BRRD. Accordingly, you may not be able to anticipate a potential exercise of any such resolution powers over the Issuer and/or the Guarantor.

By investing in the Structured Products, you acknowledge, accept, consent and agree to be bound by the exercise of any Bail-In Power by the relevant resolution authorities

By investing in the Structured Products, you acknowledge, accept, consent and agree to be contractually bound by the exercise of any Bail-In Power by the relevant resolution authorities over the Issuer and/or the Guarantor. You further acknowledge, accept, consent and agree that (i) your rights under the Structured Products and/or the Guarantee are contractually subject to, and will be varied, if necessary, so as to give effect to, the exercise of any Bail-In Power by the relevant resolution authorities over the Issuer and/or the Guarantor and (ii) neither a cancellation of the Structured Products and/or the Guarantee, a reduction of all, or a portion of, the amounts due under the Conditions and/or the Guarantee, the conversion thereof into other securities or other obligations of the Issuer and/or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the holders of the Structured Products to any remedies (including equitable remedies) which are expressly waived.

Accordingly, if any Bail-In Power is exercised over the Issuer and/or the Guarantor, you may not be able to recover all or even part of the amount due under the Structured Products (if any) from the Issuer and/or from the Guarantor (under the Guarantee), or you may receive a different security issued by the Issuer and/or by the Guarantor (or another person) in place of the amount (if any) due to you under the Structured Products from the Issuer, which may be worth significantly less than the amount due to you under the Structured Products (if any). Moreover, the relevant resolution authorities may exercise the Bail-In Power without providing any advance notice to, or requiring your further consent. Please see the Conditions as set out in Parts A to G of Appendix 1, Parts A to B of Appendix 2 and Parts A to C of Appendix 3 of this document for further details, in particular Condition 1(f) of the Conditions with respect to the Bail-In Power. Please also see section 6 (Description of the Guarantee relating to the Structured Products) of this document for further details, in particular clause 4 of the Guarantee with respect to the Bail-In Power.

Risks relating to the Financial Institutions (Resolution) Ordinance

The Financial Institutions (Resolution) Ordinance (Cap. 628, the Laws of Hong Kong) (the “**FIRO**”) was enacted by the Legislative Council of Hong Kong in June 2016. The FIRO (except Part 8, section 192 and Division 10 of Part 15 thereof) came into operation on 7 July 2017.

The FIRO provides a regime for the orderly resolution of financial institutions with a view to avoiding or mitigating the risks otherwise posed by their non-viability to the stability and effective working of the financial system of Hong Kong, including the continued performance of critical financial functions. The FIRO seeks to provide the relevant resolution authorities with a range of powers to bring about timely and orderly resolution in order to stabilise and secure continuity for a failing authorised institution in Hong Kong. In particular, it is envisaged that subject to certain safeguards, the relevant resolution authority would be provided with powers to affect contractual and property rights as well as payments (including in respect of any priority of payment) that creditors would receive in resolution, including but not limited to powers to write off, or convert into equity, all or a part of the liabilities of the failing financial institution.

The Issuer is not subject to and bound by the FIRO. However, the Guarantor, as an authorised institution regulated by the Hong Kong Monetary Authority, is subject to and bound by the FIRO. The exercise of any resolution power by the relevant resolution authority under the FIRO in respect of the Guarantor may have a material adverse effect on the value of the Structured Products, and as a result, you may not be able to recover all or any amount due under the Structured Products.

Risks relating to the Underlying Asset

You have no right to the Underlying Asset

Unless specifically indicated in the Conditions, you will not be entitled to:

- (a) voting rights or rights to receive dividends, distributions or other distributions or any other rights that a holder of the shares or units of a unit trust would normally be entitled to; or
- (b) voting rights or rights to receive dividends or other distributions or any other rights with respect to any company constituting any underlying index.

Valuation risk

An investment in the Structured Products may involve valuation risk as regards the Underlying Assets to which the particular series of the Structured Products relate. The price or level of the Underlying Asset may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macro economic factors, speculation and (where the Underlying Asset is an index) changes in the formula for or the method of calculating the index.

You must be experienced with dealing in these types of Structured Products and must understand the risks associated with dealing in such products. You should reach an investment decision only after careful consideration, with your advisers, of the suitability of any of the Structured Products in light of your particular financial circumstances, the information regarding the relevant Structured Product and the particular Underlying Asset to which the value of the relevant Structured Product relates.

Adjustment related risk

Certain events relating to the Underlying Asset require or, as the case may be, permit us to make certain adjustments to the Conditions. You have limited anti-dilution protection under the Conditions of the Structured Products. We may, in our sole discretion, adjust, among other things, the Entitlement, the Exercise Price, the Strike Price, the Upper Strike Price, the Lower Strike Price or the Call Price (as the case may be) or any other terms in the events of a rights issue, an issue of shares out of capitalisation of profits or reserves or a consolidation or sub-division of the share capital of the company, a cash distribution, or in the corresponding/similar (as the case may be) events relating to the unit trust. However, we are not obliged to make an adjustment for every event that may affect an Underlying Asset, in which case the market price of the Structured Products and the return upon the exercise or expiry of the Structured Products may be affected.

In the case of a series of the Structured Products which relate to an index, the closing level of the index may be published by the index compiler at a time when one or more shares comprising the index is/are not trading. If this occurs on the Valuation Date and there is no Market Disruption Event under the applicable Conditions, then the value of such share(s) may not be included in the closing level of the index. This may have an unforeseen adverse impact on the value of your investment.

In addition, certain events relating to the index (including a material change in the formula or the method of calculating the index or a failure to publish the index) permit us to determine the level of the index on the basis of the formula or method last in effect prior to such change in formula or method.

Suspension of trading

If the Underlying Assets are suspended from trading for whatever reason on the market on which they are listed or dealt in (including the Stock Exchange), trading in the relevant series of the Structured Products will be suspended for a similar period. The value of the Warrants and CBBCs will decrease over time, while the value of an Inline Warrant is likely to decrease over time when the price or level of the Underlying Asset falls outside the range between the Upper Strike Price or Upper Strike Level and the Lower

Strike Price or Lower Strike Level (both inclusive), ignoring interim interest rates and expected dividend payments on the Underlying Asset or on any components comprising the underlying index and assuming all other factors remain constant. You should note that in the case of a prolonged suspension period, the market price of the Structured Products may be subject to a significant impact of time decay of such prolonged suspension period and may fluctuate significantly upon resumption of trading after the suspension period of the Structured Products. This may adversely affect your investment in the Structured Products.

In the case of Structured Products which relate to foreign equities, the trading hours of the underlying exchange may be different from the trading hours of the Stock Exchange. On one hand, trading in the underlying foreign equity on the underlying exchange may be suspended during non-trading hours of the Stock Exchange. On the other hand, such suspension may be lifted and trading may resume during non-trading hours of the Stock Exchange. If trading in the underlying foreign equity on the underlying exchange is suspended, trading in the Structured Products will be suspended as soon as practicable afterwards. If trading in the underlying foreign equity on the underlying exchange resumes following a suspension, trading in the Structured Products will resume as soon as practicable afterwards.

Delay in settlement

Unless otherwise specified in the relevant Conditions, in the case of any expiry of the Structured Products, there may be a time lag between the date on which the Structured Products expire, and the time the applicable settlement amount relating to such event is determined. Any such delay between the time of expiry and the determination of the settlement amount will be specified in the relevant Conditions.

However, such delay could be significantly longer, particularly in the case of a delay in the expiry of such series of the Structured Products arising from our determination that a Market Disruption Event, Settlement Disruption Event or delisting of the underlying securities or units of an underlying unit trust has occurred at any relevant time or that adjustments are required in accordance with the Conditions.

That applicable settlement amount may change significantly during any such period, and such movement or movements could decrease or modify the settlement amount of the Structured Products.

You should note that in the event of there being a Settlement Disruption Event or a Market Disruption Event, or delisting of the underlying securities or units of an underlying unit trust has occurred, payment of the Cash Settlement Amount may be delayed as more fully described in the Conditions of the Structured Products.

Time zone difference

In the case of Structured Products which relate to foreign equities or a foreign index, the trading price of the underlying foreign equity or the level of the underlying foreign index (as the case may be) is calculated and published during the trading hours of the underlying exchange or the index exchange (as the case may be). The trading hours of the underlying exchange or the index exchange (as the case may be) may be different from the trading hours of the Stock Exchange and the underlying exchange or the index exchange (as the case may be) may be located in a place outside Hong Kong which opens after the close of trading of the Stock Exchange. You should be aware of the time zone difference between Hong Kong and the place where the underlying exchange or the index exchange (as the case may be) is located in assessing the trading price of the underlying foreign equity or the level of the underlying foreign index (as the case may be). The trading price of the underlying foreign equity or the level of the underlying foreign index (as the case may be) may be volatile in response to the market movement on the underlying exchange or the index exchange (as the case may be) during which the Stock Exchange is not open for trading of the Structured Products.

Risks relating to the Structured Products over unit trusts

In the case of Structured Products which relate to the units of a unit trust:

- (a) neither we, the Guarantor nor our affiliates have the ability to control or predict the actions of the trustee or the manager of the relevant unit trust. Neither the trustee nor the manager of the relevant unit trust (i) is involved in the offer of any Structured

Product in any way, or (ii) has any obligation to consider the interest of the holders of any Structured Product in taking any corporate actions that might affect the value of any Structured Product; and

- (b) we have no role in the relevant unit trust. The manager of the relevant unit trust is responsible for making investment and other trading decisions with respect to the management of the relevant unit trust consistent with its investment objectives and in compliance with the investment restrictions as set out in the constitutive documents of the relevant unit trust. The manner in which the relevant unit trust is managed and the timing of such decisions may have a significant impact on the performance of the relevant units of the unit trust. Hence, the price of the units which is used to calculate the performance of the units is also subject to these risks.

Risks relating to Structured Products over exchange traded funds

In the case of Structured Products linked to units of an exchange traded fund (“ETF”), you should note that:

- (a) an ETF is exposed to the economic, political, currency, legal and other risks of a specific sector or market related to the underlying asset pool or index or market that the ETF is designed to track;
- (b) there may be disparity between the performance of the ETF and the performance of the underlying asset pool or index or market that the ETF is designed to track as a result of, for example, failure of the tracking strategy, currency differences, fees and expenses; and
- (c) where the underlying asset pool or index or market that the ETF tracks is subject to restricted access, the efficiency in the unit creation or redemption to keep the price of the ETF in line with its net asset value may be disrupted, causing the ETF to trade at a higher premium or discount to its net asset value. Hence, the market price of the Structured Products will also be indirectly subject to these risks.

Risks relating to Structured Products over synthetic exchange traded funds

Additionally, where the underlying asset of Structured Products comprises the units of an ETF adopting a synthetic replication investment strategy to achieve its investment objectives by investing in financial derivative instruments linked to the performance of an underlying asset pool or index that the ETF is designed to track (“**Synthetic ETF**”), you should note that:

- (a) investments in financial derivative instruments will expose the Synthetic ETF to the credit, potential contagion and concentration risks of the counterparties who issued such financial derivative instruments. If the Synthetic ETF has collateral to reduce the counterparty risk, there may still be a risk that the market value of the collateral has fallen substantially when the Synthetic ETF seeks to realise the collateral; and
- (b) the Synthetic ETF may be exposed to higher liquidity risk if the Synthetic ETF invests in financial derivative instruments which do not have an active secondary market.

The above risks may have a significant impact on the performance of the relevant ETF or Synthetic ETF and hence the market price of Structured Products linked to such ETF or Synthetic ETF.

ETF investing through RQFII and/or China Connect

Where the underlying asset of Structured Products comprises the units of an ETF (“**China ETF**”) issued and traded outside Mainland China with direct investment in the Mainland China’s securities markets through the Renminbi Qualified Foreign Institutional Investor (“**RQFII**”) regime and/or the Shanghai-Hong Kong Stock Connect and Shenzhen-Hong Kong Stock Connect (collectively, “**China Connect**”), you should note that, amongst others:

- (a) the novelty and untested nature of China Connect make China ETFs riskier than traditional ETFs investing directly in more developed markets. The policy and rules for RQFII and China Connect prescribed by the Mainland China government are new and subject to change, and there may be uncertainty to their implementation. The uncertainty and change of the laws and

regulations in Mainland China may adversely impact on the performance of China ETFs and the trading price of the relevant units;

- (b) a China ETF primarily invests in securities traded in the Mainland China's securities markets and is subject to concentration risk. Investment in the Mainland China's securities markets (which are inherently stock markets with restricted access) involves certain risks and special considerations as compared with investment in more developed economies or markets, such as greater political, tax, economic, foreign exchange, liquidity and regulatory risks. The operation of a China ETF may also be affected by interventions by the applicable government(s) and regulators in the financial markets; and
- (c) investment by a China ETF in the Mainland China's securities market under the RQFII regime is currently subject to its manager's RQFII quota allocated to such China ETF. In addition, trading of securities invested by the China ETF under China Connect will be subject to a daily quota which does not belong to such China ETF and is utilised on a first-come-first-serve basis. In the event that the RQFII quota allocated to such China ETF and/or the daily quota under China Connect are reached, the manager may need to suspend creation of further units of such China ETF, and therefore may affect the liquidity in unit trading of such China ETF. In such event, the trading price of a unit of such China ETF is likely to be at a significant premium to its net asset value, and may be highly volatile. Although the State Administration of Foreign Exchange has announced that the quota restrictions under the RQFII (and Qualified Foreign Institutional Investor) regimes will be removed, the detailed implementation rules and official effective date of the quota removal are not yet available.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Please read the offering documents of the relevant China ETF to understand its key features and risks.

ETF traded through dual counters model

Where the underlying asset of Structured Products comprises the units of an ETF which adopts the dual counters model for trading its units on the Stock Exchange in Renminbi ("**RMB**") and Hong Kong dollars ("**HKD**") separately, the novelty and relatively untested nature of the Stock Exchange's dual counters model may bring the following additional risks:

- (a) the Structured Products may be linked to the HKD-traded units or the RMB-traded units. If the underlying asset of Structured Products is the HKD-traded units, movements in the trading prices of the RMB-traded units should not directly affect the price of the Structured Products. Similarly, if the underlying asset of Structured Products is the RMB-traded units, movements in the trading prices of the HKD-traded units should not directly affect the price of the Structured Products;
- (b) if there is a suspension of inter-counter transfer of such units between the HKD counter and the RMB counter for any reason, such units will only be able to be traded in the relevant currency counter on the Stock Exchange, which may affect the demand and supply of such units and have an adverse effect on the price of the Structured Products; and
- (c) the trading price on the Stock Exchange of the HKD-traded units and RMB-traded units may deviate significantly due to different factors, such as market liquidity, RMB conversion risk, supply and demand in each counter and the exchange rate between RMB and HKD. Changes in the trading price of HKD-traded units or RMB-traded units (as the case may be) may adversely affect the price of the Structured Products.

*Real estate investment trust ("**REIT**")*

Where the underlying asset of Structured Products comprises the units of a REIT, you should note that the primary investment objective of a REIT is to invest in a real estate portfolio. Each REIT is exposed to risks relating to investments in real estate, including but not limited to (a) adverse changes in political or economic conditions; (b) changes in interest rates and the availability of debt or equity financing, which may result in an

inability by the REIT to maintain or improve the real estate portfolio and finance future acquisitions; (c) changes in environmental, zoning and other governmental rules; (d) changes in market rents; (e) any required repair and maintenance of the portfolio properties; (f) breach of any property laws or regulations; (g) the relative illiquidity of real estate investment; (h) real estate taxes; (i) any hidden interests in the portfolio properties; (j) any increase in insurance premiums and (k) any uninsurable losses.

There may also be disparity between the market price of the units of a REIT and the net asset value per unit. This is because the market price of the units of a REIT also depends on many factors, including but not limited to (a) the market value and perceived prospects of the real estate portfolio; (b) changes in economic or market conditions; (c) changes in market valuations of similar companies; (d) changes in interest rates; (e) the perceived attractiveness of the units of the REIT against those of other equity securities; (f) the future size and liquidity of the market for the units and the REIT market generally; (g) any future changes to the regulatory system, including the tax system and (h) the ability of the REIT to implement its investment and growth strategies and to retain its key personnel.

The above risks may have a significant impact on the performance of the relevant units and the price of the Structured Products.

Risk relating to the Inline Warrants

The Inline Warrants are exotic warrants and are not comparable to the Warrants

The Inline Warrants are exotic warrants with different terms and risk and return profile compared to standard call or put Warrants listed on the Stock Exchange and are not comparable to the Warrants. The Inline Warrants carry exotic features and their terms and pricing may be more complicated than the Warrants. The Inline Warrants may behave quite differently from the Warrants and other exotic warrants in its response to the price levels/levels or movements in the price/level of the Underlying Asset. The pricing structure of the Inline Warrants requires investors to assess accurately the value of the Inline Warrants in relation to the expected probability of the Average Price/Closing Level falling within the range between the Upper Strike Price/Upper Strike Level and the Lower Strike Price/Lower Strike

Level (both inclusive). The Inline Warrants are highly complicated and risky financial instruments and may be difficult for investors to properly value and/or to use as a hedging tool. You should carefully review and understand the Conditions, including the exotic features, before deciding to invest in the Inline Warrants. In particular, you should note that the Inline Warrants provide a pre-fixed potential payoff at either **a capped amount or a floor amount** at expiry. If the Average Price/Closing Level falls outside the range between the Lower Strike Price/Lower Strike Level and the Upper Strike Price/Upper Strike Level (both inclusive), you will receive a lower fixed and floor amount equal to the Minimum Payoff Amount per Inline Warrant (which may be substantially less than your initial investment) at expiry and may suffer loss in your investment. You will still receive the Minimum Payoff Amount per Inline Warrant in this scenario because such amount is included in the price you pay for buying the Inline Warrants. Do not invest in the Inline Warrants unless you fully understand them and are willing to assume the risks associated with them.

Maximum potential payoff is fixed and capped

If the Average Price/Closing Level stays within the range between the Lower Strike Price/Lower Strike Level and the Upper Strike Price/Upper Strike Level (both inclusive), we will only pay you a fixed and capped amount equal to the Maximum Payoff Amount per Inline Warrant at expiry. This is the maximum potential payoff under the Inline Warrants.

Non-recognition of trades executed at the price above HK\$1

You should note that any trades of Inline Warrants which are executed at the price above HK\$1 will be cancelled and will not be recognised by the Stock Exchange. The Stock Exchange and its recognised exchange controller, HKEX, will not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in

connection with such non-recognition of trades, including without limitation, any delay, failure, mistake or error in such non-recognition of trades.

We and our affiliates shall not have any responsibility for any losses suffered as a result of such non-recognition of trades in any circumstances.

Prohibition on the sale of certain binary options in European retail markets

There have been regulatory concerns over the sale of certain binary options to retail investors across the European Union in recent years. Such binary options are typically traded over-the-counter with bespoke structures and are very short-term, making them extremely speculative in nature. Until recently, the European Securities and Markets Authority (“ESMA”) implemented a temporary ban on the marketing, distribution or sale of binary options to retail customers in the European Union except for securitised binary options. The temporary ban expired and was lifted by ESMA on 1 July 2019 based on the fact that most national competent authorities within the European Union had taken permanent national product intervention measures relating to binary options that are at least as stringent as ESMA’s measure. For example, the Financial Conduct Authority (“FCA”) in the United Kingdom (a then European Union member) imposed a permanent ban effective from 2 April 2019 on the marketing, distribution or sale of all binary options (including securitised binary options) to retail customers in the United Kingdom while the Federal Financial Supervisory Authority (“BaFin”) in Germany and the Autorite des Marchés Financiers (“AMF”) of France had also permanently banned the marketing, distribution or sale of binary options (other than securitised binary options) to retail customers.

The Inline Warrants are a form of securitised binary options. Unlike the binary options in the European retail markets as described above, the Inline Warrants listed on the Stock Exchange have a more standardised structure and relatively longer period to expiry (with a minimum duration of 6 months before expiry).

Irrespective of the differences between the Inline Warrants listed on the Stock Exchange and the binary options in Europe, you should nevertheless note the approach taken by the European regulators over binary options. The Inline

Warrants are complex products. You should fully understand the structure and terms and conditions of the Inline Warrants and are willing to assume the risks associated with them before investing in the Inline Warrants.

Risk relating to the CBBCs

Correlation between the price of a CBBC and the price or level of the Underlying Asset

When the Underlying Asset of a CBBC is trading at a price or level close to its Call Price or Call Level (as the case may be), the price of that CBBC tends to be more volatile and any change in the value of that CBBC at such time may be incomparable and disproportionate to the change in the price or level of the Underlying Asset.

Mandatory Call Event is irrevocable except in limited circumstances

The Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:

- (a) system malfunction or other technical errors of HKEX (such as the setting up of the wrong Call Price or Call Level (as the case may be) and other parameters), and such event is reported by the Stock Exchange to us and we and the Stock Exchange mutually agree that the Mandatory Call Event is to be revoked; or
- (b) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the index level by the relevant Index Compiler), and such event is reported by us to the Stock Exchange, and we and the Stock Exchange mutually agree that the Mandatory Call Event is to be revoked,

in each case, such mutual agreement must be reached between the Stock Exchange and us no later than such time as prescribed in the relevant launch announcement and supplemental listing document (if applicable) and the relevant Conditions. Upon revocation of the Mandatory Call Event, trading of the CBBCs will resume and any trade cancelled after such Mandatory Call Event will be reinstated.

Disclaimers relating to Mandatory Call Event

The Stock Exchange and its recognised exchange controller, HKEX, shall not incur any liability (whether based on contract, tort (including, without limitation, negligence), or any other legal or equitable grounds and without regard to the circumstances giving rise to any purported claim except in the case of wilful misconduct on the part of the Stock Exchange and/or HKEX) for any direct, consequential, special, indirect, economic, punitive, exemplary or any other loss or damage suffered or incurred by us or any other party arising from or in connection with the Mandatory Call Event or the suspension of trading (the “**Trading Suspension**”) or the non-recognition of trades after the Mandatory Call Event (the “**Non-Recognition of Post MCE Trades**”), including without limitation, any delay, failure, mistake or error in the Trading Suspension or the Non-Recognition of Post MCE Trades.

We, the Guarantor and our respective affiliates shall not have any responsibility towards you for any losses suffered as a result of the Trading Suspension and/or the Non-Recognition of Post MCE Trades in connection with the occurrence of the Mandatory Call Event or the resumption of trading of the CBBCs or reinstatement of any Post MCE Trades cancelled in connection with the reversal of any Mandatory Call Event notwithstanding that such Trading Suspension and/or such Non-Recognition of Post MCE Trades occurs as a result of an error in the observation of the event.

The Residual Value will not include residual funding cost

For Category R CBBCs, the Residual Value (if any) payable by us following the occurrence of the Mandatory Call Event will not include any residual funding cost for the CBBCs. You will not receive any residual funding cost back from us upon early termination of the CBBCs after the occurrence of the Mandatory Call Event.

Delay in announcements of the Mandatory Call Event

The Stock Exchange will notify the market as soon as practicable after the CBBCs have been called. You must however be aware that there may be delay in the announcements of the occurrence of the Mandatory Call Event due to technical errors or system failures and other factors that are beyond our control or the control of the Stock Exchange.

Our hedging activities may adversely affect the price or level of the Underlying Asset

We, the Guarantor, any of our affiliates and/or our respective officers and directors may carry out activities that minimise our risks related to the CBBCs, including effecting transactions for our own account or for the account of our customers and hold long or short positions in the Underlying Asset whether for risk reduction purposes or otherwise. In addition, in connection with the issuance and trading of any CBBCs, we, the Guarantor and/or any of our affiliates may enter into one or more hedging transactions with respect to the Underlying Asset. In connection with such hedging or market-making activities or with respect to proprietary or other trading activities by us, the Guarantor and/or any of our affiliates, we, the Guarantor and/or any of our affiliates may enter into transactions in respect of the Underlying Asset which may affect the market price, liquidity or price or level of the Underlying Asset and/or the value of the CBBCs and which could be deemed to be adverse to your interests. We, the Guarantor and/or our affiliates are likely to modify our hedging positions throughout the life of the CBBCs whether by effecting transactions in the Underlying Asset or in derivatives linked to the Underlying Asset. Further, it is possible that the advisory services which we, the Guarantor, our respective affiliates and/or our respective officers and directors provide in the ordinary course of our business could lead to an adverse impact on the value of the Underlying Asset.

Unwinding of hedging arrangements

Our trading and/or hedging activities and those of the Guarantor or any of our related parties related to CBBCs and/or other financial instruments issued by us from time to time may have an impact on the price or level of the Underlying Asset and may trigger the Mandatory Call Event. In particular, when the Underlying Asset is trading close to the Call Price or the Call Level (as the case may be), our unwinding activities may cause a fall in or a rise of (as the case may be) the trading price or index level which may lead to the occurrence of the Mandatory Call Event as a result of such unwinding activities.

In respect of Category N CBBCs, we, the Guarantor or any of our related party may unwind any hedging transactions entered into by us, the Guarantor or any of our related party in relation to our CBBCs at any time even if such unwinding activities may trigger the occurrence of the Mandatory Call Event.

In respect of Category R CBBCs, before the occurrence of the Mandatory Call Event, we, the Guarantor or any of our related party may unwind our hedging transactions relating to the CBBCs in proportion to the amount of the CBBCs they repurchase from the market from time to time. Upon the occurrence of the Mandatory Call Event, we, the Guarantor or any of our related party may unwind any hedging transactions in relation to the CBBCs. Such unwinding activities after the occurrence of the Mandatory Call Event may affect the trading price or index level of the Underlying Asset and consequently the Residual Value for the CBBCs.

Risks relating to the legal form of the Structured Products

Each series of the Structured Products will be represented by a permanent global certificate registered in the name of HKSCC Nominees Limited (or such other nominee company as may be used by HKSCC from time to time in relation to the provision of nominee services to persons admitted for the time being by HKSCC as a participant of CCASS).

The Structured Products issued in global registered form and held on your behalf within a clearing system effectively means that evidence of your title, as well as the efficiency of ultimate delivery of the Cash Settlement Amount, will be subject to the CCASS Rules. You should be aware of the following risks:

- (a) you will not receive definitive certificates where the Structured Products remain in the name of HKSCC Nominees Limited for the entire life of the Structured Products;
- (b) any register that is maintained by us or on our behalf, while available for inspection by you, will not be capable of registering any interests other than that of the legal title owner, in other words, it will record at all times that the Structured Products are being held by HKSCC Nominees Limited;
- (c) you will need to rely on any statements you received from your brokers/custodians as evidence of your interest in the Structured Products;
- (d) notices/announcements will be simultaneously published on the website of HKEX and/or released by CCASS to their participants. You will need to check the website of HKEX regularly and/or rely on your brokers/custodians to obtain such notices/ announcements; and

(e) following the Expiry Date and the determination by us as to the Cash Settlement Amount, our obligations to you will be duly performed by payment of the Cash Settlement Amount in accordance with the Conditions to HKSCC Nominees Limited as the “**holder**” of the Structured Products. HKSCC or HKSCC Nominees Limited will then distribute the received Cash Settlement Amount to the respective CCASS participants in accordance with the CCASS Rules.

Effect of the combination of risk factors is unpredictable

Two or more risk factors may simultaneously have an effect on the value of a series of the Structured Products such that the effect of any individual risk factor may not be predictable. No assurance can be given as to the effect any combination of risk factors may have on the value of a series of the Structured Products.

Fee arrangements with the brokers and conflicts of interest of brokers

We may enter into fee arrangements with the brokers and/or any of its affiliates with respect to the placement of the Structured Products in the primary market. You should note that any brokers with whom we have a fee arrangement does not, and cannot be expected to, deal exclusively in the Structured Products, therefore any broker and/or its subsidiaries or affiliates may from time to time engage in transactions involving the Underlying Assets and/or the structured products of other issuers over the same Underlying Assets to which the particular series of Structured Products may relate, or other underlying assets as the case may be, for their proprietary accounts and/or for the accounts or their clients. The fact that the same broker may deal simultaneously for different clients in competing products in the market place may affect the value of the Structured Products and present certain conflicts of interests.

APPENDIX 1 – TERMS AND CONDITIONS OF WARRANTS

The following pages set out the Conditions in respect of different types of Warrants.

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**PART A – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALL/PUT WARRANTS
OVER SINGLE EQUITIES
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise. The Warrants do not entitle the Warrantholders to delivery of any Shares, are not secured by Shares and do not entitle Warrantholders to any interest in any Shares.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 5.
- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 10.

4. Expiry Date

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. Exercise of Warrants

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less

than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Condition 6 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount (if positive) payable in the Settlement Currency equal to:

- (i) in respect of a series of call Warrants:

$$\begin{array}{l} \text{Cash Settlement} \\ \text{Amount per} \\ \text{Board Lot} \end{array} = \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

- (ii) in respect of a series of put Warrants:

$$\begin{array}{l} \text{Cash Settlement} \\ \text{Amount per} \\ \text{Board Lot} \end{array} = \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Company” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Exercise Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Market Disruption Event” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrants per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Series” means each series of Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“Share” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6, and **“Shares”** shall be construed accordingly;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong for the time being on which the Shares are listed;

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the **“Last Valuation Date”**) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event; and

“Warrants” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a **“Rights Offer”**), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

- E: Existing Entitlement immediately prior to the Rights Offer
- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

- E: Existing Entitlement immediately prior to the Bonus Issue
- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Subdivisions or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

(d) *Restructuring Events.* If it is announced that the Company:

- (i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or
- (ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of shares of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Share(s) (as the case may be) to which a holder of the number of Shares comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

- (e) *Cash Distribution.* No capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (f) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (g) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding

or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

16. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

18. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART B – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALL/PUT WARRANTS
OVER AN INDEX
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.
- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.

- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer's liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
 - (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 5.

- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. **Illegality or Impracticability**

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 10.

4. **Expiry Date**

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. **Exercise of Warrants**

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.
- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) (if applicable) converted into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) (if applicable) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

- (i) in respect of a series of call Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}} \\ \text{Board Lot} & & \end{array}$$

- (ii) in respect of a series of put Warrants:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Closing Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Divisor**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“First Exchange Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Index” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means a day on which the Index is published by the Index Compiler or, as the case may be, the Successor Index Compiler;

“Index Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Futures Contracts” means the relevant index futures contracts for the purpose of determining the Closing Level as more particularly provided in the relevant Launch Announcement and Supplemental Listing Document;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (A) the limitation on the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (B) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;
- (3) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (4) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“**Second Exchange Rate**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“**Series**” means each series of the Warrants;

“**Settlement Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“**Settlement Disruption Event**” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Strike Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Valuation Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated; and

“**Warrants**” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Adjustments to the Index

(a) *Successor Sponsor Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler, but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

(b) *Modification and Cessation of Calculation of Index.* If:

- (i) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities, currencies or other assets that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities, currencies or other assets that have since ceased to be listed on the relevant Exchange) or, as the case may be, the final settlement price for settling the relevant Index Futures Contracts on the relevant Futures Exchange on the Expiry Date as determined pursuant to the Rules, Specifications, Regulations and Procedures of such Exchange.

(c) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholders or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.

(d) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

13. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

14. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART C – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALL/PUT WARRANTS
OVER CURRENCY
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.

- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer's liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
 - (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any) converted into the Settlement Currency at the Exchange Rate. Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 5.

- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. **Illegality or Impracticability**

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9.

4. **Expiry Date**

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. **Exercise of Warrants**

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder in the Settlement Currency the Cash Settlement Amount (if any), converted into the Settlement Currency at the Exchange Rate.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open in Hong Kong for carrying on foreign exchange transactions and for business;

“**Cash Settlement Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document and for the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Final Settlement Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Launch Announcement and Supplemental Listing Document**” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“**Second Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Series**” means each series of the Warrants;

“**Settlement Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after the Valuation Date;

“**Settlement Disruption Event**” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Valuation Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 10; and

“**Warrants**” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

10. Disruption Event

If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Issuer will determine the Final Settlement Level or the Exchange Rate (as the case may be) on the basis of its good faith estimate of the Final Settlement Level or the Exchange Rate (as the case may be), that would have prevailed on that day but for the occurrence of the Disruption Event.

For the purposes of these Conditions, a “**Disruption Event**” means any circumstances in which the Final Settlement Level or the Exchange Rate cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer may believe appropriate at such time after taking into account all the relevant circumstances.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Adjustments

- (a) *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase the Settlement Currency; (ii) otherwise restrict the Issuer’s ability to obtain the Settlement Currency; or (iii) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement

Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market applicable to the Settlement Currency, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 5(b) shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in the Second Currency or such other currency as determined appropriate by the Issuer.

- (b) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
 - (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 9.

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

15. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

17. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART D – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALL/PUT WARRANTS
OVER COMMODITIES
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.
- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.

- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer's liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
 - (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any), converted into the Settlement Currency at the Exchange Rate. Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 5.

- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. **Illegality or Impracticability**

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9.

4. **Expiry Date**

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. **Exercise of Warrants**

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount (if any), converted into the Settlement Currency at the Exchange Rate.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open in Hong Kong for carrying on foreign exchange transactions and for business;

“**Cash Settlement Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document and for the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Closing Price**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Commodities**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Hong Kong**” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“**Launch Announcement and Supplemental Listing Document**” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Price Source” means the publication (or such other origin of price source reference) (if any) specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Related Exchange” means any exchange or quotation system in a major international market (including but not limited to New York, Chicago, London, Australia and Frankfurt) on which options contracts or futures contracts or other derivatives contracts relating to the Commodities are traded, as determined by the Issuer;

“Second Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Series” means each series of the Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the Valuation Date;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Valuation Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 10; and

“Warrants” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the applicable laws or regulations of Hong Kong and/or any other relevant jurisdiction(s).

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

10. Disruption Event

If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Issuer will determine the Closing Price or the Exchange Rate (as the case may be) on the basis of its good faith estimate of the Closing Price or the Exchange Rate (as the case may be), that would have prevailed on that day but for the occurrence of the Disruption Event.

For the purposes of these Conditions, a “**Disruption Event**” means:

- (1) any circumstances in which the Closing Price or the Exchange Rate cannot be determined on the Valuation Date by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

- (2) the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any the suspension of or, limitation imposed on, the trading in the Commodities or any options or futures contracts relating to the Commodities (a) on a Related Exchange; or (b) generally; or
- (3) a limitation or closure of any Related Exchange or the Stock Exchange due to any unforeseen circumstances.

For the purposes of this definition, (i) the limitation on the number of hours or days of trading will not constitute a Disruption Event if it results from an announced change in the regular business hours of any exchange, and (ii) a limitation imposed on trading, including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Disruption Event.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Adjustments

- (a) *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase the Settlement Currency; (ii) otherwise restrict the Issuer's ability to obtain the Settlement Currency; or (iii) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 5(b) shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in the Second Currency or such other currency as determined appropriate by the Issuer.
- (b) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
 - (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 9.

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

15. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

17. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART E – TERMS AND CONDITIONS OF THE
EUROPEAN STYLE CASH SETTLED CALL/PUT WARRANTS
OVER COMMODITY FUTURES
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.
- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.

- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer's liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
 - (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any), converted into the Settlement Currency at the Exchange Rate. Payment of the Cash Settlement Amount shall be made in the manner set out in Condition 5.

- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. **Illegality or Impracticability**

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 9.

4. **Expiry Date**

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. **Exercise of Warrants**

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder in the Settlement Currency the Cash Settlement Amount (if any), converted into the Settlement Currency at the Exchange Rate.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open in Hong Kong for carrying on foreign exchange transactions and for business;

“**Cash Settlement Amount**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document and for the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Commodity**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Commodity Business Day**” means a day that is (or, but for the occurrence of a Disruption Event, would have been) a trading day on the Futures Contract Exchange;

“**Commodity Futures**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Exchange Rate**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Final Settlement Price**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Futures Contract**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Futures Contract Exchange” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Second Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Series” means each series of the Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the Valuation Date;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Valuation Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 10; and

“Warrants” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

8. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong and/or any other relevant jurisdiction(s).

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

10. Disruption Event

If, in the opinion of the Issuer, a Disruption Event (as defined below) has occurred and is continuing on the Valuation Date, then the Issuer will determine the Final Settlement Price or the Exchange Rate (as the case may be) on the basis of its good faith estimate of the Final Settlement Price or the Exchange Rate (as the case may be), that would have prevailed on that day but for the occurrence of the Disruption Event.

For the purposes of these Conditions, a “**Disruption Event**” means (1) any circumstances in which the Final Settlement Price or the Exchange Rate cannot be determined by the Issuer on the Valuation Date in the manner set out in these Conditions or (2) the occurrence since the Issue

Date of a material change in the formula for or the method of calculating the price of the Commodity and/or the Futures Contract or (3) the occurrence since the Issue Date of a material change in the content, composition or constitution of the Commodity or the Futures Contract or (4) the replacement of the Futures Contract by a new commodity futures contract as announced by the Futures Contract Exchange or any or competent market authority or (5) the occurrence or existence, on a Valuation Date during the one-half hour period that ends at the close of trading, of any of:

- (i) the suspension or limitation of the trading of the Futures Contract; or
- (ii) the suspension or limitation of the trading of options or futures relating to the Futures Contract on any options or futures exchanges or generally.

For the purposes of this definition, (i) the limitation on the number of hours or days of trading will not constitute a Disruption Event if it results from an announced change in the regular business hours of any exchange, and (ii) a limitation imposed on trading including but not limited to unforeseen circumstances such as by reason of the movements in price exceeding the levels permitted by any relevant exchange or any act of God, war, riot, public disorder, explosion, terrorism or otherwise, occurring and/or existing during the one-half hour period that ends at the regular time for the close of trading, will constitute a Disruption Event.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

12. Adjustments

- (a) *Foreign Currency Controls.* If exchange control or other laws, regulations, directives or guidelines are imposed by any central banking authority or other governmental or regulatory body which (i) require the Issuer to obtain permission from such authority or regulatory body to purchase the Settlement Currency; (ii) otherwise restrict the Issuer's ability to obtain the Settlement Currency; or (iii) otherwise adversely regulates the purchase or holding of the Settlement Currency such that additional costs are imposed in obtaining the Settlement Currency which would not be imposed in the absence of such laws, regulations, directives or guidelines or if the cost of obtaining the Settlement Currency at the Exchange Rate is determined by the Issuer to be excessive because of a disruption in the foreign exchange market applicable to the Settlement Currency, then, upon notice from the Issuer to Warrantholders in accordance with Condition 9 to such effect, Warrantholders deemed to have exercised their Warrants in accordance with Condition 5(b) shall receive, at the option of the Issuer, in lieu of the Settlement Currency, an amount equal to the Cash Settlement Amount in the Second Currency or such other currency as determined appropriate by the Issuer.
- (b) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
 - (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.

- (c) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 9.

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

15. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

17. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART F – TERMS AND CONDITIONS OF THE
EUROPEAN STYLE CASH SETTLED CALL/PUT WARRANTS
OVER SINGLE UNIT TRUST
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise. The Warrants do not entitle the Warrantholders to delivery of any Units, are not secured by Units and do not entitle Warrantholders to any interest in any Units.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 5.
- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 10.

4. Expiry Date

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. Exercise of Warrants

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less

than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Condition 6 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount (if positive) payable in the Settlement Currency equal to:

- (i) in respect of a series of call Warrants:

$$\begin{array}{rcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

- (ii) in respect of a series of put Warrants:

$$\begin{array}{rcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“CCASS Settlement Day” has the meaning ascribed to the term **“Settlement Day”** in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Exercise Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Market Disruption Event” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange (i) in the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on an day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Number of Warrants per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Series” means each series of the Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong for the time being on which the Units are listed;

“Trust” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Unit” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6, and **“Units”** shall be construed accordingly;

“Valuation Date” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Units on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the **“Last Valuation Date”**) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Units on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event; and

“Warrants” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Adjustments

- (a) Rights Issues. If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a **“Rights Offer”**), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R: Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which the trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Subdivisions or Consolidations.* If and whenever the Trust shall subdivide its Units or any class of its outstanding units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding unit into a smaller number of units (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

(d) *Restructuring Events.* If it is announced that the Trust:

- (i) is to or may merge with or into any other trust or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, controlled by any person or corporation); or
- (ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Trust is the surviving trust in a merger), the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of Units of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Unit(s) (as the case may be) to which a holder of the number of Units comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

- (e) *Cash Distribution.* No capital adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Unit

OD: The Ordinary Distribution per Unit, provided that the date on which the Units are traded on an ex-Ordinary Distribution basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (f) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (g) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding

or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

11. Termination or Liquidation

- (a) In the event of a Termination or the liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose. In the case of a Termination, the unexercised Warrants will lapse and shall cease to be valid for any purpose on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.
- (b) For the purpose of this Condition 11, “**Termination**” means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) (“**Manager**”) is required to terminate the Trust under the trust deed (“**Trust Deed**”) constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been

constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571, The Laws of Hong Kong).

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

16. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

18. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART G – TERMS AND CONDITIONS OF THE EUROPEAN STYLE
CASH SETTLED CALL/PUT WARRANTS
OVER SINGLE FOREIGN EQUITIES
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Warrants provide for cash settlement on exercise. The Warrants do not entitle the Warrantholders to delivery of any Shares, are not secured by Shares and do not entitle Warrantholders to any interest in any Shares.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Warrants may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Warrants or amendment of the amount of interest payable on the Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Warrants, a reduction of all, or a portion of, the amounts due under the Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Warrant Rights and Exercise Expenses

- (a) *Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Condition 5.
- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. Illegality or Impracticability

The Issuer is entitled to terminate the Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 10.

4. Expiry Date

Unless automatically exercised in accordance with Condition 5(b), the Warrants shall be deemed to expire on the Expiry Date.

5. Exercise of Warrants

- (a) *Exercise.* Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. If the Cash Settlement Amount is a positive figure, all Warrants shall be deemed to have been exercised automatically on the Expiry Date. In the event the Cash Settlement Amount is less

than or equal to zero, all Warrants shall be deemed to have expired on the Expiry Date and Warrantholders shall not be entitled to receive any payment from the Issuer in respect of the Warrants.

- (c) *Settlement.* In respect of Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Average Price**” means the arithmetic mean of the official closing prices of one Share (subject to any adjustment to such official closing prices as may be necessary to reflect any event as contemplated in Condition 6 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount (if positive) payable in the Settlement Currency equal to:

- (i) in respect of a series of call Warrants:

$$\begin{array}{rcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Average Price} - \text{Exercise Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

- (ii) in respect of a series of put Warrants:

$$\begin{array}{rcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Exercise Price} - \text{Average Price}) \times \text{one Board Lot}}{\text{Number of Warrants per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

in each case, converted (if applicable) from the Underlying Currency into the Settlement Currency at the Exchange Rate.

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“CCASS Settlement Day” has the meaning ascribed to the term **“Settlement Day”** in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Company” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Exchange Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Exercise Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Market Disruption Event” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Underlying Exchange or otherwise) on the Underlying Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material; or
- (2) the closing of the Underlying Exchange or a disruption or limitation to trading on the Underlying Exchange due to any unforeseen circumstances;

“Number of Warrants per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Series” means each series of Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“**Share**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6, and “**Shares**” shall be construed accordingly;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Underlying Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Underlying Exchange**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Underlying Exchange Business Day**” means a day (excluding Saturdays, Sundays or public holidays) on which the Underlying Exchange is scheduled to open for dealings during its regular trading sessions;

“**Valuation Date**” means each of the five Underlying Exchange Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Underlying Exchange Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on an Underlying Exchange Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the official closing price of the Shares on the first succeeding Underlying Exchange Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five official closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Underlying Exchange Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the official closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event; and

“**Warrants**” means the warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Underlying Exchange Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the official closing price on the Underlying Exchange on the last Underlying Exchange Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues*. If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Underlying Exchange Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Subdivisions or Consolidations*. If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Exercise Price will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Exercise Price will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

- (d) *Restructuring Events*. If it is announced that the Company:

- (i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or
- (ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the Warrants may in the absolute discretion of the Issuer be amended no later than the Underlying Exchange Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of shares of the corporation(s) resulting from or surviving such Restructuring Event,

or (ii) other securities or cash offered in substitution for Share(s) (as the case may be) to which a holder of the number of Shares comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

- (e) *Cash Distribution.* No capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Share’s official closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Underlying Exchange Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The official closing price of the Share on the Underlying Exchange on the Underlying Exchange Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Exercise Price by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (f) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (g) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Warrants at any price in the open market or by tender or by private treaty. Any Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Warrants.

9. Meetings of Warrantholders; Modification

- (a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong and/or other relevant jurisdiction(s).

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Underlying Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Underlying Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Warrants.

16. Governing Law

The Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Warrants) shall be deemed to have submitted for all purposes in connection with the Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

18. Prescription

Claims against the Issuer for payment of any amount in respect of the Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

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Three Pacific Place
1 Queen's Road East
Hong Kong

APPENDIX 2 – TERMS AND CONDITIONS OF INLINE WARRANTS

The following pages set out the Conditions in respect of different types of Inline Warrants.

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**PART A – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED INLINE WARRANTS OVER
SINGLE EQUITIES
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Inline Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Inline Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Inline Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 12) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Inline Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The Inline Warrants provide for cash settlement on exercise. The Inline Warrants do not entitle the Warrantholders to delivery of any Shares, are not secured by Shares and do not entitle Warrantholders to any interest in any Shares.

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Inline Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Inline Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Inline Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Inline Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Inline Warrants may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Inline Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Inline Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Inline Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Inline Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the Inline Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Inline Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Inline Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Inline Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Inline Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Inline Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Inline Warrants or amendment of the amount of interest payable on the Inline Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Inline Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Inline Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Inline Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Inline Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Inline Warrants, a reduction of all, or a portion of, the amounts due under the Inline Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Inline Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. **Inline Warrant Rights and Exercise Expenses**

- (a) *Inline Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount in the manner set out in Condition 5.
- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Inline Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. **Illegality or Impracticability**

The Issuer is entitled to terminate the Inline Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Inline Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change, in the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Inline Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Inline Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 10.

4. **Expiry Date**

Unless automatically exercised in accordance with Condition 5(b), the Inline Warrants shall be deemed to expire on the Expiry Date.

5. **Exercise of Inline Warrants**

- (a) *Exercise.* Inline Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. All Inline Warrants shall be deemed to have been exercised automatically on the Expiry Date.

- (c) *Settlement.* In respect of Inline Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“**Average Price**” means the arithmetic mean of the closing prices of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing prices as may be necessary to reflect any event as contemplated in Condition 6 such as capitalisation, rights issue, distribution or the like) in respect of each Valuation Date;

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount payable in the Settlement Currency equal to:

- (i) if the Average Price is at or below the Upper Strike Price and at or above the Lower Strike Price:

$$\text{Cash Settlement Amount per Board Lot} = \text{Maximum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

- (ii) if the Average Price is above the Upper Strike Price or below the Lower Strike Price:

$$\text{Cash Settlement Amount per Board Lot} = \text{Minimum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Company**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Expiry Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Inline Warrants” means the inline warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Inline Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Lower Strike Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Market Disruption Event” means:

- (1) the occurrence or existence on any Valuation Date during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (2) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (3) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Minimum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Series” means each series of Inline Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Average Price is determined in accordance with the Conditions;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“**Share**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6, and “**Shares**” shall be construed accordingly;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong for the time being on which the Shares are listed;

“**Upper Strike Price**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6; and

“**Valuation Date**” means each of the five Business Days immediately preceding the Expiry Date, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on any Valuation Date, then that Valuation Date shall be postponed until the first succeeding Business Day on which there is no Market Disruption Event irrespective of whether that postponed Valuation Date would fall on a Business Day that is already or is deemed to be a Valuation Date. For the avoidance of doubt, in the event that a Market Disruption Event has occurred and a Valuation Date is postponed as aforesaid, the closing price of the Shares on the first succeeding Business Day will be used more than once in determining the Average Price, so that in no event shall there be less than five closing prices used to determine the Average Price.

If the postponement of the Valuation Date as aforesaid would result in the Valuation Date falling on or after the Expiry Date then:

- (i) the Business Day immediately preceding the Expiry Date (the “**Last Valuation Date**”) shall be deemed to be the Valuation Date notwithstanding the Market Disruption Event; and
- (ii) the Issuer shall determine the closing price of the Shares on the basis of its good faith estimate of the price that would have prevailed on the Last Valuation Date but for the Market Disruption Event.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be adjusted to take effect on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Upper Strike Price} = \text{Existing Upper Strike Price} \div \text{Adjustment Factor}$$

$$\text{Adjusted Lower Strike Price} = \text{Existing Lower Strike Price} \div \text{Adjustment Factor}$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

- S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis
- R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights
- M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that no adjustment will be made if the Adjustment Factor is equal to or less than 1.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

- (b) *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be adjusted on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

Adjusted Upper Strike Price = Existing Upper Strike Price ÷ Adjustment Factor

Adjusted Lower Strike Price = Existing Lower Strike Price ÷ Adjustment Factor

Where:

Adjustment Factor = 1 + N

- N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

- (c) *Subdivisions or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:
- (i) in the case of a Subdivision, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
 - (ii) in the case of a Consolidation, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

(d) *Restructuring Events.* If it is announced that the Company:

(i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or

(ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the Inline Warrants may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such Restructuring Event (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

(e) *Cash Distribution.* No capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Upper Strike Price and the Lower Strike Price (which shall be rounded to the nearest 0.001) shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Upper Strike Price} = \text{Existing Upper Strike Price} \div \text{Adjustment Factor}$$

$$\text{Adjusted Lower Strike Price} = \text{Existing Lower Strike Price} \div \text{Adjustment Factor}$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

(f) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Inline Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

(i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such adjustment in any particular jurisdiction); or

(ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.

For the avoidance of doubt, the entitlement of the Inline Warrants is always 1 Share and no adjustment will be made to the entitlement.

(g) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Inline Warrants at any price in the open market or by tender or by private treaty. Any Inline Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Inline Warrants.

9. Meetings of Warrantholders; Modification

(a) *Meetings of Warrantholders.* The Master Instrument contains provisions for convening meetings of the Warrantholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Inline Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantholders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantholders holding not less than 10 per cent. of the Inline Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Inline Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantholders whatever the number of Inline Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantholders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantholders shall be binding on all the Warrantholders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantholders, effect any modification of the terms and conditions of the Inline Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Warrantholders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices to Warrantholders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantholders in any other manner.

11. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised Inline Warrants will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

12. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantholders, to create and issue further warrants so as to form a single series with the Inline Warrants.

13. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the Inline Warrants as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Warrantholders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Warrantholder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 13(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Warrantholders, make such adjustments to the entitlements of Warrantholders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 13 and its determination shall be conclusive and binding on the Warrantholders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Warrantholders in accordance with Condition 10 as soon as practicable after they are determined.

14. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

15. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Inline Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Inline Warrants.

16. Governing Law

The Inline Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Inline Warrants) shall be deemed to have submitted for all purposes in connection with the Inline Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

17. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

18. Prescription

Claims against the Issuer for payment of any amount in respect of the Inline Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Inline Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART B – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED INLINE WARRANTS
OVER AN INDEX
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of Inline Warrants may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of Inline Warrants. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The Inline Warrants (which expression shall, unless the context otherwise requires, include any further warrants issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Warrantholders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The Inline Warrants constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions).

The Guarantor unconditionally and irrevocably guarantees to each Warrantholder the due and punctual performance of any and all obligations of the Issuer under the Inline Warrants and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The Inline Warrants have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the Inline Warrants will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. Inline Warrants will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of Inline Warrants may be effected only in a Board Lot or integral multiples thereof.
- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of Inline Warrants. The expression “**Warrantholder**” and “**Warrantholders**” shall be construed accordingly.

- (e) *Costs and Expenses.* Warrantholders should note that they shall be responsible for all costs and expenses in connection with any settlement of the Inline Warrants including the Exercise Expenses (as defined below) which amount shall, subject to Condition 2(b) and to the extent necessary, be payable to the Issuer and collected from Warrantholders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Warrantholder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the Inline Warrants) acknowledges, accepts, consents and agrees by its acquisition of the Inline Warrants:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer's liabilities under the Inline Warrants, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the Inline Warrants;
 - (B) the conversion of all, or a portion, of the amounts due under the Inline Warrants into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the Inline Warrants, in which case each Warrantholder agrees to accept in lieu of its rights under the Inline Warrants any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the Inline Warrants; and/or
 - (D) the amendment or alteration of the maturity of the Inline Warrants or amendment of the amount of interest payable on the Inline Warrants (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the Inline Warrants are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the "**M&F Code**"):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and
 - (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the Inline Warrants will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Warrantholders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Warrantholders as if, in either case, the Inline Warrants had been directly issued by the Guarantor itself, and as if any amount due under the Inline Warrants had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the Inline Warrants, a reduction of all, or a portion of, the amounts due under the Inline Warrants, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the Inline Warrants as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Warrantholders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Warrantholder.

2. Inline Warrant Rights and Exercise Expenses

- (a) *Inline Warrant Rights.* Each Board Lot initially entitles each Warrantholder, upon due exercise, and upon compliance with Condition 5, to payment by the Issuer of the Cash Settlement Amount in the manner set out in Condition 5.

- (b) *Exercise Expenses.* Warrantholders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the exercise of the Inline Warrants (the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

3. **Illegality or Impracticability**

The Issuer is entitled to terminate the Inline Warrants if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the Inline Warrants, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the Inline Warrants due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Warrantholder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each Inline Warrant held by such Warrantholder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Warrantholder in such manner as shall be notified to the Warrantholder in accordance with Condition 10.

4. **Expiry Date**

Unless automatically exercised in accordance with Condition 5(b), the Inline Warrants shall be deemed to expire on the Expiry Date.

5. **Exercise of Inline Warrants**

- (a) *Exercise.* Inline Warrants may only be exercised on the Expiry Date in accordance with Condition 5(b) in a Board Lot or integral multiples thereof.
- (b) *Automatic Exercise.* Warrantholders shall not be required to deliver an exercise notice. All Inline Warrants shall be deemed to have been exercised automatically on the Expiry Date.
- (c) *Settlement.* In respect of Inline Warrants which are exercised automatically in accordance with Condition 5(b), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Warrantholder the Cash Settlement Amount.

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Warrantholder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Warrantholders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Warrantholders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Warrantholder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Warrantholder may suffer as a result of the existence of a Settlement Disruption Event.

- (d) For the purposes of these Conditions:

“Board Lot” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Business Day” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“Cash Settlement Amount” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) (if applicable) converted into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) (if applicable) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

- (i) if the Closing Level is at or below the Upper Strike Level and at or above the Lower Strike Level:

$$\frac{\text{Cash Settlement Amount per Board Lot}}{\text{Board Lot}} = \text{Maximum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

- (ii) if the Closing Level is above the Upper Strike Level or below the Lower Strike Level:

$$\frac{\text{Cash Settlement Amount per Board Lot}}{\text{Board Lot}} = \text{Minimum Payoff Amount per Inline Warrant} \times \text{one Board Lot}$$

“CCASS Settlement Day” has the meaning ascribed to the term **“Settlement Day”** in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“Closing Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“First Exchange Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Index” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means a day on which the Index is published by the Index Compiler or, as the case may be, the Successor Index Compiler;

“Index Exchange” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Futures Contracts” means the relevant index futures contracts for the purpose of determining the Closing Level as more particularly provided in the relevant Launch Announcement and Supplemental Listing Document;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Inline Warrants” means the inline warrants specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of Inline Warrants, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Lower Strike Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Market Disruption Event” means:

- (1) the occurrence or existence, on the Valuation Date during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (i) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or
 - (ii) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
 - (iii) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (A) the limitation on the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (B) a limitation on trading imposed by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;

- (3) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (4) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, the First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Maximum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Minimum Payoff Amount per Inline Warrant” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Second Exchange Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 6;

“Series” means each series of the Inline Warrants;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after the later of: (i) the Expiry Date; and (ii) the day on which the Closing Level is determined in accordance with the Conditions;

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Warrantholders;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited;

“Upper Strike Level” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document; and

“Valuation Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, provided that, if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

6. Adjustments to the Index

- (a) *Successor Sponsor Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler, but is calculated and published by a successor to the Index Compiler (the **“Successor Index Compiler”**) acceptable to the Issuer or (ii) replaced

by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.

(b) *Modification and Cessation of Calculation of Index.* If:

- (i) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
- (ii) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event),

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at the Valuation Date as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities, currencies or other assets that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities, currencies or other assets that have since ceased to be listed on the relevant Exchange) or, as the case may be, the final settlement price for settling the relevant Index Futures Contracts on the relevant Futures Exchange on the Expiry Date as determined pursuant to the Rules, Specifications, Regulations and Procedures of such Exchange.

(c) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the Inline Warrants as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:

- (i) not materially prejudicial to the interests of the Warrantholders generally (without considering the circumstances of any individual Warrantholders or the tax or other consequences of such adjustment in any particular jurisdiction); or
- (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.

(d) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Warrantholders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 10.

7. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase Inline Warrants at any price in the open market or by tender or by private treaty. Any Inline Warrants so purchased may be held or resold or surrendered for cancellation.

8. Certificates

No certificate other than the Global Certificate will be issued in respect of the Inline Warrants.

9. Meetings of Warrantheolders; Modification

- (a) *Meetings of Warrantheolders.* The Master Instrument contains provisions for convening meetings of the Warrantheolders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the Inline Warrants or of the Master Instrument.

Any resolution to be passed in a meeting of the Warrantheolders shall be decided by poll. Such a meeting may be convened by the Issuer or by Warrantheolders holding not less than 10 per cent. of the Inline Warrants for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the Inline Warrants for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Warrantheolders whatever the number of Inline Warrants so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Warrantheolders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Warrantheolders shall be binding on all the Warrantheolders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Warrantheolders, effect any modification of the terms and conditions of the Inline Warrants or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Warrantheolders generally (without considering the circumstances of any individual Warrantheolder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Warrantheolders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 10.

10. Notices

All notices to Warrantheolders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Warrantheolders in any other manner.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Warrantheolders, to create and issue further warrants so as to form a single series with the Inline Warrants.

12. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

13. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the Inline Warrants has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the Inline Warrants.

14. Governing Law

The Inline Warrants, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Warrantholder (by its purchase of the Inline Warrants) shall be deemed to have submitted for all purposes in connection with the Inline Warrants, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

15. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

16. Prescription

Claims against the Issuer for payment of any amount in respect of the Inline Warrants will become void unless made within ten years of the Expiry Date and, thereafter, any sums payable in respect of such Inline Warrants shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

APPENDIX 3 – TERMS AND CONDITIONS OF CALLABLE BULL/BEAR CONTRACTS

The following pages set out the Conditions in respect of different types of CBBCs.

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Part A – Terms and Conditions of the European Style Cash Settled Callable Bull/Bear Contracts over Single Equities (Global Form of Certificate)	173
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**PART A – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALLABLE BULL/BEAR
CONTRACTS OVER SINGLE EQUITIES
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The CBBCs (as defined below and which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of, a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The CBBCs constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The CBBCs provide for cash settlement on exercise or, if applicable, upon termination as provided in Condition 4(b). The CBBCs do not entitle the Holders to delivery of any Shares, are not secured by Shares and do not entitle Holders to any interest in any Shares.

The Guarantor unconditionally and irrevocably guarantees to each Holder the due and punctual performance of any and all obligations of the Issuer under the CBBCs and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The CBBCs have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the CBBCs will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. CBBCs will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of CBBCs may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of CBBCs. The expression “**Holder**” and “**Holders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Holders should note that they shall be responsible for all costs and expenses in connection with any settlement of the CBBCs including the Exercise Expenses (as defined below) which amount shall, subject to Condition 4(c) and to the extent necessary, be payable to the Issuer and collected from Holders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Holder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the CBBCs) acknowledges, accepts, consents and agrees by its acquisition of the CBBCs:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the CBBCs, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the CBBCs;
 - (B) the conversion of all, or a portion, of the amounts due under the CBBCs into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the CBBCs, in which case each Holder agrees to accept in lieu of its rights under the CBBCs any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the CBBCs; and/or
 - (D) the amendment or alteration of the maturity of the CBBCs or amendment of the amount of interest payable on the CBBCs (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the CBBCs are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the CBBCs will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Holders as if, in either case, the CBBCs had been directly issued by the Guarantor itself, and as if any amount due under the CBBCs had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the CBBCs, a reduction of all, or a portion of, the amounts due under the CBBCs, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the CBBCs as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Holders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Holder.

2. Definitions

In these Conditions, unless the context requires otherwise or unless otherwise defined:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Price**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount (if positive) payable in the Settlement Currency equal to either:

- (a) following the occurrence of the Mandatory Call Event:
 - (i) in respect of a Series of Category R CBBCs, the Residual Value determined by the Issuer; or
 - (ii) in respect of a Series of Category N CBBCs, zero; or
- (b) otherwise:
 - (i) in respect of a Series of bull CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

- (ii) in respect of a Series of bear CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a Series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a Series of CBBCs where the Call Price is not equal to the Strike Price;

“**CBBCs**” means the callable bull/bear contracts specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Closing Price**” means the closing price of one Share (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) on the Valuation Date;

“**Company**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Day of Notification” means the Trading Day immediately following the day on which the Mandatory Call Event occurs;

“Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of CBBCs, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Listing Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Mandatory Call Event” means the event where the Spot Price of the Shares is, at any time on any Trading Day during the Observation Period:

- (a) in respect of a Series of bull CBBCs, at or below the Call Price; or
- (b) in respect of a Series of bear CBBCs, at or above the Call Price;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Shares; or (ii) any options or futures contracts relating to the Shares if, in any such case, such suspension or limitation is, in the determination of the Issuer, material;
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued; or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Trade Price” means, in respect of a Series of bear CBBCs, the highest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution the like) during the MCE Valuation Period;

“MCE Termination Date” means the first Trading Day during the Observation Period on which the Mandatory Call Event occurs;

“MCE Valuation Date” means the last Trading Day of the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the **“1st Session”**) and up to the end of the trading session on the Stock Exchange immediately following the 1st Session (**“2nd Session”**) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Shares is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and
- (B) the afternoon session and the closing auction session (if any) of the same day, shall each be considered as one trading session only;

“Minimum Trade Price” means, in respect of a Series of bull CBBCs, the lowest Spot Price of the Shares (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“Number of CBBCs per Entitlement” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Commencement Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Trading Day immediately preceding the Expiry Date. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding that the Valuation Date shall not fall on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Residual Value” only applies to a Series of Category R CBBCs and means:

- (a) in respect of a Series of bull CBBCs:

$$\begin{array}{lcl} \text{Residual Value} & & \\ \text{per Board} & = & \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}} \\ \text{Lot} & & \end{array}$$

- (b) in respect of a Series of bear CBBCs:

$$\begin{array}{lcl} \text{Residual Value} & & \\ \text{per Board} & = & \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}} \\ \text{Lot} & & \end{array}$$

For the avoidance of doubt, if the Residual Value is a negative figure, it shall be deemed to be zero;

“Series” means each series of CBBCs;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Holders;

“Share” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5, and **“Shares”** shall be construed accordingly;

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Share concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Share (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong for the time being on which the Shares are listed;

“Strike Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time; and

“Valuation Date” means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Shares on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

3. Illegality and Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a **“Change in Law Event”**); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or

impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 9.

4. Rights, Exercise Expenses and Procedures

- (a) *CBBC Rights.* Each Board Lot initially entitles each Holder, upon compliance with this Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Conditions 4(d) to (i).
- (b) *Mandatory Call Event.*
 - (i) Subject to Condition 4(b)(ii) below, following the occurrence of the Mandatory Call Event, the CBBCs will terminate automatically on the MCE Termination Date, and the Issuer will give notice to the Holders in accordance with Condition 9. Trading in the CBBCs will be ceased immediately upon the occurrence of the Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange.
 - (ii) The Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (x) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited (“**HKEX**”); or
 - (y) manifest errors caused by the relevant third party price source where applicable;and
 - (A) in the case of a system malfunction or other technical errors prescribed in paragraph (x) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and
 - (B) in the case of an error by the relevant price source prescribed in paragraph (y) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) or such other time frame as prescribed by the Stock Exchange from time to time on the Day of Notification,in which case, (aa) the Mandatory Call Event so triggered will be reversed; and (bb) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.
- (c) *Exercise Expenses.* In respect of (i) Category R CBBCs, upon the occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), Holders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the settlement (if applicable) or the exercise (if applicable) (as the case may be) of the CBBCs (collectively, the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).

- (d) *Exercise.* Provided no Mandatory Call Event has occurred during the Observation Period, CBBCs may only be exercised on the Expiry Date in accordance with Condition 4(e) in a Board Lot or integral multiples thereof.
- (e) *Automatic Exercise.* Holders shall not be required to deliver an exercise notice. Provided no Mandatory Call Event has occurred during the Observation Period, if the Cash Settlement Amount on the Expiry Date is a positive figure, all CBBCs shall be deemed to have been exercised automatically on the Expiry Date and, in the event the Cash Settlement Amount is zero, all CBBCs shall be deemed to have expired on the Expiry Date and Holders shall not be entitled to receive any payment from the Issuer in respect of the CBBCs.
- (f) *Settlement.* In respect of (i) Category R CBBCs, upon occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Holder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Holder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Holders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Holders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Holder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

- (g) *Payment day.* If the date for payment of any amount in respect of the CBBCs is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other payment in respect of such delay.
- (h) *General.* None of the Issuer, the Guarantor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) attached to the Shares.

- (i) *Exercise and Settlement Risk.* Exercise (if applicable) and/or settlement (if applicable) of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations or guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.
- (j) Trading in CBBCs on the Stock Exchange shall cease (i) immediately upon the occurrence of the Mandatory Call Event; and (ii) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

5. Adjustments

- (a) *Rights Issues.* If and whenever the Company shall, by way of Rights (as defined below), offer new Shares for subscription at a fixed subscription price to the holders of existing Shares pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Share price determined by the closing price on the Stock Exchange on the last Business Day on which Shares are traded on a cum-Rights basis

R: Subscription price per Share as specified in the Rights Offer plus an amount equal to any dividends or other benefits foregone to exercise the Rights

M: Number of new Share(s) (whether a whole or a fraction) per existing Share each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Share or needed to acquire one new Share (as the case may be) which are given to the holders of existing Shares to subscribe at a fixed subscription price for new Shares pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever the Company shall make an issue of Shares credited as fully paid to the holders of Shares generally by way of capitalisation of profits or reserves (other than pursuant to a scrip dividend or similar scheme for the time being operated by the Company or otherwise in lieu of a cash dividend and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which the trading in the Shares of the Company becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Shares (whether a whole or a fraction) received by a holder of existing Shares for each Share held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

(c) *Subdivisions or Consolidations.* If and whenever the Company shall subdivide its Shares or any class of its outstanding share capital comprised of the Shares into a greater number of shares (a “**Subdivision**”) or consolidate the Shares or any class of its outstanding share capital comprised of the Shares into a smaller number of shares (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

(d) *Restructuring Events.* If it is announced that the Company:

- (i) is to or may merge or consolidate with or into any other corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or
- (ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Company is the surviving corporation in a merger), the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of shares of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Share(s) (as the case may be) to which a holder of the number of Shares comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

(e) *Cash Distribution.* No capital adjustment will be made for an ordinary cash dividend (whether or not it is offered with a scrip alternative) (“**Ordinary Dividend**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Company, such as a cash bonus, special dividend or extraordinary dividend, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Share’s closing price on the day of announcement by the Company.

If and whenever the Company shall make a Cash Distribution credited as fully paid to the holders of Shares generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Shares becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Share on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Share

OD: The Ordinary Dividend per Share, provided that the date on which the Shares are traded on an ex-Ordinary Dividend basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Shares are traded on an ex-Ordinary Dividend basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (f) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (g) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 9.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the CBBCs.

8. Meetings of Holders; Modification

- (a) *Meetings of Holders.* The Master Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the CBBCs or of the Master Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the CBBCs or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (i) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to Holders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Holders in any other manner.

10. Liquidation

In the event of a liquidation or dissolution of the Company or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of its undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further callable bull/bear contracts so as to form a single series with the CBBCs.

12. Delisting

- (a) If at any time the Shares cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 12(a), where the Shares are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 12 and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the CBBCs has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the CBBCs.

15. Governing Law

The CBBCs, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

17. Prescription

Claims against the Issuer for payment of any amount in respect of the CBBCs will become void unless made within ten years of the MCE Termination Date or the Expiry Date (as the case may be) and, thereafter, any sums payable in respect of such CBBCs shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART B – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALLABLE BULL/BEAR
CONTRACTS OVER AN INDEX
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The CBBCs (as defined below and which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 10) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of, a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The CBBCs constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The CBBCs provide for cash settlement on exercise or, if applicable, upon termination as provided in Condition 4(b).

The Guarantor unconditionally and irrevocably guarantees to each Holder the due and punctual performance of any and all obligations of the Issuer under the CBBCs and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The CBBCs have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the CBBCs will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. CBBCs will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of CBBCs may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of CBBCs. The expression “**Holder**” and “**Holders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Holders should note that they shall be responsible for all costs and expenses in connection with any settlement of the CBBCs including the Exercise Expenses (as defined below) which amount shall, subject to Condition 4(c) and to the extent necessary, be payable to the Issuer and collected from Holders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Holder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the CBBCs) acknowledges, accepts, consents and agrees by its acquisition of the CBBCs:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the CBBCs, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the CBBCs;
 - (B) the conversion of all, or a portion, of the amounts due under the CBBCs into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the CBBCs, in which case each Holder agrees to accept in lieu of its rights under the CBBCs any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the CBBCs; and/or
 - (D) the amendment or alteration of the maturity of the CBBCs or amendment of the amount of interest payable on the CBBCs (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the CBBCs are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the CBBCs will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Holders as if, in either case, the CBBCs had been directly issued by the Guarantor itself, and as if any amount due under the CBBCs had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the CBBCs, a reduction of all, or a portion of, the amounts due under the CBBCs, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the CBBCs as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Holders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Holder.

2. Definitions

In these Conditions, unless the context requires otherwise or unless otherwise defined:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) (if applicable) converted into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) (if applicable) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

- (a) following the occurrence of the Mandatory Call Event:
 - (i) in respect of a Series of Category R CBBCs, the Residual Value determined by the Issuer; or
 - (ii) in respect of a Series of Category N CBBCs, zero; or
- (b) otherwise:
 - (i) in respect of a Series of bull CBBCs:

$$\begin{array}{rcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Closing Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}} \\ \text{Board Lot} & & \end{array}$$

- (ii) in respect of a Series of bear CBBCs:

$$\begin{array}{rcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{(\text{Strike Level} - \text{Closing Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a Series of CBBCs where the Call Level is equal to the Strike Level;

“**Category R CBBCs**” means a series of CBBCs where the Call Level is not equal to the Strike Level;

“**CBBC**” means the callable bull/bear contracts specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Closing Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Day of Notification**” means the Trading Day of the Stock Exchange immediately following the day on which the Mandatory Call Event occurs;

“Divisor” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Exchange Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“First Exchange Rate” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Index” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Business Day” means any day on which the Index Exchange is scheduled to open for trading for its regular trading sessions;

“Index Currency Amount” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Exchange” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Index Futures Contracts” means the relevant index futures contracts for the purpose of determining the Closing Level as more particularly provided in the relevant Launch Announcement and Supplemental Listing Document;

“Index Compiler” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Interim Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of CBBCs, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Listing Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Mandatory Call Event” means the event where the Spot Level of the Index is, at any time on any Index Business Day during the Observation Period:

- (a) in respect of a Series of bull CBBCs, at or below the Call Level; or
- (b) in respect of a Series of bear CBBCs, at or above the Call Level;

“Market Disruption Event” means:

- (1) the occurrence or existence, on any Index Business Day during the one-half hour period that ends at the close of trading on the Index Exchange, of any of:
 - (a) the suspension or material limitation of the trading of a material number of constituent securities that comprise the Index; or

- (b) the suspension or material limitation of the trading of options or futures contracts relating to the Index on any exchanges on which such contracts are traded; or
- (c) the imposition of any exchange controls in respect of any currencies involved in determining the Cash Settlement Amount.

For the purposes of paragraph (1), (A) the limitation on the number of hours or days of trading will not constitute a Market Disruption Event if it results from an announced change in the regular business hours of any relevant exchange, and (B) a limitation on trading by reason of the movements in price exceeding the levels permitted by any relevant exchange will constitute a Market Disruption Event; or

- (2) where the Index Exchange is the Stock Exchange, the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued;
- (3) a limitation or closure of the Index Exchange due to any unforeseen circumstances; or
- (4) any circumstances beyond the control of the Issuer in which the Closing Level or, if applicable, the Exchange Rate, First Exchange Rate or the Second Exchange Rate (as the case may be) cannot be determined by the Issuer in the manner set out in these Conditions or in such other manner as the Issuer considers appropriate at such time after taking into account all the relevant circumstances;

“Maximum Index Level” means, in respect of a Series of bear CBBCs, the highest Spot Level of the Index during the MCE Valuation Period;

“MCE Termination Date” means the first Trading Day during the Observation Period on which the Mandatory Call Event occurs;

“MCE Valuation Date” means the last Trading Day of the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the **“1st Session”**) and up to the end of the trading session on the Index Exchange immediately following the 1st Session (**“2nd Session”**) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available, the MCE Valuation Period shall be extended to the end of the subsequent trading session on the Index Exchange following the 2nd Session during which Spot Levels are available for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session unless the Issuer determines in its good faith that each trading session on each of the four Index Business Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which Spot Levels are available. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session of the fourth Index Business Day on the Index Exchange immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Index Level or the Minimum Index Level (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Level of the Index and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Levels available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Index Level or the Minimum Index Level (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and
- (B) the afternoon session and the closing auction session (if any) of the same day,

shall each be considered as one trading session only.

“Minimum Index Level” means, in respect of a Series of bull CBBCs, the lowest Spot Level of the Index during the MCE Valuation Period;

“Observation Commencement Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Observation Period” means the period commencing from and including the Observation Commencement Date up to and including the close of the trading on the Stock Exchange on the Trading Day immediately preceding the Expiry Date;

“Post MCE Trades” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Price Source”, if applicable, has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Residual Value” only applies to a Series of Category R CBBCs and means, in respect of every Board Lot, an amount calculated by the Issuer in accordance with the following formula (and, if appropriate, either (i) (if applicable) converted into the Settlement Currency at the Exchange Rate or, as the case may be, (ii) (if applicable) converted into the Interim Currency at the First Exchange Rate and then (if applicable) converted into the Settlement Currency at the Second Exchange Rate):

- (a) in respect of a Series of bull CBBCs:

$$\begin{array}{lcl} \text{Residual} & & \\ \text{Value per} & = & \frac{(\text{Minimum Index Level} - \text{Strike Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Board Lot}} \\ \text{Board Lot} & & \text{Divisor} \end{array}$$

- (b) in respect of a Series of bear CBBCs:

$$\frac{\text{Residual Value per Board Lot}}{= \frac{(\text{Strike Level} - \text{Maximum Index Level}) \times \text{one Board Lot} \times \text{Index Currency Amount}}{\text{Divisor}}}$$

For the avoidance of doubt, if the Residual Value is a negative figure, it shall be deemed to be zero;

“**Second Exchange Rate**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Series**” means each series of CBBCs;

“**Settlement Currency**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Settlement Date**” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Level is determined in accordance with the Conditions (as the case may be);

“**Settlement Disruption Event**” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Holders;

“**Spot Level**” means, subject to Condition 5(a), the spot level of the Index as compiled and published by the Index Compiler;

“**Stock Exchange**” means The Stock Exchange of Hong Kong Limited;

“**Strike Level**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Trading Day**” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions; and

“**Valuation Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, provided that if the Issuer determines, in its sole discretion, that a Market Disruption Event has occurred on the Valuation Date, then the Issuer shall determine the Closing Level of the Index on the basis of its good faith estimate of the Closing Level that would have prevailed on that day but for the occurrence of the Market Disruption Event provided that the Issuer, if applicable, may, but shall not be obliged to, determine such Closing Level by having regard to the manner in which futures contracts relating to the Index are calculated.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

3. Illegality and Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:

- (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),
- (each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 9.

4. Rights, Exercise Expenses and Procedures

- (a) **CBBC Rights.** Each Board Lot initially entitles each Holder, upon compliance with this Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Conditions 4(d) to (i).
- (b) **Mandatory Call Event.**
 - (i) Subject to Condition 4(b)(ii) below, following the occurrence of the Mandatory Call Event, the CBBCs will terminate automatically on the MCE Termination Date, and the Issuer will give notice to the Holders in accordance with Condition 9. Trading in the CBBCs will be ceased immediately upon the occurrence of the Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange.
 - (ii) The Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (x) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited (“**HKEX**”) (such as the setting up of the wrong Call Level and other parameters); or
 - (y) manifest errors caused by the relevant third party price source where applicable (such as miscalculation of the Index level by the relevant index compiler);

and

 - (A) in the case of a system malfunction or other technical errors prescribed in paragraph (x) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; and
 - (B) in the case of an error by the relevant price source prescribed in paragraph (y) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, in each case:

(aa) in respect of an Index Exchange located in Hong Kong, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) or such other time frame as prescribed by the Stock Exchange from time to time on the Day of Notification; or

(bb) in respect of an Index Exchange located outside Hong Kong:

- (1) the revocation of the Mandatory Call Event is communicated to the other party by 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) on the Day of Notification; and
- (2) the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked on the Day of Notification.

In both cases:

(cc) the Mandatory Call Event so triggered will be reversed; and

(dd) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.

- (c) *Exercise Expenses.* In respect of (i) Category R CBBCs, upon the occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), Holders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the settlement (if applicable) or the exercise (if applicable) (as the case may be) of the CBBCs (collectively, the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).
- (d) *Exercise.* Provided no Mandatory Call Event has occurred during the Observation Period, CBBCs may only be exercised on the Expiry Date in accordance with Condition 4(e) in a Board Lot or integral multiples thereof.
- (e) *Automatic Exercise.* Holders shall not be required to deliver an exercise notice. Provided no Mandatory Call Event has occurred during the Observation Period, if the Cash Settlement Amount on the Expiry Date is a positive figure, all CBBCs shall be deemed to have been exercised automatically on the Expiry Date and, in the event the Cash Settlement Amount is zero, all CBBCs shall be deemed to have expired on the Expiry Date and Holders shall not be entitled to receive any payment from the Issuer in respect of the CBBCs.
- (f) *Settlement.* In respect of (i) Category R CBBCs, upon occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Holder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Holder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Holders on the original Settlement Date, the Issuer

shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Holders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Holder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

- (g) *Payment day.* If the date for payment of any amount in respect of the CBBCs is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other payment in respect of such delay.
- (h) *General.* None of the Issuer, the Guarantor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) in relation to the constituent securities, contracts, commodities, currencies or other assets comprising the Index.

- (i) *Exercise and Settlement Risk.* Exercise (if applicable) and/or settlement (if applicable) of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations and guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.
- (j) Trading in CBBCs on the Stock Exchange shall cease (i) immediately upon the occurrence of the Mandatory Call Event; and (ii) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

5. Adjustments to the Index

- (a) *Successor Index Compiler Calculates and Reports Index.* If the Index is (i) not calculated and announced by the Index Compiler, but is calculated and published by a successor to the Index Compiler (the “**Successor Index Compiler**”) acceptable to the Issuer or (ii) replaced by a successor index using, in the determination of the Issuer, the same or a substantially similar formula for and method of calculation as used in the calculation of the Index, then the Index will be deemed to be the index so calculated and announced by the Successor Index Compiler or that successor index, as the case may be.
- (b) *Modification and Cessation of Calculation of Index.* If:
 - (i) on or prior to the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler makes a material change in the formula for or the method of calculating the Index or in any other way materially modifies the Index (other than a modification prescribed in that formula or method to maintain the Index in the event of changes in constituent stock, contracts or commodities and other routine events); or
 - (ii) on the Valuation Date the Index Compiler or (if applicable) the Successor Index Compiler fails to calculate and publish the Index (other than as a result of a Market Disruption Event);

then the Issuer shall determine the Closing Level using, in lieu of a published level for the Index, the level for the Index as at that Valuation Day as determined by the Issuer in accordance with the formula for and method of calculating the Index last in effect prior to that change or failure, but using only those securities, contracts, commodities, currencies or other assets that comprised the Index immediately prior to that change or failure (other than those securities, contracts, commodities, currencies or other assets that have since ceased to be listed on the Index Exchange) or, as the case may be, the final settlement price for settling the relevant Index Futures Contracts on the Index Exchange on the Expiry Date as determined pursuant to the rules, specifications, regulations and/or procedures of the Index Exchange.

- (c) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
 - (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (d) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 9.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the CBBCs.

8. Meetings of Holders; Modification

- (a) *Meetings of Holders.* The Master Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the CBBCs or of the Master Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the CBBCs or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws or regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to Holders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Holders in any other manner.

10. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further callable bull/bear contracts so as to form a single series with the CBBCs.

11. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

12. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the CBBCs has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the CBBCs.

13. Governing Law

The CBBCs, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

14. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

15. Prescription

Claims against the Issuer for payment of any amount in respect of the CBBCs will become void unless made within ten years of the MCE Termination Date or the Expiry Date (as the case may be) and, thereafter, any sums payable in respect of such CBBCs shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**PART C – TERMS AND CONDITIONS OF
THE EUROPEAN STYLE CASH SETTLED CALLABLE BULL/BEAR
CONTRACTS OVER SINGLE UNIT TRUST
(GLOBAL FORM OF CERTIFICATE)**

These Conditions will, together with the supplemental provisions contained in the relevant Launch Announcement and Supplemental Listing Document, subject to completion and amendment, be endorsed on the Global Certificate. The relevant Launch Announcement and Supplemental Listing Document in relation to the issue of any series of CBBCs may specify other terms and conditions which shall, to the extent so specified or to the extent they are inconsistent with these Conditions, replace or modify these Conditions for the purpose of such series of CBBCs. Capitalised terms used in these Conditions and not otherwise defined herein shall have the meanings given to them in the relevant Launch Announcement and Supplemental Listing Document.

1. Form, Status and Guarantee, Transfer, Title and Costs and Expenses

- (a) *Form.* The CBBCs (as defined below and which expression shall, unless the context otherwise requires, include any further CBBCs issued pursuant to Condition 11) are issued by SG Issuer (the “**Issuer**”) on the Issue Date in permanent global form represented by a permanent global certificate (the “**Global Certificate**”) and subject to, and with the benefit of, a master instrument by way of deed poll (the “**Master Instrument**”), both executed by the Issuer and Société Générale (the “**Guarantor**”).

A copy of the Master Instrument is available for inspection at the specified office of SG Securities (HK) Limited.

The Holders (as defined below) are entitled to the benefit of, are bound by and are deemed to have notice of all the provisions of the Master Instrument.

- (b) *Status and Guarantee.* The CBBCs constitute direct, general and unsecured contractual obligations of the Issuer and rank, and will rank, equally among themselves and *pari passu* with all other present and future unsecured and unsubordinated obligations of the Issuer (save for statutorily preferred exceptions). The CBBCs provide for cash settlement on exercise or, if applicable, upon termination as provided in Condition 4(b). The CBBCs do not entitle the Holders to delivery of any Units, are not secured by Units and do not entitle Holders to any interest in any Units.

The Guarantor unconditionally and irrevocably guarantees to each Holder the due and punctual performance of any and all obligations of the Issuer under the CBBCs and the Master Instrument, as and to the extent provided in the Guarantee executed by the Guarantor whose Guarantee constitutes a direct unsecured and general obligation of the Guarantor and ranks equally with all other existing and future unsecured and unsubordinated obligations of the Guarantor, including those in respect of deposits, but excluding any debts for the time being preferred by law.

- (c) *Transfer.* The CBBCs have been accepted as eligible securities by Hong Kong Securities Clearing Company Limited (“**HKSCC**”) for deposit, clearance and settlement in the Central Clearing and Settlement System (“**CCASS**”) operated and maintained by HKSCC. The Global Certificate in respect of the CBBCs will be issued in the name of HKSCC Nominees Limited, or such person, firm or company for the time being appointed by HKSCC as a nominee, and deposited directly into CCASS. CBBCs will only be transferable within CCASS in accordance with the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time (the “**CCASS Rules**”). Transfers of CBBCs may be effected only in a Board Lot or integral multiples thereof.

- (d) *Title.* Each person who is for the time being shown in the register kept by or on behalf of the Issuer in Hong Kong as the holder shall be treated by the Issuer and the Guarantor as the holder of such number of CBBCs. The expression “**Holder**” and “**Holders**” shall be construed accordingly.
- (e) *Costs and Expenses.* Holders should note that they shall be responsible for all costs and expenses in connection with any settlement of the CBBCs including the Exercise Expenses (as defined below) which amount shall, subject to Condition 4(c) and to the extent necessary, be payable to the Issuer and collected from Holders and settled through CCASS in accordance with the CCASS Rules.
- (f) *Bail-in.* Each Holder (which, for the purposes of this Condition, includes each holder of a beneficial interest in the CBBCs) acknowledges, accepts, consents and agrees by its acquisition of the CBBCs:
 - (i) to be bound by the effect of the exercise of the Bail-In Power by the relevant resolution authority on the Issuer’s liabilities under the CBBCs, which may include and result in any of the following, or some combination thereof:
 - (A) the reduction of all, or a portion, of the amounts due under the CBBCs;
 - (B) the conversion of all, or a portion, of the amounts due under the CBBCs into shares, other securities or other obligations of the Issuer or the Guarantor or another person, including by means of an amendment, modification or variation of the Conditions of the CBBCs, in which case each Holder agrees to accept in lieu of its rights under the CBBCs any such shares, other securities or other obligations of the Issuer or the Guarantor or another person;
 - (C) the cancellation of the CBBCs; and/or
 - (D) the amendment or alteration of the maturity of the CBBCs or amendment of the amount of interest payable on the CBBCs (if any), or the date on which the interest (if any) becomes payable, including by suspending payment for a temporary period;
 - (ii) if applicable, that the terms of the CBBCs are subject to, and may be varied, if necessary, to give effect to the exercise of the Bail-In Power by the relevant resolution authority;
 - (iii) if the relevant resolution authority exercises its Bail-in Power on liabilities of the Guarantor, pursuant to Article L.613-30-3-I-3 of the French Monetary and Financial Code (the “**M&F Code**”):
 - (A) ranking:
 - (i) junior to liabilities of the Guarantor benefitting from statutorily preferred exceptions pursuant to Article L.613-30-3-I 1° and 2 of the M&F Code;
 - (ii) *pari passu* with liabilities of the Guarantor as defined in Article L.613-30-3-I-3 of the M&F Code; and
 - (iii) senior to liabilities of the Guarantor as defined in Article L.613-30-3-I-4 of the M&F Code; and
 - (B) which are not *titres non structurés* as defined under Article R.613-28 of the M&F Code, and

- (C) which are not or are no longer eligible to be taken into account for the purposes of the MREL ratio of the Guarantor

and such exercise of the Bail-in Power results in the write-down or cancellation of all, or a portion of, the principal amount of, or the outstanding amount payable in respect of, and/or interest on, such liabilities, and/or the conversion of all, or a portion, of the principal amount of, or the outstanding amount payable in respect of, or interest on, such liabilities into shares or other securities or other obligations of the Guarantor or another person, including by means of variation to their terms and conditions in order to give effect to such exercise of Bail-in Power, then the Issuer's obligations under the CBBCs will be limited to (i) payment of the amount as reduced or cancelled that would be recoverable by the Holders and/or (ii) the delivery or the payment of value of the shares or other securities or other obligations of the Guarantor or another person that would be paid or delivered to the Holders as if, in either case, the CBBCs had been directly issued by the Guarantor itself, and as if any amount due under the CBBCs had accordingly been directly subject to the exercise of the Bail-in Power; and

- (iv) that neither a cancellation of the CBBCs, a reduction of all, or a portion of, the amounts due under the CBBCs, the conversion thereof into other securities or other obligations of the Issuer or the Guarantor or another person, as a result of the exercise or implementation of the Bail-In Power with respect to the CBBCs as described above will be an event of default or otherwise constitute non-performance of a contractual obligation, or entitle the Holders to any remedies (including equitable remedies) which are hereby expressly waived.

For the purposes of this Condition:

“Bail-In Power” means any statutory cancellation, write-down and/or conversion power existing from time to time under any laws, regulations, rules or requirements relating to the resolution of banks, banking group companies, credit institutions and/or investment firms, including but not limited to any such laws, regulations, rules or requirements that are implemented, adopted or enacted within the context of a European Union directive or regulation of the European Parliament and of the Council establishing a framework for the recovery and resolution of credit institutions and investment firms, or any other applicable laws or regulations, as amended, or otherwise, pursuant to which obligations of a bank, banking group company, credit institution or investment firm or any of its affiliates can be reduced, cancelled and/or converted into shares or other securities or obligations of the obligor or any other person.

“MREL” means the Minimum Requirement for own funds and Eligible Liabilities as defined in Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (as amended from time to time).

“relevant resolution authority” means any authority with the ability to exercise the Bail-In Power on the Guarantor or the Issuer as the case may be.

The matters set forth in this Condition shall be exhaustive on the foregoing matters to the exclusion of any other agreements, arrangements or understandings between the Issuer and each Holder.

2. Definitions

In these Conditions, unless the context requires otherwise or unless otherwise defined:

“**Board Lot**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Business Day**” means a day (excluding Saturdays) on which the Stock Exchange is scheduled to open for dealings in Hong Kong and banks are open for business in Hong Kong;

“**Call Price**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Cash Settlement Amount**” means, in respect of every Board Lot, an amount (if positive) payable in the Settlement Currency equal to either:

- (a) following the occurrence of the Mandatory Call Event:
 - (i) in respect of a Series of Category R CBBCs, the Residual Value determined by the Issuer; or
 - (ii) in respect of a Series of Category N CBBCs, zero; or
- (b) otherwise:
 - (i) in respect of a Series of bull CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Closing Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

- (ii) in respect of a Series of bear CBBCs:

$$\begin{array}{lcl} \text{Cash Settlement} & & \\ \text{Amount per} & = & \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Closing Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}} \\ \text{Board Lot} & & \end{array}$$

For the avoidance of doubt, if the Cash Settlement Amount is a negative figure, it shall be deemed to be zero;

“**Category N CBBCs**” means a Series of CBBCs where the Call Price is equal to the Strike Price;

“**Category R CBBCs**” means a Series of CBBCs where the Call Price is not equal to the Strike Price;

“**CBBCs**” means the callable bull/bear contracts specified as such in the relevant Launch Announcement and Supplemental Listing Document;

“**CCASS Settlement Day**” has the meaning ascribed to the term “**Settlement Day**” in the CCASS Rules, subject to such modification and amendment prescribed by HKSCC from time to time;

“**Closing Price**” means the closing price of one Unit (as derived from the daily quotation sheet of the Stock Exchange, subject to any adjustment to such closing price as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) on the Valuation Date;

“**Day of Notification**” means the Trading Day immediately following the day on which the Mandatory Call Event occurs;

“**Entitlement**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Expiry Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Hong Kong” means the Hong Kong Special Administrative Region of the People’s Republic of China;

“Launch Announcement and Supplemental Listing Document” means the launch announcement and supplemental listing document setting out the relevant information relating to each Series of CBBCs, which will be supplemental to the Base Listing Document (as defined in the relevant Launch Announcement and Supplemental Listing Document);

“Listing Date” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Mandatory Call Event” means the event where the Spot Price of the Units is, at any time on any Trading Day during the Observation Period:

- (a) in respect of a Series of bull CBBCs, at or below the Call Price; or
- (b) in respect of a Series of bear CBBCs, at or above the Call Price;

“Market Disruption Event” means:

- (a) the occurrence or existence on any Trading Day during the one-half hour period that ends at the close of trading of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the Stock Exchange or otherwise) on the Stock Exchange in (i) the Units; or (ii) any options or futures contracts relating to the Units if, in any such case, such suspension or limitation is, in the determination of the Issuer, material,
- (b) the issuance of the tropical cyclone warning signal number 8 or above or the issuance of a “BLACK” rainstorm signal on any day which either (i) results in the Stock Exchange being closed for trading for the entire day or (ii) results in the Stock Exchange being closed prior to its regular time for close of trading for the relevant day (for the avoidance of doubt, in the case when the Stock Exchange is scheduled to open for the morning trading session only, closed prior to its regular time for close of trading for the morning session), provided that there shall be no Market Disruption Event solely by reason of the Stock Exchange opening for trading later than its regular time for opening of trading on any day as a result of the tropical cyclone warning signal number 8 or above or the “BLACK” rainstorm signal having been issued, or
- (c) a limitation or closure of the Stock Exchange due to any unforeseen circumstances;

“Maximum Trade Price” means, in respect of a Series of bear CBBCs, the highest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“MCE Termination Date” means the first Trading Day during the Observation Period on which the Mandatory Call Event occurs;

“MCE Valuation Date” means the last Trading Day of the MCE Valuation Period;

“MCE Valuation Period” means the period commencing from and including the moment upon which the Mandatory Call Event occurs (the trading session during which the Mandatory Call Event occurs is the **“1st Session”**) and up to the end of the trading session on the Stock Exchange

immediately following the 1st Session (“**2nd Session**”) unless, in the determination of the Issuer in its good faith, the 2nd Session for any reason (including, without limitation, a Market Disruption Event occurring and subsisting in the 2nd Session) does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed, the MCE Valuation Period shall be extended to the end of the subsequent trading session following the 2nd Session during which trading in the Units is permitted on the Stock Exchange with no limitation imposed for a continuous period of at least 1 hour notwithstanding the existence or continuance of a Market Disruption Event in such postponed trading session, unless the Issuer determines in its good faith that each trading session on each of the four Trading Days immediately following the date on which the Mandatory Call Event occurs does not contain any continuous period of 1 hour or more than 1 hour during which trading in the Units is permitted on the Stock Exchange with no limitation imposed. In that case:

- (a) the period commencing from the 1st Session up to, and including, the last trading session on the Stock Exchange of the fourth Trading Day immediately following the date on which the Mandatory Call Event occurs shall be deemed to be the MCE Valuation Period; and
- (b) the Issuer shall determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) having regard to the then prevailing market conditions, the last reported Spot Price and such other factors as the Issuer may determine to be relevant in its good faith.

For the avoidance of doubt, all Spot Prices available throughout the extended MCE Valuation Period shall be taken into account to determine the Maximum Trade Price or the Minimum Trade Price (as the case may be) for the calculation of the Residual Value.

For the purposes of this definition,

- (A) the pre-opening session, the morning session and, in the case of half day trading, the closing auction session (if any) of the same day; and
- (B) the afternoon session and the closing auction session (if any) of the same day,

shall each be considered as one trading session only;

“**Minimum Trade Price**” means, in respect of a Series of bull CBBCs, the lowest Spot Price of the Units (subject to any adjustment to such Spot Price as may be necessary to reflect any event as contemplated in Condition 5 such as capitalisation, rights issue, distribution or the like) during the MCE Valuation Period;

“**Number of CBBCs per Entitlement**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Commencement Date**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“**Observation Period**” means the period commencing from and including the Observation Commencement Date up to and including the close of trading on the Stock Exchange on the Trading Day immediately preceding the Expiry Date. For the avoidance of doubt, the Observation Period shall not be extended notwithstanding that the Valuation Date shall not fall on the Trading Day immediately preceding the Expiry Date;

“**Post MCE Trades**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Residual Value” only applies to a Series of Category R CBBCs and means:

- (a) in respect of a Series of bull CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Minimum Trade Price} - \text{Strike Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

- (b) in respect of a Series of bear CBBCs:

$$\text{Residual Value per Board Lot} = \frac{\text{Entitlement} \times (\text{Strike Price} - \text{Maximum Trade Price}) \times \text{one Board Lot}}{\text{Number of CBBCs per Entitlement}}$$

For the avoidance of doubt, if the Residual Value is a negative figure, it shall be deemed to be zero;

“Series” means each series of CBBCs;

“Settlement Currency” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document;

“Settlement Date” means the third CCASS Settlement Day after (i) the end of the MCE Valuation Period or (ii) the later of: (a) the Expiry Date; and (b) the day on which the Closing Price is determined in accordance with the Conditions (as the case may be);

“Settlement Disruption Event” means the occurrence or existence on the Settlement Date of an event beyond the control of the Issuer as a result of which the Issuer is unable to pay the Cash Settlement Amount by crediting the Cash Settlement Amount electronically through CCASS to the Designated Bank Account of the relevant Holders;

“Spot Price” means:

- (a) in respect of a continuous trading session of the Stock Exchange, the price per Unit concluded by means of automatic order matching on the Stock Exchange as reported in the official real-time dissemination mechanism for the Stock Exchange during such continuous trading session in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules); and
- (b) in respect of a pre-opening session or a closing auction session (if applicable) of the Stock Exchange (as the case may be), the final Indicative Equilibrium Price (as defined in the Trading Rules) of the Unit (if any) calculated at the end of the pre-order matching period of such pre-opening session or closing auction session (if applicable) (as the case may be) in accordance with the Trading Rules, excluding direct business (as defined in the Trading Rules),

subject to such modification and amendment prescribed by the Stock Exchange from time to time;

“Stock Exchange” means The Stock Exchange of Hong Kong Limited or the principal stock exchange in Hong Kong for the time being on which the Units are listed;

“Strike Price” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“Trading Day” means any day on which the Stock Exchange is scheduled to open for trading for its regular trading sessions;

“Trading Rules” means the Rules and Regulations of the Exchange prescribed by the Stock Exchange from time to time;

“**Trust**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5;

“**Unit**” has the meaning given to it in the relevant Launch Announcement and Supplemental Listing Document, subject to any adjustment in accordance with Condition 5, and “**Units**” shall be construed accordingly; and

“**Valuation Date**” means the Trading Day immediately preceding the Expiry Date unless, in the determination of the Issuer, a Market Disruption Event has occurred on that day in which case, the Valuation Date shall be the first succeeding Trading Day on which the Issuer determines that there is no Market Disruption Event, unless the Issuer determines that there is a Market Disruption Event occurring on each of the four Trading Days immediately following the original date which (but for the Market Disruption Event) would have been the Valuation Date. In that case:

- (a) the fourth Trading Day immediately following the original date shall be deemed to be the Valuation Date (regardless of the Market Disruption Event); and
- (b) the Issuer shall determine the Closing Price having regard to the then prevailing market conditions, the last reported trading price of the Units on the Stock Exchange and such other factors as the Issuer determines to be relevant.

Other capitalised terms not otherwise defined herein shall have the meanings ascribed to them in the Base Listing Document, any addendum to the Base Listing Document, the relevant Launch Announcement and Supplemental Listing Document or the Global Certificate.

3 Illegality and Impracticability

The Issuer is entitled to terminate the CBBCs if it determines in good faith and in a commercially reasonable manner that, for reasons beyond its control, it has become or it will become illegal or impracticable:

- (a) for it to perform its obligations under the CBBCs, or for the Guarantor to perform its obligations under the Guarantee, in whole or in part as a result of:
 - (i) the adoption of, or any change in, any relevant law or regulation (including any tax law); or
 - (ii) the promulgation of, or any change in, the interpretation by any court, tribunal, governmental, administrative, legislative, regulatory or judicial authority or power with competent jurisdiction of any relevant law or regulation (including any tax law),(each of (i) and (ii), a “**Change in Law Event**”); or
- (b) for it or any of its affiliates to maintain the Issuer’s hedging arrangements with respect to the CBBCs due to a Change in Law Event.

Upon the occurrence of a Change in Law Event, the Issuer will, if and to the extent permitted by the applicable law or regulation, pay to each Holder a cash amount that the Issuer determines in good faith and in a commercially reasonable manner to be the fair market value in respect of each CBBC held by such Holder immediately prior to such termination (ignoring such illegality or impracticability) less the cost to the Issuer of unwinding any related hedging arrangement as determined by the Issuer in its sole and absolute discretion. Payment will be made to each Holder in such manner as shall be notified to the Holder in accordance with Condition 9.

4 Rights, Exercise Expenses and Procedures

- (a) *CBBC Rights.* Each Board Lot initially entitles each Holder, upon compliance with this Condition 4, to payment by the Issuer of the Cash Settlement Amount (if any) in the manner set out in Conditions 4(d) to (i).
- (b) *Mandatory Call Event.*
 - (i) Subject to Condition 4(b)(ii) below, following the occurrence of the Mandatory Call Event, the CBBCs will terminate automatically on the MCE Termination Date, and the Issuer will give notice to the Holders in accordance with Condition 9. Trading in the CBBCs will be ceased immediately upon the occurrence of the Mandatory Call Event and all Post MCE Trades will be cancelled and will not be recognised by the Issuer or the Stock Exchange.
 - (ii) The Mandatory Call Event is irrevocable unless it is triggered as a result of any of the following events:
 - (x) system malfunction or other technical errors of Hong Kong Exchanges and Clearing Limited (“**HKEX**”); or
 - (y) manifest errors caused by the relevant third party price source where applicable;and
 - (A) in the case of a system malfunction or other technical errors prescribed in paragraph (x) above, such event is reported by the Stock Exchange to the Issuer and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked, and
 - (B) in the case of an error by the relevant price source prescribed in paragraph (y) above, such event is reported by the Issuer to the Stock Exchange, and the Issuer and the Stock Exchange mutually agree that such Mandatory Call Event is to be revoked; in each case, such mutual agreement must be reached no later than 30 minutes before the commencement of trading (including the pre-opening session) (Hong Kong time) or such other time frame as prescribed by the Stock Exchange from time to time on the Day of Notification,in which case, (aa) the Mandatory Call Event so triggered will be reversed; and (bb) all cancelled trades (if any) will be reinstated and trading of the CBBCs will resume no later than the Trading Day immediately following the Day of Notification in accordance with the rules and/or requirements prescribed by the Stock Exchange from time to time.
- (c) *Exercise Expenses.* In respect of (i) Category R CBBCs, upon the occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), Holders will be required to pay all charges or expenses including, without limitation, any taxes or duties, which are incurred in respect of the settlement (if applicable) or the exercise (if applicable) (as the case may be) of the CBBCs (collectively, the “**Exercise Expenses**”). An amount equivalent to the Exercise Expenses will be deducted by the Issuer from the Cash Settlement Amount to the extent available or otherwise paid to the Issuer in accordance with Condition 1(e).
- (d) *Exercise.* Provided no Mandatory Call Event has occurred during the Observation Period, CBBCs may only be exercised on the Expiry Date in accordance with Condition 4(e) in a Board Lot or integral multiples thereof.

- (e) *Automatic Exercise.* Holders shall not be required to deliver an exercise notice. Provided no Mandatory Call Event has occurred during the Observation Period, if the Cash Settlement Amount on the Expiry Date is a positive figure, all CBBCs shall be deemed to have been exercised automatically on the Expiry Date and, in the event the Cash Settlement Amount is zero, all CBBCs shall be deemed to have expired on the Expiry Date and Holders shall not be entitled to receive any payment from the Issuer in respect of the CBBCs.
- (f) *Settlement.* In respect of (i) Category R CBBCs, upon occurrence of the Mandatory Call Event or (ii) CBBCs which are exercised automatically in accordance with Condition 4(e), the Issuer shall, subject as provided below in the case of a Settlement Disruption Event, pay to the relevant Holder the Cash Settlement Amount (if any).

The aggregate Cash Settlement Amount (less the Exercise Expenses (if any)) shall be credited, in accordance with the CCASS Rules, to the relevant bank account designated by the Holder (the “**Designated Bank Account**”) on the Settlement Date.

If as a result of a Settlement Disruption Event, it is not possible for the Issuer to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of the Holders on the original Settlement Date, the Issuer shall use its reasonable endeavours, to procure payment of the Cash Settlement Amount electronically through CCASS by crediting the relevant Designated Bank Account of Holders as soon as reasonably practicable after the original Settlement Date. The Issuer will not be liable to any Holder for any interest in respect of the Cash Settlement Amount or any loss or damage that such Holder may suffer as a result of the existence of a Settlement Disruption Event.

- (g) *Payment day.* If the date for payment of any amount in respect of the CBBCs is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day and shall not be entitled to any interest or other payment in respect of such delay.
- (h) *General.* None of the Issuer, the Guarantor or their respective agents shall have any responsibility for any errors or omissions in the calculation and dissemination of any variables published by a third party and used in any calculation made pursuant to these Conditions or in the calculation of the Cash Settlement Amount arising from such errors or omissions.

The purchase of CBBCs does not confer on any Holder of such CBBCs any rights (whether in respect of voting, distributions or otherwise) attached to the Units.

- (i) *Exercise and Settlement Risk.* Exercise (if applicable) and/or settlement (if applicable) of the CBBCs is subject to all applicable laws, rules, regulations and guidelines in force at the relevant time and the Issuer shall not incur any liability whatsoever if it is unable to effect the transactions contemplated, after using all reasonable efforts, as a result of any such laws, rules, regulations and guidelines. The Issuer shall not under any circumstances be liable for any acts or defaults of the CCASS in relation to the performance of its duties in relation to the CBBCs.
- (j) Trading in CBBCs on the Stock Exchange shall cease (i) immediately upon the occurrence of the Mandatory Call Event; and (ii) at the close of trading for the Trading Day immediately preceding the Expiry Date, whichever is the earlier.

5. Adjustments

- (a) *Rights Issues.* If and whenever the Trust shall, by way of Rights (as defined below), offer new Units for subscription at a fixed subscription price to the holders of existing Units pro rata to existing holdings (a “**Rights Offer**”), the Entitlement will be adjusted to take effect on the Business Day on which the trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{1 + M}{1 + (R/S) \times M}$$

E: Existing Entitlement immediately prior to the Rights Offer

S: Cum-Rights Unit price determined by the closing price on the Stock Exchange on the last Business Day on which Units are traded on a cum-Rights basis

R: Subscription price per Unit as specified in the Rights Offer plus an amount equal to any distributions or other benefits foregone to exercise the Rights

M: Number of new Unit(s) (whether a whole or a fraction) per existing Unit each holder thereof is entitled to subscribe

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

For the purposes of these Conditions:

“**Rights**” means the right(s) attached to each existing Unit or needed to acquire one new Unit (as the case may be) which are given to the holders of existing Units to subscribe at a fixed subscription price for new Units pursuant to the Rights Offer (whether by the exercise of one Right, a part of a Right or an aggregate number of Rights).

- (b) *Bonus Issues.* If and whenever the Trust shall make an issue of Units credited as fully paid to the holders of Units generally (other than pursuant to a scrip distribution or similar scheme for the time being operated by the Trust or otherwise in lieu of a cash distribution and without any payment or other consideration being made or given by such holders) (a “**Bonus Issue**”) the Entitlement will be increased on the Business Day on which the trading in the Units of the Trust becomes ex-entitlement in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = 1 + N$$

E: Existing Entitlement immediately prior to the Bonus Issue

N: Number of additional Units (whether a whole or a fraction) received by a holder of existing Units for each Unit held prior to the Bonus Issue

Provided that if the adjustment to be made would result in the Entitlement being changed by one per cent. or less, then no adjustment will be made. In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (c) *Subdivisions or Consolidations.* If and whenever the Trust shall subdivide its Units or any class of its outstanding units into a greater number of units (a “**Subdivision**”) or consolidate the Units or any class of its outstanding units into a smaller number of units (a “**Consolidation**”), then:

- (i) in the case of a Subdivision, the Entitlement in effect immediately prior thereto will be increased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be decreased in the same ratio as the Subdivision; and
- (ii) in the case of a Consolidation, the Entitlement in effect immediately prior thereto will be decreased whereas the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) will be increased in the same ratio as the Consolidation,

in each case on the day on which the Subdivision or Consolidation (as the case may be) shall have taken effect.

- (d) *Merger or Consolidation. If it is announced that the Trust:*

- (i) is to or may merge or consolidate with or into any other trust or corporation (including becoming, by agreement or otherwise, a subsidiary of or controlled by any person or corporation); or
- (ii) is to or may sell or transfer all or substantially all of its assets;

then (except where the Trust is the surviving trust in a merger), the rights attaching to the CBBCs may in the absolute discretion of the Issuer be amended no later than the Business Day preceding the consummation of such merger, consolidation, sale or transfer (each a “**Restructuring Event**”) (as determined by the Issuer) so that the Entitlement may, after such Restructuring Event, be adjusted to reflect (i) the number of Units of the corporation(s) resulting from or surviving such Restructuring Event, or (ii) other securities or cash offered in substitution for Unit(s) (as the case may be) to which a holder of the number of Units comprising the Entitlement immediately prior to the Restructuring Event would have been entitled on such Restructuring Event.

The Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.

- (e) *Cash Distribution.* No capital adjustment will be made for an ordinary cash distribution (whether or not it is offered with a scrip alternative) (“**Ordinary Distribution**”). For any other forms of cash distribution (each a “**Cash Distribution**”) announced by the Trust, such as a cash bonus, special distribution or extraordinary distribution, no capital adjustment will be made unless the value of the Cash Distribution accounts for 2 percent. or more of the Unit’s closing price on the day of announcement by the Trust.

If and whenever the Trust shall make a Cash Distribution credited as fully paid to the holders of Units generally, the Entitlement shall be adjusted to take effect on the Business Day on which trading in the Units becomes ex-entitlement in respect of the relevant Cash Distribution (“**Cash Distribution Adjustment Date**”) in accordance with the following formula:

$$\text{Adjusted Entitlement} = \text{Adjustment Factor} \times E$$

Where:

$$\text{Adjustment Factor} = \frac{S - OD}{S - OD - CD}$$

E: Existing Entitlement immediately prior to the Cash Distribution

S: The closing price of the Unit on the Stock Exchange on the Business Day immediately preceding the Cash Distribution Adjustment Date

CD: The Cash Distribution per Unit

OD: The Ordinary Distribution per Unit, provided that the date on which the Units are traded on an ex-Ordinary Distribution basis is the Cash Distribution Adjustment Date. For the avoidance of doubt, the OD shall be zero if the date on which the Units are traded on an ex-Ordinary Distribution basis is not the Cash Distribution Adjustment Date

In addition, the Issuer shall adjust the Strike Price and the Call Price (which shall be rounded to the nearest 0.001) by the reciprocal of the Adjustment Factor, where the reciprocal of the Adjustment Factor means one divided by the relevant Adjustment Factor. This adjustment shall take effect on the same day that the Entitlement is adjusted.

- (f) *Other Adjustments.* Without prejudice to and notwithstanding any prior adjustment(s) made pursuant to the applicable Conditions, the Issuer may (but shall not be obliged to) make such other adjustments to the terms and conditions of the CBBCs as appropriate where any event (including the events as contemplated in the applicable Conditions) occurs and irrespective of, in substitution for, or in addition to the provisions contemplated in the applicable Conditions, provided that such adjustment is:
- (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such adjustment in any particular jurisdiction); or
 - (ii) determined by the Issuer in good faith to be appropriate and commercially reasonable.
- (g) *Notice of Determinations.* All determinations made by the Issuer pursuant hereto will be conclusive and binding on the Holders. The Issuer will give, or procure that there is given, notice as soon as practicable of any adjustment or amendment and of the date from which such adjustment or amendment is effective by publication in accordance with Condition 9.

6. Purchases

The Issuer, the Guarantor and/or any of their respective affiliates may at any time purchase CBBCs at any price in the open market or by tender or by private treaty. Any CBBCs so purchased may be held or resold or surrendered for cancellation.

7. Certificates

No certificate other than the Global Certificate will be issued in respect of the CBBCs.

8. Meetings of Holders; Modification

- (a) *Meetings of Holders.* The Master Instrument contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Master Instrument) of a modification of the provisions of the CBBCs or of the Master Instrument.

Any resolution to be passed in a meeting of the Holders shall be decided by poll. Such a meeting may be convened by the Issuer or by Holders holding not less than 10 per cent. of the CBBCs for the time being remaining unexercised. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than 25 per cent. of the CBBCs for the time being remaining unexercised, or at any adjourned meeting two or more persons being or representing Holders whatever the number of CBBCs so held or represented.

A resolution will be an Extraordinary Resolution when it has been passed at a duly convened meeting by not less than three-quarters of the votes cast by such Holders as, being entitled to do so, vote in person or by proxy.

An Extraordinary Resolution passed at any meeting of the Holders shall be binding on all the Holders, whether or not they are present at the meeting.

Resolutions can be passed in writing if passed unanimously.

- (b) *Modification.* The Issuer may, without the consent of the Holders, effect any modification of the terms and conditions of the CBBCs or the Master Instrument which, in the opinion of the Issuer, is (i) not materially prejudicial to the interests of the Holders generally (without considering the circumstances of any individual Holder or the tax or other consequences of such modification in any particular jurisdiction); (ii) of a formal, minor or technical nature; (iii) made to correct a manifest error; or (iv) necessary in order to comply with mandatory provisions of the laws and regulations of Hong Kong.

Any such modification shall be binding on the Holders and shall be notified to them before the date such modification becomes effective or as soon as practicable thereafter in accordance with Condition 9.

9. Notices

All notices to Holders will be validly given if disseminated through the facilities of the Stock Exchange including publication on the website of Hong Kong Exchanges and Clearing Limited and such notice shall be deemed to have been given on the date of publication on such website. In such circumstances, the Issuer shall not be required to give notice to the Holders in any other manner.

10. Termination or Liquidation

- (a) In the event of a Termination or liquidation or dissolution of the trustee of the Trust (including any successor trustee appointed from time to time) (“**Trustee**”) (in its capacity as trustee of the Trust) or the appointment of a liquidator or receiver or administrator or analogous person under Hong Kong or other applicable law in respect of the whole or substantially the whole of the Trustee’s undertaking, property or assets, all unexercised CBBCs will lapse and shall cease to be valid for any purpose. In the case of a Termination,

the unexercised CBBCs will lapse and shall cease to be valid for any purpose on the effective date of the Termination, in the case of voluntary liquidation, on the effective date of the relevant resolution and, in the case of an involuntary liquidation or dissolution, on the date of the relevant court order or, in the case of the appointment of a liquidator or receiver or administrator or analogous person under any applicable law in respect of the whole or substantially the whole of the Trustee's undertaking, property or assets, on the date when such appointment is effective but subject (in any such case) to any contrary mandatory requirement of law.

- (b) For the purpose of this Condition 10, "**Termination**" means (a) the Trust is terminated, or the Trustee or the manager of the Trust (including any successor manager appointed from time to time) ("**Manager**") is required to terminate the Trust under the trust deed ("**Trust Deed**") constituting the Trust or applicable law, or the termination of the Trust commences; (b) the Trust is held or is conceded by the Trustee or the Manager not to have been constituted or to have been imperfectly constituted; (c) the Trustee ceases to be authorised under the Trust to hold the property of the Trust in its name and perform its obligations under the Trust Deed; or (d) the Trust ceases to be authorised as an authorised collective investment scheme under the Securities and Futures Ordinance (Cap. 571, The Laws of Hong Kong).

11. Further Issues

The Issuer shall be at liberty from time to time, without the consent of the Holders, to create and issue further callable bull/bear contracts so as to form a single series with the CBBCs.

12. Delisting

- (a) If at any time the Units cease to be listed on the Stock Exchange, the Issuer shall give effect to these Conditions in such manner and make such adjustments and amendments to the rights attaching to the CBBCs as it shall, in its absolute discretion, consider appropriate to ensure, so far as it is reasonably able to do so, that the interests of the Holders generally are not materially prejudiced as a consequence of such delisting (without considering the individual circumstances of any Holder or the tax or other consequences that may result in any particular jurisdiction).
- (b) Without prejudice to the generality of Condition 12(a), where the Units are, or, upon the delisting, become, listed on any other stock exchange, these Conditions may, in the absolute discretion of the Issuer, be amended to the extent necessary to allow for the substitution of that other stock exchange in place of the Stock Exchange and the Issuer may, without the consent of the Holders, make such adjustments to the entitlements of Holders on exercise (including, if appropriate, by converting foreign currency amounts at prevailing market rates into the relevant currency) as may be appropriate in the circumstances.
- (c) The Issuer shall determine, in its absolute discretion, any adjustment or amendment in accordance with this Condition 12 and its determination shall be conclusive and binding on the Holders save in the case of manifest error. Notice of any adjustments or amendments shall be given to the Holders in accordance with Condition 9 as soon as practicable after they are determined.

13. Good Faith and Commercially Reasonable Manner

Any exercise of discretion by the Issuer under these Conditions will be made in good faith and in a commercially reasonable manner.

14. Contracts (Rights of Third Parties) Ordinance

A person who is not a party to the terms and conditions of the CBBCs has no right under the Contracts (Rights of Third Parties) Ordinance (Cap. 623 of the Laws of Hong Kong) to enforce or to enjoy the benefit of any term of the CBBCs.

15. Governing Law

The CBBCs, the Master Instrument, the Guarantee and these Conditions will be governed by and construed in accordance with the laws of Hong Kong. The Issuer, the Guarantor and each Holder (by its purchase of the CBBCs) shall be deemed to have submitted for all purposes in connection with the CBBCs, the Master Instrument, the Guarantee and these Conditions to the non-exclusive jurisdiction of the courts of Hong Kong.

16. Language

A Chinese translation of these Conditions is available upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of SG Securities (HK) Limited as set out below. In the event of any inconsistency between the English version and the Chinese translation of these Conditions, the English version of these Conditions shall prevail and be governing.

17. Prescription

Claims against the Issuer for payment of any amount in respect of the CBBCs will become void unless made within ten years of the MCE Termination Date or the Expiry Date (as the case may be) and, thereafter, any sums payable in respect of such CBBCs shall be forfeited and shall revert to the Issuer.

SG Securities (HK) Limited:

Level 38
Three Pacific Place
1 Queen's Road East
Hong Kong

**APPENDIX 4 – EXTRACT OF OUR FINANCIAL INFORMATION FOR
THE 6-MONTH PERIOD ENDED 30 JUNE 2019**

Extract of our financial information for the 6-month period ended 30 June 2019

SG Issuer

Société Anonyme

**Condensed interim financial statements,
Report of the Executive Board and Corporate Governance Statement and
Report of the Réviseur d'entreprises agréé on review of the condensed interim financial statements**

As at and for the six-month period ended 30 June 2019

**16, boulevard Royal
L-2449 Luxembourg
R.C.S. Luxembourg: B121.363**

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SG Issuer
Société Anonyme

Executive Board Members

For the six-month period ended 30 June 2019

Chairman:

Mr Yves CACCLIN (until 29 April 2019)

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Aude de ROQUANCOURT (Member since 1 February 2019 - Chairman since 29 April 2019)

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Noël ALISON (until 20 September 2019)

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

Mr Thierry BODSON

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Amaury de BELER (until 1 February 2019)

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Alexandre GALLICHE

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Pascal JACOB (since 29 April 2019)

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mrs Estelle STEPHAN JASPARD

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

Mr Laurent WEIL

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris-La Défense 7, France

SG Issuer
Société Anonyme

Supervisory Board Members

For the six-month period ended 30 June 2019

Chairman:

Mr Yves CACCLIN (since 29 April 2019)

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Arnaud JACQUEMIN (until 29 April 2019)

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Members:

Mr Didier LALLEMAND

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

Mr Vincent ROBILLARD

Employee of Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

Mr Olivier FREITAS

Employee of Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Mr Gregory CLAUDY

Independent Director
225A, rue du Burgknapp, B-6717 Heinstert, Belgium

SG Issuer
Société Anonyme

Audit Committee Members

For the six-month period ended 30 June 2019

Chairman:

Mr Gregory CLAUDY

Independent Director

225A, rue du Burgknapp, B-6717 Heinstert, Belgium

Members:

Mr Olivier FREITAS

Employee of Société Générale Bank & Trust

11, avenue Emile Reuter, L-2420 Luxembourg

Mr Didier LALLEMAND

Employee of Société Générale

Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

SG Issuer
Société Anonyme

Management and administration
For the six-month period ended 30 June 2019

Issuer
SG Issuer
16, boulevard Royal, L-2449 Luxembourg

Guarantor (if applicable, as specified in the Final Terms)
Société Générale
29, boulevard Haussmann, F-75009 Paris, France

Arranger and Dealer
Société Générale
Tour Société Générale, 17, cours Valmy, F-92987 Paris - La Défense 7, France

Security Trustee and Security Agent Trustee
The Bank of New York MELLON Corporate Trustee Services Limited
One Canada Square, London E14 5AL

Collateral Custodian
The Bank of New York MELLON (Luxembourg) S.A.
2-4, rue Eugène Ruppert, L-2453 Luxembourg

Collateral Monitoring Agent
The Bank of New York MELLON London Branch
One Canada Square London E14 5AL

Custodian Agent, Issuing and Paying Agent, Registrar, Exchange Agent and Transfer Agent
Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

Paying Agents
Société Générale
29, boulevard Haussmann, F-75009 Paris, France
&
Société Générale, New York Branch
1221, avenue of the Americas, New York NY 10020, United States of America

Warrant Agent
Société Générale Bank & Trust
11, avenue Emile Reuter, L-2420 Luxembourg

SG Issuer
Société Anonyme

Legal advisers and Réviseur d'entreprises agréé
For the six-month period ended 30 June 2019

Legal advisers

To the Arranger as to English, French and U.S. laws

Allen & Overy LLP
Edouard VII
26, boulevard des Capucines, F-75009 Paris, France

To the Trustee as to English Law

Allen & Overy LLP
1 Bishops Square, London E1 6AD, United Kingdom

To the Arranger as to Luxembourg Law

Allen & Overy Luxembourg
33, avenue John F. Kennedy, L-1855 Luxembourg

Independent Auditor (Réviseur d'entreprises agréé)

Ernst & Young S.A.
35E, avenue John F. Kennedy, L-1855 Luxembourg

Report of the Executive Board and Corporate Governance Statement

For the six-month period ended 30 June 2019

The Directors of SG Issuer (the "Company" or "SGIS") (each a « Director », collectively the « Executive Board ») present the condensed interim financial statements and the Report of the Executive Board and Corporate Governance Statement of the Company for the period from 1 January 2019 to 30 June 2019.

1. ACTIVITIES AND REVIEW OF THE DEVELOPMENT OF THE BUSINESS

The purpose of SG Issuer is to issue Notes and Warrants with all types of underlyings including, without restriction, shares, index, interest rate, dividend, credit risk, foreign exchange, commodities, funds, Warrants, etc... allowing investors to access to the full pricing capabilities of Société Générale, which proposes an extensive range of investment strategies linked to these various asset classes.

Notes and Warrants issued by the Company can be sold in either Private Placements or Public Offerings.

Notes are mainly debt securities, bonds, certificates. Issuing proceeds raised by the sale of the Notes will be transferred to Société Générale Paris through a Fully Funded Swap, which will perfectly hedge SGIS for the full issue size.

Warrants are financial products like turbos, inline Warrants, daily leverage certificates, etc..., which aim to replicate the same financial exposure as buying (call) or selling (put) an asset such as a share or an index, at a predetermined price (strike price) on a predetermined date (expiry) and to offer different pay-off or exposures to investors.

Warrants are sold by SG Issuer mainly to clients in France, Belgium, Luxembourg, UK, Sweden, Finland, Norway, Spain, Hong-Kong, the Netherlands, Italy and Singapore.

Payments in respect of the Notes and Warrants issued by the Company are unconditionally and irrevocably guaranteed by Société Générale.

On request of investors, the Company can issue collateralised Notes or Warrants ("secured Notes" or "secured Warrants") in order to propose an additional layer of protection to investors in case of default of Société Générale.

Notes and Warrants issuances are governed by the Base Prospectus prepared by Société Générale. The main programmes for Notes are the two Debt Instruments Issuance Programmes, for which the last updates have been approved by the CSSF on 14 June 2019 and the "Programme d'Emission de Titres de Créance" approved by the CSSF on 20 June 2019. Similarly, the main programmes for Warrants are the Warrants Issuance Programme for which the last updates have been approved by the CSSF on 1 July 2019, and the Warrants and Turbo Warrants Issuance Programme for which the last updates have been approved by the CSSF on 16 July 2019. Two programmes are hosted by Société Générale Frankfurt, Dual Language DIIP dated 12 July 2019 and Dual Language Leveraged and Tracking Products dated 17 July 2019. The Hong Kong Warrants programme was last updated on 3 April 2019 and the Singapore Warrants programme was last updated on 21 June 2019.

The state of business of the Company at the closing of the six-month period ended 30 June 2019 is adequately presented in the interim statement of financial position and interim statement of profit and loss and other comprehensive income.

The increase in total assets and liabilities (before impact of the off-setting – see Note 2.3.3.4) is due to the development of the activity of issuing financial instruments.

SG Issuer
Société Anonyme

During the six-month period ended 30 June 2019, 13 461 new Notes were issued (among which 79 new secured Notes) and 16 760 new Warrants were issued¹. The net profit for the period from 1 January 2019 to 30 June 2019 amounts to KEUR 263.

The Company did not exercise any research and development activity, does not have any branch, and did not acquire any own shares.

2. RISKS AND UNCERTAINTIES

The risks associated with the investment in the Notes or Warrants depend on several factors. Such factors will vary depending on the characteristics of the Notes or Warrants issued, in particular depending on the underlying type, the maturity, the secured / unsecured status of the Notes or Warrants, the interest rates incurred, the volatility of the underlying.

For each Note, the Company systematically hedges its position by contracting a swap with Société Générale, with strictly identical characteristics. Also, for each Warrant, the Company systematically hedges its position by contracting an option with Société Générale, with strictly identical characteristics.

The legal documentation and the derivative instruments have been put in place in order to make sure that the assets match the liabilities at any time. Therefore, no market risk is supported by the Company. The risk management in relation to the Notes and Warrants is also described in Note 9 hereafter.

3. FUTURE DEVELOPMENTS

For this second semester, the Executive Board expects a further increase in the Notes and Warrants issued. From next year, while the issuance of Notes is expected to be remain sustained, the Warrants activity is expected to decrease, the Société Générale Group planning to use another issuer for the bulk of its Warrant issuances.

4. SUBSEQUENT EVENTS

There were no subsequent events which could have a significant impact on the condensed interim financial statements of the Company as at and for the six-month period ended 30 June 2019.

5. CORPORATE GOVERNANCE STATEMENT

The Executive Board of the Company is committed to maintaining the standards of corporate governance enforced at the level of the European Union and at level of the Société Générale Group. This statement describes the Company's governance principles and practices.

In compliance with its status, the Company is governed by an Executive Board and supervised by a dedicated Supervisory Board.

5.1. Executive Board

The Executive Board supervises and controls the management and operations of the Company and is responsible for the Company system of risk management and internal control.

¹ The number of issued Notes and Warrants does not take into account the issuances which have been issued and cancelled during the same financial period.

SG Issuer
Société Anonyme

The Executive Board meetings are held several times during the year when necessary.

The Board has quorum when more than half of its members are present. An opinion supported by more than half of the members present becomes a decision.

Key tasks of the Executive Board:

- Ensures that the supervision of accounting is organized and monitored appropriately;
- Reviews and approves the Company's financial statements and condensed interim financial statements;
- Supervises and controls operative management.

5.2. Supervisory Board

The Supervisory Board ensures permanently and by all means suited the control of the management of the Company carried out by the Executive Board. However, this supervision has to be translated in no way by an intervention in the management of the Company. The Supervisory Board can mandate advisory committees comprised of members of the Supervisory Board and/or of other non-members to lead different missions. The Supervisory Board can confer these advisory committees of the power or mandates permanently or temporary. These advisory committees cannot have the effect of restricting the powers of the Executive Board.

5.3. Audit Committee

The mission of the Audit Committee is to monitor the issues related to the preparation and control of accounting and financial information, to monitor the independence of the statutory auditors, as well as to monitor the efficiency of the internal control, measurement, supervision and risk control systems related to the accounting and financial processes. If needed, it gives recommendations and its opinion to the Supervisory Board.

An Audit Committee took place on 29 April 2019, during which the financial statements for the year ended 31 December 2018 and the external audit results were presented. At least one member of the committee must be independent, which is the case of the Chairman of the Company's Audit Committee.

5.4. Internal Audit

The Internal Audit of both Société Générale Bank & Trust S.A. ("SGBT") and Société Générale Group support the Company's Executive Board in overseeing the Company's activities and securing its operations by carrying out internal audits and providing consultative assistance. The objective of Internal Audit is to add value by making recommendations designed to improve the Company's functioning. Internal Audit is an independent function and its activities are based on international professional internal audit standards and rules of ethics.

The central task of Internal Audit is to audit the functioning of SG Issuer on a regular basis and evaluate its internal controls, risk management, and administrative function. The areas to be audited are determined by the projected financial and operational risks concerned. Internal Audit can also carry out special assignments at the request of management.

Internal Audit does not have any direct authority over the activities it reviews.

5.5. Controls framework

First level of controls is related to the execution of the procedures, guidelines and instructions established to ensure the proper and efficient functioning of the Company. They are executed by the involved teams in charge of the production.

The Chief Financial Officer of the Company ensures the completeness of the procedural framework.

5.6. New Products Committee

All the new activities and business of the Company are analyzed and authorized by a dedicated New Products Committee (NPC). All involved departments within Société Générale are represented (operations, finance, risk, accounting standards, etc...) to assess the impact for the Company.

5.7. Service level agreements


The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from the Group's internal control systems.

Service Level Agreements ("SLAs") were signed by the Company with SGBT and with Société Générale. The SLAs govern the relations between the entities as well as their respective obligations. The services supplied by SGBT and Société Générale are listed in the appendices of the agreements (mainly General services, legal services, business continuity management services and financial services from SGBT and operational services – Middle Office and Back Office – from Société Générale).

Luxembourg, 25 September 2019
For the Executive Board



Aude de ROQUANCOURT
Chairman of the Executive Board


Pascal JACOB
Member of the Executive Board

Thierry BODSON
Member of the Executive Board

Global Statement for the condensed interim financial statements

For the six-month period ended 30 June 2019

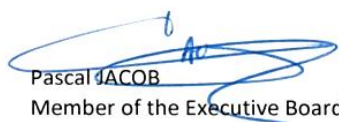
To the best of our knowledge, the condensed interim financial statements are prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” as adopted by the European Union and gives a true and fair view of the financial position and performance of SG Issuer as at and for the six-month period ended 30 June 2019. The condensed interim financial statements comprise the interim statement of financial position as at 30 June 2019, the interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity and the interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

To the best of our knowledge, the management report includes a fair review of the development and performance of the Company, and a description of the principal risks and uncertainties that the Company faces.

Luxembourg, 25 September 2019



Aude de ROQUANCOURT
Chairman of the Executive Board



Pascal JACOB
Member of the Executive Board



Thierry BODSON
Member of the Executive Board

To the sole Shareholder of
SG Issuer S.A.
16, boulevard Royal
L-2449 Luxembourg

Report of the Réviseur d'entreprises agréé on review of the condensed interim financial statements

Introduction

We have reviewed the accompanying condensed interim financial statements of SG Issuer S.A. as at and for the six-month period ended 30 June 2019, which comprise the interim statement of financial position as at 30 June 2019 and the related interim statement of profit and loss and other comprehensive income, the interim statement of changes in equity, the interim statement of cash flows for the six-month period then ended and explanatory notes. The Executive Board is responsible for the preparation and fair presentation of the condensed interim financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* as adopted by the European Union ("IAS 34"). Our responsibility is to express a conclusion on the condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Société anonyme
Cabinet de révision agréé



Charles Dequaire

Luxembourg, 25 September 2019

SG Issuer
Société Anonyme

Interim statement of profit and loss and other comprehensive income

For the six-month period ended 30 June

	Note	('000 EUR) 2019	('000 EUR) 2018
Interest income		546	609
Commission income	8	32 882	-
Net gains from financial instruments at fair value through profit or loss	8	129	29 151
Impairments		-	-
Total revenues		33 557	29 760
Interest expenses		(18 672)	(11 521)
Personnel expenses		(103)	(104)
Other operating expenses		(14 432)	(17 987)
Total expenses		(33 207)	(29 612)
Profit before tax		350	148
Income tax	6	(87)	(22)
Profit for the financial period		263	126
Total comprehensive income for the period		263	126

The accompanying notes are an integral part of these condensed interim financial statements.

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Interim statement of financial position

As at

		('000 EUR)	('000 EUR)
	Note	30.06.2019	31.12.2018
Cash and cash equivalents	3	92 164	79 584
Financial assets at fair value through profit or loss			
- <i>Mandatorily measured at fair value through profit or loss</i>	4.1	51 712 386	45 062 134
- <i>Trading derivatives</i>	4.1	3 598 402	4 168 362
Loans and receivables	5	50 049	52 570
Other assets		12 072	-
Total assets		55 465 073	49 362 650
 Financial liabilities at amortised cost	4.3	67 950	96 284
Financial liabilities at fair value through profit or loss			
- <i>Designated at fair value through profit or loss</i>	4.2	51 704 692	45 053 728
- <i>Trading derivatives</i>	4.2, 8	3 622 675	4 170 486
Other liabilities		10 601	13 039
Tax liabilities	6	87	64
Total liabilities		55 406 005	49 333 601
 Share capital	7.1	2 000	2 000
Share premium	7.1	56 605	25 000
Legal reserve	7.2.1	200	200
Other reserves	7.2.2	-	1 662
Profit for the financial period/year		263	187
Total equity		59 068	29 049
 Total equity and liabilities		55 465 073	49 362 650

The accompanying notes are an integral part of these condensed interim financial statements.

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Interim statement of changes in equity

	('000 EUR)	Share capital	Share premium	Legal reserve	Other reserves (unavailable)	Other reserves (available)	Total reserves	Profit for the financial year/period	Total equity
As at 31 December 2017	2 000	-	-	200	1 664	1 716	3 580	78	5 658
Allocation of the result of the previous year before dividend distribution	-	-	-	-	-	78	78	(78)	-
IFRS 9 FTA impact (Note 2.3.3.1)	-	-	-	-	-	(2)	(2)	-	(2)
Transfer to available reserves	-	-	-	-	(2)	2	-	-	-
Capital increase / Allocation to the share premium account	-	62 725	-	-	-	-	-	-	62 725
Dividend to the sole shareholder	-	-	-	-	-	(1 794)	(1 794)	-	(1 794)
Profit and other comprehensive income for the period from 1 January 2018 to 30 June 2018	-	-	-	-	-	-	-	126	126
As at 30 June 2018	2 000	62 725	200	1 662	-	-	1 862	126	66 713
Reimbursement of the share premium (Note 7.1)	-	(37 725)	-	-	-	-	-	-	(37 725)
Transfer to available reserves	-	-	-	(1 662)	1 662	-	-	-	-
Profit and other comprehensive income for the period from 1 July 2018 to 31 December 2018	-	-	-	-	-	-	-	61	61
As at 31 December 2018	2 000	25 000	200	-	1 662	-	1 862	187	29 049
Allocation of the result of the previous year before dividend distribution	-	-	-	-	-	187	187	(187)	-
Capital increase / Allocation to the share premium account (Note 7.1)	-	31 605	-	-	-	-	-	-	31 605
Dividend to the sole shareholder (Note 7.1)	-	-	-	-	-	(1 849)	(1 849)	-	(1 849)
Profit and other comprehensive income for the period from 1 January 2019 to 30 June 2019	-	-	-	-	-	-	-	263	263
As at 30 June 2019	2 000	56 605	200	-	-	-	200	263	59 068

The accompanying notes are an integral part of these condensed interim financial statements.

Interim statement of cash flows

For the six-month period ended 30 June

	Note	('000 EUR) 2019	('000 EUR) 2018
OPERATING ACTIVITIES			
Profit for the financial period		263	126
<i>Adjustment for:</i>			
Net (Increase)/decrease in financial assets	4.1	(6 077 771)	(1 168 619)
Net Increase/(decrease) in financial liabilities	4.2	6 106 425*	1 148 341
(Increase)/decrease in other assets		(12 072)	-
Increase/(decrease) in tax liabilities and other liabilities		(2 416)	(23 720)
Other (IFRS 9 impact)		-	(2)
NET CASH FLOWS FROM OPERATING ACTIVITIES		14 429	(43 874)
FINANCING ACTIVITIES			
Payment of capital surplus		-	-
Dividend paid	7.1	(1 849)	(1 794)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(1 849)	(1 794)
Cash and cash equivalents at the beginning of the period	3	79 584	114 889
Net increase/(decrease) in cash and cash equivalents		12 580	(45 668)
Cash and cash equivalents at the end of the period		92 164	69 221
Cash flows from interest and dividends			
Interest paid		353	415
Interest received		546	609
Dividend received			-

* The amount of KEUR 6 106 425 excludes the 2018 activity related interests amounting to KEUR 31 605, which are payable to SGBT and which have been allocated to the Share premium (see Note 5 and Note 7.1).

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as at 30 June 2019

NOTE 1 – CORPORATE INFORMATION

SG Issuer (hereafter the "Company" or "SGIS") is a Luxembourg company incorporated on 16 November 2006 as a public limited liability company (S.A.) for an unlimited period.

Since April 2013, the Company's corporate objects are to issue debt securities, bonds, certificates, Warrants and any other debt securities or acknowledgements of debts or financial securities, whether or not accompanied by guarantees, with any type of underlying security, including, without limitation, company stock, any other capital security or security other than capital, index, currency, exchange rate, interest rate, dividend, credit risk, fund unit, investment company stock, term deposit, life assurance contract, loan, merchandise, term contract, option, Warrant or option coupons, allocated or unallocated precious metals, unit of account, basket or any other factor or any other type of underlying securities and any combination of the latter.

To that effect, the Company may purchase, hold, dispose of, lend, loan or resell, by any means, including in particular the use of trusts, in trust or repurchase, any type of assets whatever their names and forms and whether or not accompanied by guarantees, in particular financial instruments (financial securities - stocks, fund units, bonds, certificates, Warrants - or financial contracts - swaps, options or other) or any other debt securities, acknowledgements of debts or capital securities, receive or issue monetary loans (including loans convertible into shares of the Company) - within the group of companies to which the Company belongs - and to supply guarantees in any form (actual guarantees such as pledges, securities, mortgages or other - personal guarantees or any other form of guarantee) for their own account, for the account of the group of companies to which the Company belongs or on behalf of third parties.

The Company's financial year begins on 1 January and ends on 31 December each year.

The Company's capital is fully owned by Société Générale Bank & Trust S.A. (hereafter "SGBT"), a bank incorporated under Luxembourg law.

The accounts of the Company are included in the consolidated accounts of SGBT, which is the smallest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 11, avenue Emile Reuter, L-2420 Luxembourg.

The accounts of the Company are included in the consolidated accounts of Société Générale S.A. (hereafter "Société Générale" or the "ultimate parent company"), which is the largest body of undertakings of which the Company forms a part as a subsidiary undertaking, and whose head-office is located at 29, boulevard Haussmann, 75009 Paris, France.

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NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

2.1. Basis of preparation

2.1.1. Statement of compliance

The financial statements of the Company as at 31 December 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The financial statements as at and for the year ended 31 December 2018 were authorised for issue by the Supervisory Board on 29 April 2019.

The condensed interim financial statements as at and for the six-month period ended 30 June 2019 have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union and interpretations adopted by the International Accounting Standards Board ("IASB"). The condensed interim financial statements as at and for the six-month period ended 30 June 2019 were approved by the Executive Board on 25 September 2019.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statements as at 31 December 2018.

2.1.2. Basis of measurement of financial assets and financial liabilities

Financial assets and financial liabilities linked to the activity of the Company are measured at fair value through profit or loss. All other financial assets and financial liabilities are measured at amortised cost.

2.1.3. Functional and presentation currency

These condensed interim financial statements are prepared in Euro ("EUR"), which is the Company's functional currency and the currency of its share capital.

2.1.4. Use of estimates and judgements

The preparation of the Company's interim condensed financial statements requires management to make judgments, estimates and assumptions that affect the reported amount of figures recorded in the interim statement of profit and loss, on the unrealised or deferred gains and losses, on the valuation of assets and liabilities in the interim statement of financial position, and on information disclosed in the notes to the interim condensed financial statements.

In order to make these assumptions and estimates, the management uses information available at the date of preparation of the condensed interim financial statements and can exercise its judgment. By nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the interim condensed financial statements.

Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgments and assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgment and/or estimates are listed below

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with respect to judgments/estimates involved.

The use of estimates and judgment mainly concerns the following topics:

- Fair value in the interim statement of financial position of financial instruments not quoted on an active market which are classified as Financial assets and liabilities at fair value through profit or loss (see Notes 4.1. and 4.2.);
- the amount of impairment and provisions for credit risk related to financial assets measured at amortised cost (see Note 5);
- The analysis of the contractual cash flow characteristics of financial assets.

2.1.5. Segmental information

No dedicated management reporting information is presented for SGIS to a chief decision maker; only the annual financial statements and condensed interim financial statements are presented to the Executive Board of SGIS in analysing the performance of the Company. The Company has only one geographical area related to its revenue, which is France (Société Générale).

The business of the Company is not seasonal. Therefore, the additional disclosure of financial information for the twelve months up to the end of the interim period and comparative information for the prior twelve-month period, encouraged in IAS 34.21, are not necessary and not provided.

2.2. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2018, except for the adoption of the new standards effective as of 1 January 2019. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2.2.1. New accounting standards applied by the Company as at 1 January 2019

IFRS 15 "Revenue for contracts with customers" (see Notes 2.2.1.1).

IFRS 16 "Leases" (see Notes 2.2.1.2.).

IFRIC 23 "Uncertainty over Income Tax Treatments"(Note 2.2.1.3.).

Amendments to IAS 28 "Long-Term Interests in associates and joint ventures"(Note 2.2.1.4).

Annual improvements (2015-2017) (Note 2.2.1.5).

Amendments to IAS 19 "Plan Amendments, Curtailment or Settlement"(Note 2.2.1.6).

2.2.1.1. IFRS 15 "Revenue from contracts with customers"

Adopted by the European Union on 1 January 2018

This standard supersedes IAS 18 "Revenue" and sets out the new requirements for recognising revenues earned from all types of contracts entered into with customers.

The recognition of revenues in the income statement shall depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

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To apply this core principle, IFRS 15 provides a five-step model from the identification of the contract with the customer until the recognition of the related revenue when the performance obligation is fulfilled.

Income related to the issuance of Notes and Warrants were presented under the caption “net gains from financial instruments at fair value through profit or loss” until 31 December 2018 in accordance with IAS 39/IFRS 9. In 2019, the Company has reassessed the accounting treatment of such income and concluded that such income was in scope of IFRS 15. This new accounting policy has been applied since 1 January 2019. Comparative amounts for the year 2018 were not restated for materiality reasons (but presented in Note 8).

The remuneration of SGIS is composed by 2 distinct services:

- The issuing upfront fee for the initiation of the operation (thereafter issuing upfront fee). 85% of the total fee is recorded at the issue date;
- The account and security servicing during the lifecycle of the security (thereafter security servicing fee). 15% of the total fee is accrued on a monthly basis, as the recognition of continuous services from the security servicing services of SGIS (according to the costs and resources engaged by SGIS).

2.2.1.2. IFRS 16 “Leases”

Adopted by the European Union on 31 October 2017

This new standard supersedes the existing standard IAS 17 and modifies accounting requirements for leases, and more specifically in relation to the lessees’ financial statements, with very few impacts for the lessors.

For all lease agreements in the scope of IFRS 16, lessee are required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. In its statement of profit and loss, the lessee separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

SGIS has only one lease agreement related to the building. Since the term of this agreement is 2 years and the annual rental fees amount to KEUR 23, leases are considered non material.

2.2.1.3. IFRIC 23 “Uncertainty over Income Tax Treatments”

Adopted by the European Union on 23 October 2018

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. The approach to be used should be the one that provides the best predictions of the resolution of the uncertainty.

The process for identifying, analyzing and monitoring tax uncertainties has been reviewed both at Group level and at the Company’s level. There is no tax treatment at the level of the Company which would raise uncertainty requiring assessment of potential other tax treatment. Consequently, no effect of this interpretation has been booked on equity.

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2.2.1.4. Amendments to IAS 28 “Long-Term Interests in associates and joint ventures”

Issued by IASB on 12 October 2017

The amendments clarify that IFRS 9 “Financial Instruments” shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

The Company did not identify any impact from these amendments as the Company does not have any long-term interest in neither associate nor joint venture.

2.2.1.5. Annual improvements (2015-2017)

Issued by IASB on 12 December 2017

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 “Business Combinations”, IFRS 11 “Joint Arrangements”, IAS 12 “Income Taxes” and IAS 23 “Borrowing Costs”.

These improvements had no effect on the Company’s condensed interim financial statements as the Company has neither business combinations, nor joint arrangements. Minor changes in IAS 12 and IAS 23 have no impact on the Company as they are related respectively to financial instruments classified as equity and to borrowing costs eligible for capitalisation, which are not applicable to the Company.

2.2.1.6. Amendments to IAS 19 “Plan Amendments, Curtailment or Settlement”

Published by IASB on 7 February 2018

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

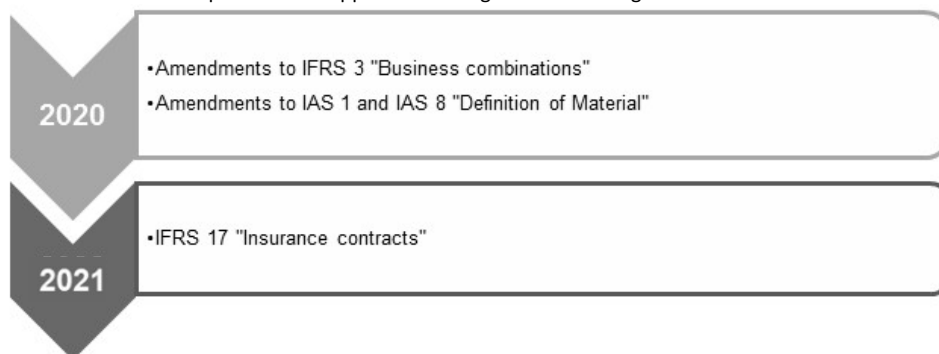
The Company is not impacted by this standard as there is no pension plan at its level.

2.2.2. Accounting standards, amendments or interpretations to be applied by the Company in the future

IASB publishes accounting standards, amendments and interpretations, some of which have not been adopted by the European Union as at 30 June 2019. They are required to be applied from annual periods beginning on 1 January 2020 at the earliest or on the date of their adoption by the European Union. They were therefore not applied by the Company as at 30 June 2019.

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These standards are expected to be applied according to the following schedule:



2.2.2.1. Amendments to IFRS 3 "Business Combinations"

Published by the IASB on 22 October 2018

The amendments are intended to provide clearer guidance to facilitate the differentiation between the acquisition of a business and the acquisition of a group of assets, for which the accounting treatment is different.

The Company expects no effect from these amendments as it has no business combinations.

2.2.2.2. Amendments to IAS 1 and IAS 8 "Definition of Material"

Published by the IASB on 31 October 2018

These amendments are intended to clarify the definition of 'materiality' in order to facilitate the judgement in the context of the preparation of financial statements and condensed interim financial statements, particularly when selecting the information to be presented in the Notes.

At this stage, the Company does not expect any significant impact from these amendments.

2.2.2.3. IFRS 17 "Insurance Contracts"

Issued by IASB on 18 May 2017

This new standard replaces IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the interim statement of financial position is replaced by a current value measurement of insurance contracts. The Company expects no effect from this standard as it has no insurance contracts.

2.3. Summary of significant accounting policies

2.3.1. Foreign currency transactions

Transactions in foreign currencies are initially recorded in EUR at the exchange rate ruling at the date of the transaction.

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Assets and liabilities denominated in foreign currencies are translated into EUR at the exchange rates ruling at the interim reporting date. Foreign exchange differences arising on translation and realized exchange gains and losses are recognised in the interim statement of profit and loss and other comprehensive income in the caption Net gains on financial instruments at fair value through profit or loss and Interest Expenses.

The most important foreign currency positions for the Company are USD, JPY, GBP, HKD and CHF. The following foreign exchange rates were used:

	USD	JPY	GBP	HKD	CHF
30.06.2019	1.1380	122.6000	0.89655	8.8866	1.1105
31.12.2018	1.1450	125.8500	0.8945	8.9675	1.1269

2.3.2. Cash and Cash equivalents

Cash and cash equivalents comprise only cash repayable on demand.

2.3.3. Financial instruments

The accounting principles related to financial instruments remain the same as of 31 December 2018.

2.3.3.1. Classification and measurement of financial assets

The portfolios of financial assets were reviewed to determine, based on the characteristics of their contractual cash flows and on how they are managed (business models), their accounting treatment under IFRS 9. Another objective of this review was to identify the most significant impacts on the information systems.

For the debt instruments held, SGIS has defined its business model as “held to collect” for the Fully Funded Swaps, for Cash and cash equivalents and for Loans and receivables. These assets are acquired in order to collect the contractual cash-flows attached to the assets. No sale has been made in the past years and no sale is anticipated in the future.

The Fully Funded Swaps (hereafter “FFS”) are economically assimilated to loans with embedded derivatives (the swap embedded in the FFS). This type of financial assets comply with the IFRS definition of debt instruments (fixed maturity, coupon calculated as a rate, no right nor interest/control in an entity). As these financial assets of SGIS contain embedded derivatives that modify the cash flows of the entire contract, the contract does not pass the SPPI test and these financial assets are mandatorily measured at Fair Value through Profit and Loss (“FVTPL”).

Cash and cash equivalents and Loans and receivables are SPPI compliant and are thus measured at amortised cost. Cash and cash equivalents and Loans and receivables are subject to impairment under IFRS 9 and are presented net of impairment.

The Options held, covering the Warrants issued, are Trading derivatives and thus measured at FVTPL.

Classification and measurement of financial liabilities

Financial liabilities are classified into one of the following two categories:

- Financial liabilities at fair value through profit or loss:

These are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Company upon initial recognition to be carried at fair value through profit or loss in accordance with the fair value option.

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The Company has designated at fair value through profit or loss the notes issued because mirror transactions (Fully Funded Swaps or “FFS”) that are used to hedge those notes are measured mandatorily at fair value through profit and loss and thus reduce the accounting mismatch;

- Financial liabilities at amortised cost:

These include the other non-derivative financial liabilities and are measured at amortized cost.

2.3.3.2. Valuation of financial instruments as financial assets and financial liabilities at fair value through profit or loss

The fair values of financial instruments include accrued interest as applicable.

- For unsecured Notes and Fully Funded Swaps

The fair value for both the unsecured Notes (liabilities) and the Fully Funded Swap (FFS) (assets) are calculated by discounting the expected future cash flows with the risk free curve. To take the credit adjustment into account, the risk free curve is adjusted with Société Générale Group’s credit spread curve. A dedicated process has been implemented using Société Générale Group and SGIS operational teams’ input. This process is fully functional, constantly monitored as of today.

- For secured and Repack Notes

Secured Notes are Notes which are collateralized with assets deposited on segregated or pooled accounts with external custodian (The Bank of New York MELLON (Luxembourg) S.A. hereafter “BNY Mellon”) and pledged in favor of the Note holders.

Repack Notes are Notes which allow investors to calibrate the funding yield of their structure by selecting a bond (the “Reference Bond”) issued by a third-party issuer (the “Reference Bond Issuer”).

- The collateral assets are composed of eligible securities.

Should Société Générale defaults, the pledge on the assets is to be enforced; the Notes holders are exposed to credit risk of the collateral (external securities). Therefore, as Société Générale and SGIS are mere risk pass-through, the credit risk premium (external bonds issuers) shall not be adjusted with Société Générale credit spread. Thus, no additional credit adjustment is needed for the secured Notes.

The fair value of the secured Notes and the Repack Notes and the associated FFS is computed, for each accounting period, by discounting the expected future cash flows by a composite Repo rate curve.

- For Warrants and Options

For financial instruments recognised at fair value in the interim statement of financial position, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the interim statement of financial position date or if the clearing value does not reflect transaction prices.

However, due especially to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Company does not have quoted prices in the markets.

Deferred margin related to main unobservable inputs

The Company does not apply deferred margin related to its main unobservable inputs as margin on Notes and Warrants issued are offset by a similar margin on Fully Funded Swaps and Options purchased.

Notes to the condensed interim financial statements

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2.3.3.3. Offsetting financial assets and financial liabilities

A financial asset and a financial liability are offset and the net amount presented on the interim statement of financial position when the Company has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties.

The financial instruments issued by the Company are subscribed by the investors through Société Générale as a lead manager during the issuance period and as a market maker for a secondary market. The instruments which are unsold are held by SG.

The treatment is applied based on IAS 32 paragraph 42: "A financial asset and a financial liability shall be offset and the net amount presented in the interim statement of financial position when, and only when, an entity:

(a) currently has a legally enforceable right to set off the recognized amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously."

In December 2014, a cash netting clause was added in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (the Fully Funded Swaps) and the liabilities (the Notes) are settled (and intended to be settled) simultaneously.

In June 2017, the Company added a new cash netting clause in the legal framework with Société Générale Personne Morale and the Company consequently acquired a legally enforceable right to offset the recognized amount with the same counterparty (Société Générale). The assets (OTC Options) and the liabilities (the Warrants) are settled (and intended to be settled) simultaneously.

In application of IAS 32 - Offsetting a financial asset and a financial liability, the Company proceeds to the accounting netting of the non-sold amounts. The impact of the off-setting for the non-sold Notes and the corresponding Fully Funded Swaps and impact of the off-setting for the non-sold Warrants and the corresponding options are described in note 4.1 and note 4.2.

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NOTE 3 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents amount to KEUR 92 164 as at 30 June 2019 (31 December 2018: KEUR 79 584) and are mainly composed of cash held with SGBT and Société Générale.

As at 30 June 2019 and 31 December 2018, this caption only contains cash that is repayable on demand.

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NOTE 4 – FINANCIAL INSTRUMENTS

4.1. Financial assets measured at fair value through profit or loss

	30.06.2019 (‘000 EUR)	31.12.2018 (‘000 EUR)
Financial assets at fair value through profit or loss		
- Mandatorily at fair value through profit or loss (Fully Funded Swaps)	51 712 386	45 062 134
- Trading derivatives (Options)	3 598 402	4 168 362
Total	55 310 788	49 230 496

As at 30 June 2019, financial assets mandatorily at fair value through profit or loss (Fully Funded Swaps) amount to KEUR 51 712 386 (31 December 2018: KEUR 45 062 134) and replicate all the Notes issued by the Company (see Note 4.2). Differences between Fully Funded Swaps and Notes arise due to late settlements.

As at 30 June 2019, Trading derivatives (Options) amount to KEUR 3 598 402 (31 December 2018: KEUR 4 168 362) and replicate all the Warrants issued by the Company (see Note 4.2). Differences between Options and Warrants arise due to late settlements.

As at 30 June 2019, the impact of the offsetting of financial assets and financial liabilities (decrease in the balance sheet) is KEUR 59 866 543 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 7 779 040 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.2).

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The movements in financial assets at fair value through profit or loss were as follows:

	('000 EUR)	('000 EUR)	('000 EUR)
	Mandatorily at fair value through profit or loss	Trading derivatives	Total
As at 1 January 2018	44 051 537	3 806 822	47 858 359
<i>Acquisition</i>	31 615 388	34 831 815	66 447 203
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(15 594 453)	(32 877 694)	(48 472 147)
<i>Change in fair value</i>	(2 247 871)	(2 054 287)	(4 302 158)
<i>Exchange difference</i>	1 144 519	63 069	1 207 588
<i>Offsetting of Assets and Liabilities (Change)</i>	(13 668 588)	(43 617)	(13 712 205)
As at 30 June 2018	45 300 532	3 726 108	49 026 640
<i>Acquisition</i>	30 120 091	(920 418)	29 199 673
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(17 894 969)	169 074	(17 725 895)
<i>Change in fair value</i>	(9 819 706)	(632 465)	(10 452 171)
<i>Exchange difference</i>	842 729	118 021	960 750
<i>Offsetting of Assets and Liabilities (Change)</i>	(3 486 543)	1 708 042	(1 778 501)
As at 31 December 2018	45 062 134	4 168 362	49 230 496
<i>Acquisition</i>	33 277 613	20 820 233	54 097 846
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(17 375 767)	(17 574 915)	(34 950 682)
<i>Change in fair value</i>	9 520 579	(1 350 072)	8 170 507
<i>Exchange difference</i>	307 744	32 792	340 536
<i>Offsetting of Assets and Liabilities (Change)</i>	(19 079 917)	(2 497 998)	(21 577 915)
As at 30 June 2019	51 712 386	3 598 402	55 310 788

4.2. Financial liabilities measured at fair value through profit or loss

	30.06.2019 ('000 EUR)	31.12.2018 ('000 EUR)
Financial liabilities at fair value through profit or loss		
- Designated at fair value through profit or loss (Notes)	51 704 692	45 053 728
- Trading derivatives (Warrants)	3 622 675	4 170 486
Total	55 327 367	49 224 214

As at 30 June 2019, the Company has issued secured and unsecured Notes for a total amount of KEUR 51 704 692 (31 December 2018: KEUR 45 053 728):

- 33 037 unsecured Notes were issued (stock) for a total amount of KEUR 47 571 960 (31 December 2018: 29 736 unsecured Notes were issued (stock) for a total amount of KEUR 41 584 165);
- 888 secured Notes were issued (stock) for a total amount of KEUR 4 132 732 (31 December 2018: 871 secured Notes were issued (stock) for a total amount of KEUR 3 469 563).

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In addition to the guarantee on first demand granted by Société Générale on unsecured and secured Notes, subscribers of the secured Notes issued by the Company benefit from additional collateral assets securing the payment due under the Notes terms, structured in form of a pledge governed by Luxembourg Law. This pledge may only be enforced following a default of the Company or Société Générale in its role of Guarantor.

Pledged collateral assets are deposited on an account held in the name of the Company with an authorised custodian not belonging to the Société Générale Group and are pledged in favour of the Notes holders.

As at 30 June 2019, securities deposited at BNY Mellon as collateral for secured issuances amount to KEUR 4 243 480 (31 December 2018: KEUR 3 609 288).

As at 30 June 2019, the Company also issued Warrants for a total amount of KEUR 3 622 675 (31 December 2018: KEUR 4 170 486). Refer to Note 9 for further details on Off-balance sheet items related to the Warrants activity.

As at 30 June 2019, the impact of the offsetting (decrease in the balance sheet) is KEUR 59 866 543 for the non-sold Notes and the corresponding Fully Funded Swaps (31 December 2018: KEUR 40 786 626) and KEUR 7 779 040 for the non-sold Warrants and the corresponding Options (31 December 2018: KEUR 5 281 042) (see Note 4.1).

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The movements in financial liabilities at fair value through profit or loss were as follows:

	('000 EUR)	('000 EUR)	('000 EUR)
	Designated at fair value through profit or loss	Trading derivatives	Total
As at 1 January 2018	44 048 143	3 818 679	47 866 822
<i>Issuance</i>	31 615 388	34 831 815	66 447 203
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(15 616 360)	(32 886 766)	(48 503 126)
<i>Change in fair value</i>	(2 247 871)	(2 054 287)	(4 302 158)
<i>Exchange difference</i>	1 144 519	63 069	1 207 588
<i>Offsetting of Assets and Liabilities (Change)</i>	(13 668 588)	(43 617)	(13 712 205)
As at 30 June 2018	45 275 231	3 728 893	49 004 124
<i>Issuance</i>	30 759 451	(896 908)	29 862 543
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(18 372 899)	(462 165)	(18 835 064)
<i>Change in fair value</i>	(9 984 059)	(256 637)	(10 240 696)
<i>Exchange difference</i>	862 547	349 261	1 211 808
<i>Offsetting of Assets and Liabilities (Change)</i>	(3 486 543)	1 708 042	(1 778 501)
As at 31 December 2018	45 053 728	4 170 486	49 224 214
<i>Issuance</i>	33 743 010	20 821 781	54 564 791
<i>Maturity/Disposal/Liquidation/Cancellation</i>	(17 794 541)	(17 350 616)	(35 145 157)
<i>Change in fair value</i>	9 473 510	(1 574 971)	7 898 539
<i>Exchange difference</i>	308 902	53 993	362 895
<i>Offsetting of Assets and Liabilities (Change)</i>	(19 079 917)	(2 497 998)	(21 577 915)
As at 30 June 2019	51 704 692	3 622 675	55 327 367

4.3. Financial instruments measured at amortised cost

As at 30 June 2019 and 31 December 2018, financial liabilities at amortised cost are mainly composed of a convertible bond of KEUR 48 000, issued by the Company and fully subscribed by SGBT, with maturity in 2022. Conversion may occur each year.

On this convertible bond, the Company pays to SGBT both variable interests calculated on Euribor 3M plus a margin of 2.05% (total rate of 1.705% as at 30 June 2019) and activity related interests. Activity related interests mean an amount equal to 100% of the activity related profit generated by the Company.

The convertible bond maturity shall be automatically extended by successive periods of one year, unless either the Issuer or the Holder has exercised its right to terminate the bond on the scheduled maturity date. The conversion option belongs to the Holder.

As at 30 June 2019 and 31 December 2018, the value of the equity component is estimated to be nil.

As at 30 June 2019, the Company also has amounts due to banks related to the Company's bank current accounts for KEUR 2 031 (31 December 2018: KEUR 16 673).

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NOTE 5 – LOANS AND RECEIVABLES

As at 30 June 2019 and 31 December 2018, loans and receivables only consist in term deposits with SGBT, which represent the reinvestment of the Company's share capital, reserves and other available funds.

The amount of expected credit loss calculated on loans and receivables in accordance with IFRS 9 is KEUR 2 as at 30 June 2019 (31 December 2018: KEUR 2).

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NOTE 6 – TAXATION

The Company is liable for all taxes applicable to Luxembourg commercial companies.

Since 2007, the Company has been part of a tax integration group led by SGBT, as authorised by the article 164 bis LIR and has concluded a Tax Sharing Agreement (the “Agreement”) with SGBT. Under the Agreement, the Company pays to SGBT, with respect to each financial year, an amount equal to the tax which would be levied on the profits of the Company in the absence of any tax consolidation with the Parent.

Income tax includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period;
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

6.1. Current tax

Current tax is based on the taxable profit and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the period. The related tax charge is included under Income tax in the interim statement of profit and loss and other comprehensive income.

Current tax was adjusted further to the fiscal law reform on December 2016. The rate of current tax applied as of 30 June 2019 is 24.94% (31 December 2018: 26.01%). The current tax rate includes the corporate tax and the municipal tax.

6.2. Deferred tax

Deferred taxes are recognized whenever the Company identifies a temporary difference between the accounting base and tax base for assets and liabilities that will affect future tax payments. Deferred tax assets and liabilities are measured considering rules established by Luxembourg tax authority.

There is no need to recognize deferred tax asset (or liability) considering mirror transactions are concluded to hedge the financial liabilities and net result consists only in the net banking income from investing activities (equity investment).

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NOTE 7 – SHAREHOLDERS' EQUITY

7.1. Share capital and Share premium

As at 31 December 2018, the subscribed and fully paid share capital, 100% held by SGBT, was EUR 2 000 200, divided into 50 005 shares with nominal value of EUR 40 each.

By resolution adopted on 15 January 2019, the Executive Board decided to increase the capital of the Company from EUR 2 000 200 to EUR 2 000 240 by the issue of a new share with a nominal value of EUR 40, subscribed by the sole shareholder. In the context of the capital increase, the 2018 activity related interests amounting to EUR 31 604 629 have been allocated to the Share premium.

As at 30 June 2019, the subscribed and fully paid share capital, 100% held by SGBT, is EUR 2 000 240, divided into 50 006 shares with nominal value of EUR 40 each.

The Company manages its capital to ensure it will be able to continue as a going concern. The capital amount may be increased, subject to the approval of the Sole Shareholder, if the Company's activity evolves, incurring specific additional risks.

7.2. Reserves

7.2.1. Legal reserve

In accordance with the Luxembourg law, the Company is required to allocate a minimum of 5% of its annual net profit to a Legal reserve until this reserve equals 10% of the subscribed share capital. This reserve may not be distributed.

As at 30 June 2019, the legal reserve amounts to KEUR 200 (31 December 2018: KEUR 200).

7.2.2. Other reserves

Since 2013, the Company is fiscally integrated in its parent company SGBT. SGBT constitutes the Net Wealth Tax reserve for the Company. As a consequence, no additional Net Wealth Tax reserve has been constituted by the Company since 2013.

As at 30 June 2019, other reserves are nil (31 December 2018: KEUR 1 662 corresponding to the remaining Net Wealth Tax reserve that was constituted by the Company before 2013 and released since).

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NOTE 8 – COMMISSION INCOME/NET GAINS FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Principles of the revenue recognition are set out in the paragraph 2.2.1.1.

Commission income/net gains from financial instruments at fair value through profit or loss can be breakdown as follows:

	30.06.2019 (‘000 EUR)	30.06.2018 (‘000 EUR)
Issuing upfront fees on Notes	30 041	21 789*
Servicing fees on Notes	925	3 845*
Commission on Warrants	1 916	3 584*
Total	32 882	29 218*

As at 30 June 2019, KEUR 4 377 are retained as differed income under the caption “other liabilities”.

* The above amounts as at 30 June 2018 are presented in the interim statement of profit and loss and other comprehensive income under the caption “net gains from financial instruments at fair value through profit or loss” (Please see note 2.2.1.1.). The remaining amount of KEUR (67) corresponds to the fair value adjustment recorded during the six-month period ended 30 June 2018.

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NOTE 9 – OFF-BALANCE SHEET

As at 30 June 2019, financial instruments to be issued (engagement taken before 30 June 2019 with value date after 30 June 2019) amount to KEUR 3 345 921 (31 December 2018: KEUR 2 790 111).

All the Warrants issued are fully hedged by concluding identically equipped OTC options with Société Générale.

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Warrants issuance summary

The Warrants issued as at 30 June 2019 and 31 December 2018 break down as follows:

		30 June 2019			31 December 2018		
Warrant Type	Category of Underlying	Type of Underlying	Option Type	Quantity	Notional ('000 EUR)	Fair Value ('000 EUR)	Fair Value ('000 EUR)
Basket Warrant	Basket	Index	Call	2	15 648	17 520	15 581
		Equity	Call	1	3 163	776	3 144
Commodity Future Warrant	Future	Mutual Fund	Put	8	27 049	1 859	7 138
		Commodity Future	Call	98	391 245	31 045	381 303
			Put	100	279 409	44 157	439 664
		Index	Call	9	48 075	27 613	-
Commodity Warrant	Commodity	Mutual Fund	Call	124	880 993	101 871	161 967
			Put	73	264 484	15 213	240 430
		Precious metals	Call	12	26 036	5 498	24 767
			Put	10	24 789	543	34 545
Currency Warrant	Currency	Currency	Call	207	128 595	20 939	159 308
			Put	269	195 201	68 372	176 373
		American Depositary Receipt	Call	61	229 687	13 562	25 218
			Put	38	72 567	4 973	17 817
		Mutual fund	Call	11	342 336	520	-
			Put	5	92 926	13	-
		Ordinary Share	Call	5 686	31 072 830	733 683	26 923 067
			Put	3 808	12 879 399	366 951	11 659 558
Equity Warrant	Equity	Other Certificate	Call	1	303	3	300
			Put	7	4 454	-	4 894
		Other Receipt	Call	1	422	-	2 442
			Put	2	1 173	-	1 252
		Own Share	Call	119	212 410	5 973	193 993
			Put	72	66 562	15 235	112 290

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	Preference	Call		Put		1 543		23		35 672		331	
		REIT		Index		868		29		41 791		888	
REIT		REIT		Index		2 167		42		148 254		908	
		202 223		115 286		1 155		35		35 074		3 453	
Index Warrant	Index	2 306		49 082 682		1 633 634		1 354		51 887 633		1 066 292	
		1 518		34 064 753		482 248		1 451		30 468 115		1 333 566	
Fund Warrant	Fund	221		1 232 301		23 892		196		1 171 799		19 733	
		12		210 272		849		10		137 095		75	
Total Call		8 947		83 935 132		2 620 239		6 743		81 134 448		1 797 886	
Total Put		5 998		48 352 656		1 002 436		5 621		43 376 036		2 372 600	
Total Warrants		14 945		132 287 788		3 622 675		12 364		124 510 484		4 170 486	

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NOTE 10 – RISK MANAGEMENT

The Company and several of its service providers are subsidiaries of the Société Générale Group and therefore benefit from Société Générale's internal control systems.

For any further information on the risks relating to the Group, investors and/or Noteholders should refer to the "Risk and Capital Adequacy" section of the Registration Document (<https://www.societegenerale.com>).

10.1. Market risk

Market risk is the risk that changes in market prices, such as interest rates, securities prices, and foreign exchange rates will affect the Company's income or the value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

The Company issues Notes and Warrants. The Notes are systematically hedged with Fully Funded Swaps concluded with Société Générale, with strictly identical characteristics. In the same way, the Warrants issued are hedged with Options concluded with Société Générale, with strictly identical characteristics.

The risks associated with the investment in the Notes and Warrants depend on several factors. Such factors vary depending on the characteristics of the Notes and Warrants issued, in particular depending on the underlying, the maturity of the Notes, the secured / unsecured status of the Notes, the interest rates incurred, the volatility of the underlying, etc.

The main risks in relation to investments in Notes and Warrants issued by the Company are described in the Base Prospectus under the section "Risk Factor".

Because of its structure (perfect match between the assets and the liabilities), the impact of an immediate change of a market parameter would have no consequence on the net profit of the Company.

The Company is also exposed to structural interest rate risk, namely through the following transactions: reinvestment of available equity by participating interests or loans to the Company's treasury (SGBT) with hedged interest rate risk. The structural interest rate risk is monitored via the sensitivity of the economic value of the positions measured through modified duration.

Modified duration is calculated based on the change in the net present value of positions subsequent to a 1% change in the rate curve. Exposure monitoring is based on the determination of modified duration over the short (up to one year), medium (one to five years) and long (more than five years) term.

10.2. Credit risk

Credit risk is the risk that a third party will not be able to meet its contractual obligation.

The Company only contracts financial instruments with its parent companies, SGBT and Société Générale. Therefore, the credit risk of the Company is limited to the credit risk on SGBT and Société Générale. Should this situation evolve, specific limits would be proposed to limit the credit risk incurred.

As at 30 June 2019 and 31 December 2018, no financial assets were past due or impaired.

All the Notes and Warrants issued by the Company benefit from a guarantee provided by Société Générale, meaning that payments in respect of the instruments issued by the Company are unconditionally and irrevocably guaranteed by Société Générale (the Guarantor).

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As at 30 June 2019, the rating of Société Générale is A from Standard & Poor's and A1 from Moody's.

10.3. Interest rate risk

Interest rate risk is the risk that changes in market interest rates may adversely affect the value of the assets and liabilities of the Company. Due to the financial instruments contracted by the Company with Société Générale to hedge the financial instruments issued, the Company is not significantly exposed to interest rate risk.

10.4. Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due.

The Company does not face any liquidity risk thanks to the perfect replication between the contractual obligations of i) the financial instruments issued by the Company and ii) the financial assets held for hedging by the Company.

10.5. Fair Value measurement

According to the fair value hierarchy established by IFRS 13, Level 3 (L3) comprises products valued using inputs that are not based on observable market data (referred to as unobservable inputs).

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for Notes or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions as at the interim statement of financial position date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the parameters used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of GBIS (Global Banking and Investor Solutions), in accordance with the methodologies defined by the Market Risk Department.

The Notes and the related Fully Funded Swaps are classified as Level 3 when the valuation of the associated embedded derivatives (underlyings of the Notes) is also based on unobservable market data.

On each element of an identified list of unobservable parameters, it comes to determining the uncertainty of marking, and cross sensitivities with this uncertainty for a confidence interval of the value of the positions.

In parallel, marking the levels of each of these parameters is collected and reported in the Note.

The methods for determining the level of uncertainty, as well as calculating the confidence interval from sensitivities depend on each parameter.

Transfers from Level 2 to Level 3 are determined at the end of each month and occur in case of a modification within a parameter (e.g. no longer linked to the deal, modification of the observability rule of the parameter).

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10.5.1. Estimate of Level 3 instruments and other most significant unobservable inputs as at 30 June 2019
(by type of underlyings):

Type of underlyings	Assets In million EUR	Liabilities In million EUR	Main products	Valuation techniques used	Significant unobservable inputs	Range of unobservable inputs Min & Max
Equity / funds	19 606	19 606	Derivatives on funds, equities or baskets of stocks derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets on stocks	Equity volatilities	[4.4% ; 67.6%]
					Equity dividends	[0.0% ; 13.2%]
					Correlations	[-89.5% ; 98.5%]
					Hedge funds volatilities	[8.5% ; 20.0%]
					Mutual funds volatilities	[1.5% ; 42.3%]
Rates and Forex	3 942	3 942	Hybrid forex / interest rate or credit / interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	[-46.5% ; 90%]
			Forex derivatives	Forex option pricing models	Forex volatilities	[1.0% ; 32.8%]
			Interest rate derivatives whose notional is indexed on the prepayment behaviour on European collateral pools	Prepayment modeling	Constant prepayment rates	[0.0% ; 20.0%]
			Inflation instruments and derivatives	Inflation pricing models	Correlations	[50.5% ; 88.9%]
Credit	4 925	4 925	Collateralized Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	[0% ; 100%]
					Recovery rate variance for single name underlyings	[0% ; 100%]
			Other credit derivatives	Credit default models	Time to default correlations	[0% ; 100%]
					Quanto correlations	[-50% ; 40%]
					Credit spreads	[0 bps ; 1 000 bps]
Commodity	15	15	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	[14% ; 96%]

Unobservable inputs add a degree of uncertainty in the valuation of Level 3 instruments. However, by its very nature, and considering mirror transactions are concluded with Société Générale to hedge the financial liabilities issued by the Company, the Company has no market risk exposure. The impact of an immediate change in an unobservable parameter would have no consequence on the net profit or net equity of the Company.

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10.5.2. Analysis per remaining maturities:

As at 30 June 2019, analysis per remaining maturities is as follows:

30.06.2019 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	92 164	-	-	-	-	92 164
Financial assets at fair value through profit or loss						
- <i>Mandatorily at fair value through profit or loss</i>	2 108 644	10 811 451	21 699 122	17 093 169	-	51 712 386
- <i>Trading derivatives</i>	577 557	799 943	814 702	1 406 200	-	3 598 402
Loans and receivables	-	200	48 849	1 000	-	50 049
Other assets	12 072	-	-	-	-	12 072
Total assets	2 790 437	11 611 594	22 562 673	18 500 369	-	55 465 073
Financial liabilities at amortised cost	2 031	17 919	48 000	-	-	67 950
Financial liabilities at fair value through profit or loss						
- <i>Designated at fair value through profit or loss</i>	2 175 838	10 786 526	21 691 968	17 050 360	-	51 704 692
- <i>Trading derivatives</i>	623 140	780 120	814 144	1 405 271	-	3 622 675
Other liabilities	10 601	-	-	-	-	10 601
Tax liabilities	87	-	-	-	-	87
Total liabilities	2 811 697	11 584 565	22 554 112	18 455 631	-	55 406 005

As at 31 December 2018, analysis per remaining maturities is as follows:

31.12.2018 - EUR' 000	< 3 months	From 3 months to 1 year	From 1 to 5 years	> 5 years	Without fixed maturity	Total
Cash and cash equivalents	79 584	-	-	-	-	79 584
Financial assets at fair value through profit or loss						
- <i>Mandatorily at fair value through profit or loss</i>	2 659 566	7 215 881	20 045 169	15 141 518	-	45 062 134
- <i>Trading derivatives</i>	682 685	1 033 560	508 253	1 943 864	-	4 168 362
Loans and receivables	189	828	50 553	1 000	-	52 570
Total assets	3 422 024	8 250 269	20 603 975	17 086 382	-	49 362 650
Financial liabilities at amortised cost	16 673	31 611	48 000	-	-	96 284
Financial liabilities at fair value through profit or loss						
- <i>Designated at fair value through profit or loss</i>	2 648 107	7 216 548	20 037 056	15 152 017	-	45 053 728
- <i>Trading derivatives</i>	684 009	1 029 500	514 100	1 942 877	-	4 170 486
Other liabilities	13 039	-	-	-	-	13 039
Tax liabilities	64	-	-	-	-	64
Total liabilities	3 361 892	8 277 659	20 599 156	17 094 894	-	49 333 601

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10.5.3. The fair values together with the carrying amounts shown in the interim statement of financial position are as follows:

	Carrying amount	Fair value
30.06.2019 - EUR' 000		
Cash and cash equivalents	92 164	92 164
Financial assets at fair value through profit or loss		
- <i>Mandatorily at fair value through profit or loss</i>	51 712 386	51 712 386
- <i>Trading derivatives</i>	3 598 402	3 598 402
Loans and receivables *	50 049	52 324
Other assets	12 072	12 072
Total	55 465 073	55 467 348
Financial liabilities at amortised cost *	67 950	70 225
Financial liabilities at fair value through profit or loss		
- <i>Designated at fair value through profit or loss</i>	51 704 692	51 704 692
- <i>Trading derivatives</i>	3 622 675	3 622 675
Other liabilities	10 601	10 601
Tax liabilities	87	87
Total	55 406 005	55 408 280
31.12.2018 - EUR' 000		
Cash and cash equivalents	79 584	79 584
Financial assets at fair value through profit or loss		
- <i>Mandatorily at fair value through profit or loss</i>	45 062 134	45 062 134
- <i>Trading derivatives</i>	4 168 362	4 168 362
Loans and receivables *	52 570	54 993
Total	49 362 650	49 365 073
Financial liabilities at amortised cost *	96 284	98 451
Financial liabilities at fair value through profit or loss		
- <i>Designated at fair value through profit or loss</i>	45 053 728	45 053 728
- <i>Trading derivatives</i>	4 170 486	4 170 486
Other liabilities	13 039	13 039
Tax liabilities	64	64
Total	49 333 601	49 335 768

* For Loans and receivables and Financial liabilities at amortised cost, the fair values are calculated by discounting the expected future cash flows under a EUR risk free curve adjusted with Société Générale Group credit spread curve (EUR swap curve from Bloomberg and Société Générale credit spread curve provided by Risk department Paris).

Determining fair value is dependent on many factors and can be an estimate of what value may be obtained in the open market at any point in time.

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10.5.4. The fair value hierarchy of IFRS 13

As at 30 June 2019, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

30.06.2019 - EUR' 000	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
- <i>Mandatorily at fair value through profit or loss</i>	-	23 376 690	28 335 696	51 712 386
<i>Commodities instruments</i>	-	1 053 248	15 403	1 068 651
<i>Credit derivatives/securities</i>	-	1 238 585	4 926 440	6 165 025
<i>Equity and index securities</i>	-	16 943 347	18 036 519	34 979 866
<i>Foreign exchange instruments/securities</i>	-	1 694 892	819 926	2 514 818
<i>Interest rate instruments/securities</i>	-	2 332 615	3 122 212	5 454 827
<i>Other financial instruments</i>	-	114 003	1 415 196	1 529 199
- <i>Trading derivatives</i>	-	3 339 841	198 561	3 598 402
<i>Equity and Index instruments</i>	-	3 081 133	162 233	3 243 366
<i>Other financial instruments</i>	-	318 708	36 328	355 036
<i>Financial liabilities at fair value through profit or loss</i>				
- <i>Designated at fair value through profit or loss</i>	-	23 373 363	28 331 329	51 704 692
<i>Commodities instruments</i>	-	1 053 248	15 403	1 068 651
<i>Credit derivatives/securities</i>	-	1 238 180	4 925 442	6 163 622
<i>Equity and index securities</i>	-	16 940 816	18 033 305	34 974 121
<i>Foreign exchange instruments/securities</i>	-	1 694 440	819 850	2 514 290
<i>Interest rate instruments/securities</i>	-	2 332 611	3 122 170	5 454 781
<i>Other financial instruments</i>	-	114 068	1 415 159	1 529 227
- <i>Trading derivatives</i>	-	3 420 668	202 007	3 622 675
<i>Equity and Index instruments</i>	-	3 099 613	164 928	3 264 541
<i>Other financial instruments</i>	-	321 055	37 079	358 134

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As at 31 December 2018, the Company determined the fair values of its financial instruments on the basis of the following hierarchy:

31.12.2018 - EUR' 000	Level 1	Level 2	Level 3	Total
<i>Financial assets at fair value through profit or loss</i>				
- <i>Mandatorily at fair value through profit or loss</i>	-	20 606 194	24 455 940	45 062 134
<i>Commodities instruments</i>	-	1 160 486	40 872	1 201 358
<i>Credit derivatives/securities</i>	-	1 509 044	4 490 176	5 999 220
<i>Equity and index securities</i>	-	15 226 349	15 031 332	30 257 681
<i>Foreign exchange instruments/securities</i>	-	793 456	779 644	1 573 100
<i>Interest rate instruments/securities</i>	-	1 626 581	2 624 148	4 250 729
<i>Other financial instruments</i>	-	290 278	1 489 768	1 780 046
- <i>Trading derivatives</i>	-	4 050 694	117 668	4 168 362
<i>Equity and Index instruments</i>	-	3 573 416	94 142	3 667 557
<i>Other financial instruments</i>	-	477 278	23 526	500 805
<i>Financial liabilities at fair value through profit or loss</i>				
- <i>Designated at fair value through profit or loss</i>	-	20 599 491	24 454 237	45 053 728
<i>Commodities instruments</i>	-	1 160 486	40 872	1 201 358
<i>Credit derivatives/securities</i>	-	1 508 480	4 488 869	5 997 349
<i>Equity and index securities</i>	-	15 221 303	15 031 014	30 252 317
<i>Foreign exchange instruments/securities</i>	-	792 379	779 568	1 571 947
<i>Interest rate instruments/securities</i>	-	1 626 565	2 624 147	4 250 712
<i>Other financial instruments</i>	-	290 278	1 489 767	1 780 045
- <i>Trading derivatives</i>	-	4 052 818	117 668	4 170 486
<i>Equity and Index instruments</i>	-	3 574 563	94 142	3 668 705
<i>Other financial instruments</i>	-	478 255	23 526	501 781

Notes to the condensed interim financial statements
as at 30 June 2019
- continued –

The following table describes the variation in Level 3 by financial instruments

Financial liabilities at fair value through profit or loss	Balance at 01.01.2019	Acquisitions	Change in fair value	Reimbursements/ Other	Transfers from Level 2 to Level 3	Transfers from Level 3 to Level 2	Offsetting of the assets and liabilities	Balance 30.06.2019
<i>Designated at fair value through profit or loss</i>	24 454 237	21 693 529	4 258 082	(6 982 740)	401 684	(2 297 952)	(13 195 511)	28 331 329
Equity and index instrument	15 031 014	18 559 296	3 293 959	(5 629 676)	269 139	(1 855 195)	(11 635 232)	18 033 305
Commodity instruments	40 872	93	1 366	(29 379)	-	-	2 451	15 403
Credit derivatives	4 488 869	1 338 946	429 010	(416 004)	37 917	(311 154)	(642 142)	4 925 442
Foreign exchange instruments	779 568	117 881	16 389	(71 615)	-	(10 259)	(12 114)	819 850
Interest rate instruments	2 624 147	1 449 474	421 111	(390 001)	75 488	(116 628)	(941 421)	3 122 170
Other financial instruments	1 489 767	227 839	96 247	(446 065)	19 140	(4 716)	32 947	1 415 159
<i>Trading derivatives</i>	117 668	87 209	10 448	(22 461)	15 930	(1 479)	(4 768)	202 007
Equity and index instruments	94 142	79 264	1 265	(18 901)	15 930	(1 479)	(4 753)	164 928
Other financial instruments	23 526	7 945	9 183	(3 560)	-	-	(15)	37 079

Transfers from Level 3 to Level 2

The consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For high maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable parameters.

Transfers from Level 2 to Level 3

Transfers from Level 2 to Level 3 can occur in case of a modification within a parameter (no longer linked to the deal, modification of the observability rule of the parameter, etc..).

Notes to the condensed interim financial statements

as at 30 June 2019

- continued -

10.6. Operational risk

Operational risk is the risk of loss or fraud caused by defects or failures in internal procedures or systems, human error or external events, including IT risk and management risk. Particular attention is paid to compliance risk, which receives enhanced monitoring.

The Company participates in the effort to strengthen the management and monitoring of operational risk led by the Société Générale Group. This effort is guided by the Operational Risk Department, which reports to the Société Générale Group Risk Department, and is relayed by different Group operational risk monitoring units responsible for implementing the policies and directives issued by the Société Générale Group and monitoring and controlling operational risks.

The monitoring arrangement mainly relies on four processes supervised by the operational risk departments: periodic risk and control self-assessment (RCSA), collecting internal data on losses due to operational errors with exhaustive real-time reporting of incidents, pattern analyses, and permanent control system.

These procedures are supplemented by a crisis management unit and a business continuity plan.

SG Issuer
Société Anonyme

Notes to the condensed interim financial statements
as at 30 June 2019
- continued -

NOTE 11 – SUBSEQUENT EVENTS

There were no subsequent events which could have a significant impact on the condensed interim financial statements as at 30 June 2019.

APPENDIX 5 – FINANCIAL INFORMATION OF THE GUARANTOR FOR THE YEAR ENDED 31 DECEMBER 2019

Reproduction of Extracts of the “2020 REGISTRATION DOCUMENT” of the Guarantor for the year ended 31 December 2019 and the Statutory Auditors’ Report on the Consolidated Financial Statements

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This Appendix has been extracted from the “2020 Registration Document” of the Guarantor. References to page numbers referred to above are to page numbers appearing in the said Registration Document which is a translation of the original French text. This is a free translation into English of a report issued in French and it is provided solely for the convenience of English speaking users. This report should be read in conjunction with, and construed in accordance, with French law and professional standards applicable in France.

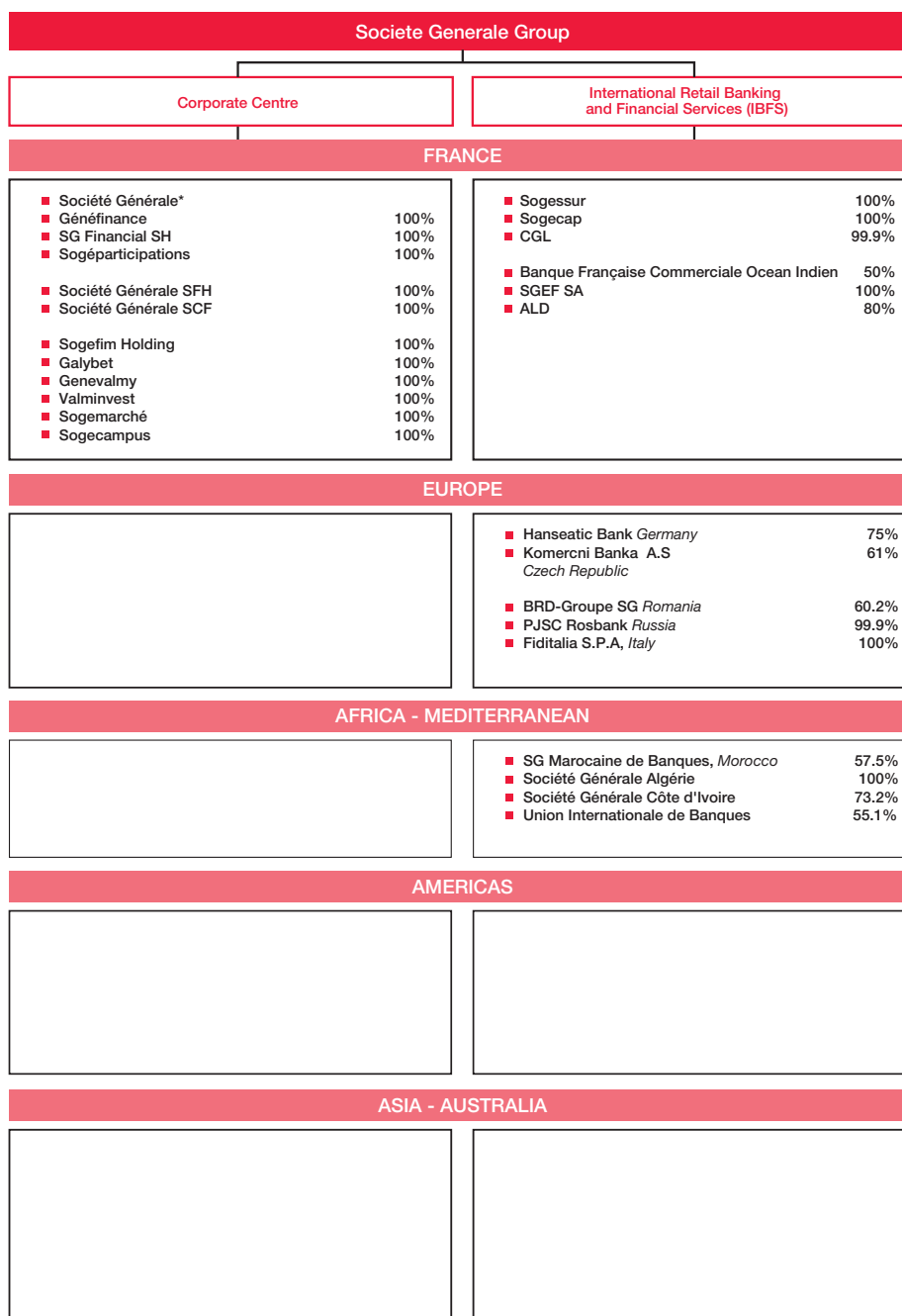
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GROUP MANAGEMENT REPORT

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2.1 SOCIETE GENERALE GROUP'S MAIN ACTIVITIES

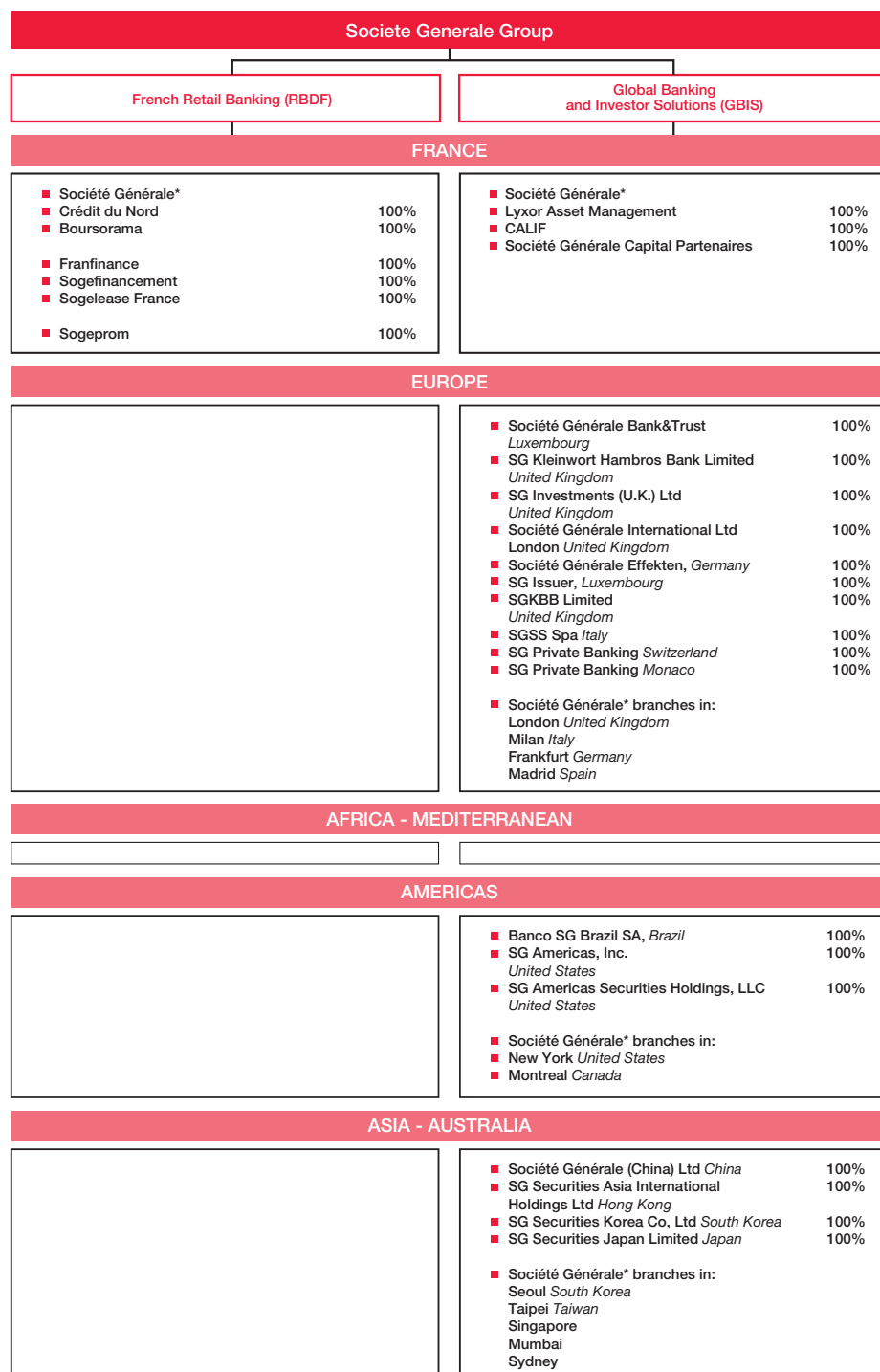
SIMPLIFIED OWNERSHIP STRUCTURE AT 31 DECEMBER 2019



* Parent company

Notes:

- the percentages given indicate the percentage of capital held by the Group in the subsidiary
- the groups are listed under the geographic region where they carry out their principal activities



2.2 GROUP ACTIVITY AND RESULTS

Definitions and details of methods used are provided on page 43 and following.

Information followed by an asterisk (*) is indicated as adjusted for changes in Group structure and at constant exchange rates.

The reconciliation of reported and underlying data is provided on page 45.

From 1 January 2019, following the introduction of the IAS 12 "Income Tax" standard, the tax saving on coupon payments on deeply subordinated notes and undated subordinated notes previously recorded in the retained earnings is henceforth recorded in the income statement under the heading "Income tax". Comparative data have been restated accordingly. The change in allocation had a positive impact on the "Income tax" and "Group net income" lines of EUR 257 million for 2018. See also Chapter 6, page 320.

2.2.1 ANALYSIS OF THE CONSOLIDATED INCOME STATEMENT

(In EURm)	2019	2018	Change	
Net banking income	24,671	25,205	-2.1%	-1.5%*
Operating expenses	(17,727)	(17,931)	-1.1%	-0.5%*
Gross operating income	6,944	7,274	-4.5%	-3.8%*
Net cost of risk	(1,278)	(1,005)	+27.2%	+30.3%*
Operating income	5,666	6,269	-9.6%	-9.2%*
Net income from companies accounted for by the equity method	(129)	56	n/s	n/s
Net profits or losses from other assets	(327)	(208)	-57.2%	-56.9%*
Impairment losses on goodwill	0	0	n/s	n/s
Income tax	(1,264)	(1,304)	-3.1%	-2.4%*
Net income	3,946	4,813	-18.0%	-17.5%*
o.w. noncontrolling interests	698	692	+0.9%	+2.3%*
Group net income	3,248	4,121	-21.2%	-20.9%*
Cost-to-income ratio	71.9%	71.1%		
Average allocated capital	50,586	48,138		
ROTE	6.2%	8.8%		

* When adjusted for changes in Group structure and at constant exchange rates

Net banking income

The Group's net banking income was down -2.1% in 2019, due primarily to a base effect in the Corporate Centre, but net banking income across the businesses remained stable (-0.1%*).

- French Retail Banking's net banking income grew marginally by +0.3% (excluding PEL/CEL provision). This was higher than the target communicated by the Group, amid a low interest rate environment and the transformation of the French networks.
- International Retail Banking & Financial Services enjoyed +4.6%* revenue growth, with solid commercial momentum offsetting falling revenue on back of disposals finalised during the year.
- Global Banking and Investor Solutions' net banking income fell -1.6%. Revenues were slightly higher (+0.9%), excluding the impact of restructuring and the disposal of Private Banking in Belgium.

Operating expenses

Underlying operating expenses declined -1.0% in 2019. Around 70% of the multi-year programme to reduce costs by EUR 1.1 billion had been achieved at end-2019.

In French Retail Banking, operating expenses were up +1.3% in 2019 vs. 2018, in line with the target communicated by the Group. They were contained at +0.3% in 2019 vs. 2018, when adjusted for the EUR 55 million restructuring provision.

International Retail Banking & Financial Services saw an improvement in its operational efficiency, with a positive jaws effect excluding provisions for restructuring and tax on assets in Romania. Restated accordingly, operating expenses were up +4.3%* in 2019 vs. 2018.

Global Banking and Investor Solutions confirmed the successful implementation of its EUR 500 million cost savings plan, 44% of which had already been achieved in 2019 and which is fully secured for 2020. Costs declined by -1.6% in 2019, when adjusted for the restructuring provision of EUR 227 million.

Gross operating income

Book gross operating income totalled EUR 6,944 million in 2019 (vs. EUR 7,274 million in 2018 and underlying gross operating income EUR 7,260 million (vs. EUR 7,610 million in 2017)).

Cost of risk

The Group's commercial cost of risk amounted to 25 basis points in 2019 which is at the low end of the full-year targeted range of between 25 and 30 basis points. Normalisation stood at 21 basis points and is consequently very gradual compared with the 2018 level.

The Group expects a cost of risk of between 30 and 35 basis points in 2020.

The gross doubtful outstandings ratio continued to decline throughout 2019 and amounted to 3.2% at 31 December, 2019 (versus 3.6% at end-December 2018). The Group's gross coverage ratio for doubtful outstandings stood at 55%⁽¹⁾ at 31 December, 2019 (54% at 31 December, 2018).

Operating income

Book operating income totalled EUR 5,666 million in 2019, vs. 6,269 in 2018. Underlying operating income came to EUR 6,000 million (vs. EUR 6,605 million in 2018).

Net profits or losses from other assets

Net profits or losses from other assets totalled EUR -327 million in 2019, including EUR -386 million corresponding to the effect of the application of IFRS 5 as part of the implementation of the Group's refocusing plan.

Net income from companies accounted for by the equity method

Net income from companies accounted for by the equity method includes an impairment of EUR -158 million corresponding to the Group's entire minority stake (16.8%) in SG de Banque au Liban.

Net income

(In EURm)	2019	2018
Reported Group net income	3,248	4,121
Underlying Group net income ⁽¹⁾	4,061	4,725

(In %)	2019	2018
ROTE (reported)	6.2%	8.8%
Underlying ROTE ⁽¹⁾	7.6%	9.7%

(1) Adjusted for exceptional items.

Earnings per share amounted to EUR 3.05 in 2019 (EUR 4.24 in 2018).

(1) Ratio between the amount of provisions on doubtful outstandings and the amount of these same outstandings

2.3 ACTIVITY AND RESULTS OF THE CORE BUSINESSES

2.3.1 RESULTS BY CORE BUSINESSES

	French Retail Banking		International Retail Banking and Financial Services		Global Banking and Investor Solutions		Corporate Centre		Group	
(In EURm)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net banking income	7,746	7,860	8,373	8,317	8,704	8,846	(152)	182	24,671	25,205
Operating expenses	(5,700)	(5,629)	(4,581)	(4,526)	(7,352)	(7,241)	(94)	(535)	(17,727)	(17,931)
Gross operating income	2,046	2,231	3,792	3,791	1,352	1,605	(246)	(353)	6,944	7,274
Net cost of risk	(467)	(489)	(588)	(404)	(206)	(93)	(17)	(19)	(1,278)	(1,005)
Operating income	1,579	1,742	3,204	3,387	1,146	1,512	(263)	(372)	5,666	6,269
Net income from companies accounted for by the equity method	8	28	12	15	3	6	(152)	7	(129)	56
Net profits or losses from other assets	58	74	3	8	6	(16)	(394)	(274)	(327)	(208)
Impairment losses on goodwill	-	-	-	-	-	-	-	-	-	-
Income tax	(514)	(607)	(760)	(841)	(174)	(281)	184	425	(1,264)	(1,304)
Net income	1,131	1,237	2,459	2,569	981	1,221	(625)	(214)	3,946	4,813
o.w. non-controlling interests	-	-	504	504	23	24	171	164	698	692
Group net income	1,131	1,237	1,955	2,065	958	1,197	(796)	(378)	3,248	4,121
Cost-to-income ratio	73.6%	71.6%	54.7%	54.4%	84.5%	81.9%			71.9%	71.1%
Average allocated capital	11,263	11,201	11,075	11,390	15,201	15,425	13,047	10,123	50,586	48,138
RONE (businesses)/ROTE (Group)	10.0%	11.0%	17.7%	18.1%	6.3%	7.8%			6.2%	8.8%

The figures for 2018 for Corporate Centre and the Group were restated to take account of the introduction of IAS 12. See Chapter 6, p. 320 and note p.32

2.3.2 FRENCH RETAIL BANKING

(In EURm)	2019	2018	Change
Net banking income	7,746	7,860	-1.5%
Operating expenses	(5,700)	(5,629)	+1.3%
Gross operating income	2,046	2,231	-8.3%
Net cost of risk	(467)	(489)	-4.5%
Operating income	1,579	1,742	-9.4%
Net income from companies accounted for by the equity method	8	28	-71.4%
Net profits or losses from other assets	58	74	-21.6%
Impairment losses on goodwill	-	-	
Income tax	(514)	(607)	-15.3%
Net income	1,131	1,237	-8.6%
o.w. non-controlling interests	-	-	
Group net income	1,131	1,237	-8.6%
Cost-to-income ratio	73.6%	71.6%	
Average allocated capital	11,263	11,201	

French Retail Banking delivered a resilient performance against the backdrop of a low interest rate environment and the transformation of the French networks. Underlying RONE stood at 11.1% in 2019.

Activity and net banking income

French Retail Banking's three brands - Societe Generale, Cr dit du Nord and Boursorama - recorded healthy commercial momentum.

Boursorama consolidated its position as the leading online bank in France, registering more than 2.1 million clients at end-December 2019.

French Retail Banking expanded its business among mass affluent and wealthy clients, with the number of customers increasing by around 1% vs. 31 December, 2018. Net inflow for private banking clients remained robust at around EUR 4.2 billion in 2019, taking assets under management to EUR 68.8 billion at end-December 2019, including Cr dit du Nord.

French Retail Banking continued to strengthen its corporate client base, with the number of customers increasing by around 1% relative to Q4 18. Bancassurance continued to enjoy brisk activity: life insurance net inflows totalled approximately EUR 1.7 billion in 2019. Outstandings were up +4.1% to EUR 96.1 billion, with the unit-linked share accounting for 25% of outstandings. Casualty insurance business also rose, scoring a penetration rate of 21.8% in 2019, up by around 60 basis points vs. 2018.

Average loan outstandings climbed +6.4% compared with Q4 18 to EUR 201.5 billion, underpinned by favourable momentum in mortgage loans, consumer loans and investment loans. As a result, average outstanding loans to individuals were 7.0% higher than in Q4 18, coming in at EUR 119.8 billion, while average investment loan outstandings rose 6.8% vs. Q4 18 to EUR 71.2 billion. Average outstanding balance sheet deposits were 4.4% higher than in Q4 18 at EUR 210.7 billion and continue to be driven by sight deposits (+9.0% vs. Q4 18). As a result, the average loan-deposit ratio stood at 95.6% in Q4 19 (up 1.8 points vs. Q4 18).

The Group continued to adapt its operational initiatives, in parallel with the digital transformation process. Societe Generale network customers are making increasing use of digital tools, with 57% of customers being digitally active. The Group has closed 390 Societe

Generale branches since 2015, representing 78% of the 2015-2020 target. Societe Generale continued to introduce specific facilities for the corporate sector and professional customers. At end-December 2019, Societe Generale had 19 regional business centres, 116 professional concept areas in branches and 10 dedicated professional concept areas.

Performances in 2019 were in line with targets, with net banking income (excluding PEL/CEL) up +0.3% compared to 2018 (vs. an expected decline of between 0% and -1% in 2019). Net interest income (excluding PEL/CEL) rose by 2.0%, underpinned in particular by brisk volumes, a positive trend on certain margins and the tiering effect. Commissions were 2.1% lower than in 2018 on back of the banking industry's commitments towards vulnerable sectors of the population.

Operating expenses

Operating expenses in 2019 were 1.3% higher than in 2018, in line with the targeted increase of between +1% to +2%. The total included a EUR 55 million restructuring provision recognised in Q4 19. The restructuring provision relates to planned changes that is expected to concern part of French Retail Banking's head office, the platforms for processing customer transactions in back offices and certain network support functions. When restated for the provision, operating expenses were slightly higher (+0.3% vs. 2018). The cost-to-income ratio for 2019, excluding the restructuring provision and restated for the PEL/CEL provision, stood at 71.8%.

Cost of risk

The cost of risk remained low at 24 basis points in 2019, compared with 26 basis points in 2018.

Contribution to Group net income

Excluding the restructuring and PEL/CEL provisions, the contribution to Group net income was up +2.1% in 2019. Group net income (excluding the restructuring provision, after linearisation of the IFRIC 21 expense into line and restated for the PEL/CEL provision) totalled 9.3% for Q4 19, compared with 9.9% for Q4 18, and 11.1% for 2019, compared with 10.9% in 2018.

2.3.3 INTERNATIONAL RETAIL BANKING AND FINANCIAL SERVICES

(In EURm)	2019	2018	Change	
Net banking income	8,373	8,317	+0.7%	+4.6%*
Operating expenses	(4,581)	(4,526)	+1.2%	+5.6%*
Gross operating income	3,792	3,791	+0.0%	+3.4%*
Net cost of risk	(588)	(404)	+45.5%	+56.1%*
Operating income	3,204	3,387	-5.4%	-2.7%*
Net income from companies accounted for by the equity method	12	15	-20.0%	-2.0%*
Net profits or losses from other assets	3	8	-62.5%	-50.0%*
Impairment losses on goodwill	0	0		
Income tax	(760)	(841)	-9.6%	-7.9%*
Net income	2,459	2,569	-4.3%	-1.2%*
o.w. non-controlling interests	504	504	+0.0%	+1.9%*
Group net income	1,955	2,065	-5.3%	-1.9%*
Cost-to-income ratio	54.7%	54.4%		
Average allocated capital	11,075	11,390		

* When adjusted for changes in Group structure and at constant exchange rates

Revenues totalled EUR 8,373 million in 2019, up +4.6%* (+0.7%) vs. 2018. Revenue growth offset the full-year impact of disposals finalised during the year. Operating expenses were up +5.6%* (+1.2%) in 2019, including a restructuring provision of EUR 34 million in 2019 related to the plan to simplify the head office's structure and a tax on assets in Romania of EUR 16 million in Q4 19. When restated for these items, operating expenses were 4.3%* higher than in 2018, generating a positive jaws effect. The cost-to-income ratio stood at 54.7% in 2019.

The cost of risk remained low at 43 basis points in 2019 (30 basis points in 2018), given the slight deterioration in the cost of risk in Africa and, to a lesser extent, the gradual normalisation in Europe and Russia.

Underlying RONE stood at a high 17.9% in 2019, compared with 18.1% in 2018.

International Retail Banking

(In EURm)	2019	2018	Change	
Net banking income	5,592	5,608	-0.3%	5.6%*
Operating expenses	(3,218)	(3,238)	-0.6%	+5.4%*
Gross operating income	2,374	2,370	+0.2%	+6.0%*
Net cost of risk	(504)	(335)	+50.4%	+64.7%*
Operating income	1,870	2,035	-8.1%	-3.6%*
Net income from companies accounted for by the equity method	11	14	-21.4%	-2.1%*
Net profits or losses from other assets	3	7	-57.1%	-40.1%
Impairment losses on goodwill	0	0		
Income tax	(421)	(474)	-11.2%	-7.8%*
Net income	1,463	1,582	-7.5%	-2.5%*
o.w. non-controlling interests	394	395	-0.3%	+2.4%*
Group net income	1,069	1,187	-9.9%	-4.4%*
Cost-to-income ratio	57.5%	57.7%		
Average allocated capital	6,661	6,926		

* When adjusted for changes in Group structure and at constant exchange rates

In International Retail Banking, outstanding loans totalled EUR 88.3 billion. They rose +6.3%* in 2019 when adjusted for changes in Group structure and at constant exchange rates, with healthy momentum in all regions. They were down -5.1% at current structure and exchange rates, given the disposals finalised during 2019 (SG Albania, Express Bank in Bulgaria, Societe Generale Montenegro, Eurobank in Poland, Societe Generale Serbia, Mobiasbanca in Moldova, SKB in Slovenia and OBSG in Macedonia). Outstanding deposits showed a similar trend, up +4.9%* (-6.3% at current structure and exchange rates) to EUR 78.1 billion in 2019.

In Europe, outstanding loans grew +5.8%* to EUR 54.3 billion (-13.4%) at end-2019 vs. end-December 2018, driven by excellent momentum in Western Europe (+9.9%) and solid growth in Romania (+2.9%*) and the Czech Republic (+3.3%*). Outstanding deposits were up +2.2%* (-17.5%).

In Russia, commercial activity was robust in a buoyant banking market, particularly for the individual customer segment. Outstanding loans were up +8.7%* (+21.5%) while outstanding deposits climbed by +13.4%* in 2019 (+25.1%).

In Africa, the Mediterranean Basin and Overseas France, the commercial performance was generally solid. Outstanding loans rose +6.1%* (or +8.1%) in 2019, with an excellent commercial momentum in Sub-Saharan Africa (+14.4%*). Outstanding deposits were up +6.3%* (+8.3%).

In International Retail Banking, net banking income totalled EUR 5,592 million in 2019, up +5.6%*(-0.3%) vs. 2018, driven by decent momentum in all regions, i.e. SG Russia (+7.8%*, +10.4%), Africa, Mediterranean Basin and Overseas France (+6.9%*, +8.8%) and Europe (+4.0%*, -7.4%). Operating expenses were up +5.4%* (-0.6%) relative to 2018.

Insurance

(In EURm)	2019	2018	Change	
Net banking income	909	887	+2.5%	+2.5%*
Operating expenses	(349)	(333)	+4.8%	+4.7%*
Gross operating income	560	554	+1.1%	+1.2%*
Net cost of risk	0	0		
Operating income	560	554	+1.1%	+1.2%*
Net income from companies accounted for by the equity method	0	0		
Net profits or losses from other assets	0	0		
Impairment losses on goodwill	0	0		
Income tax	(174)	(183)	-4.9%	-4.8%*
Net income	386	371	+4.0%	+4.2%*
o.w. non-controlling interests	3	3	+0.0%	-0.6%*
Group net income	383	368	+4.1%	+4.2%*
Cost-to-income ratio	38.4%	37.5%		
Average allocated capital	1,506	1,825		

* When adjusted for changes in Group structure and at constant exchange rates

In the Insurance business, the life insurance savings business saw outstandings increase +8.4%* vs. end-December 2018. The share of unit-linked products in outstandings was 30% at end-December 2019, up +3.4 points vs. end-2018. Personal Protection and Property, and Casualty insurance also enjoyed robust growth, with premiums increasing by a respective +7.4%* and +9.2%* vs. 2018. Sogecap carried out a EUR 350 million capital increase following approval by the Board of Directors on 12 December, 2019. The Sogecap group's solvency ratio is expected to exceed 220% at end-December 2019. The

capital increase has had a limited impact on the Group's CET1 ratio and has already been included in the end-of-year ratio.

The Insurance business posted a positive financial performance in 2019, with net banking income increasing +2.5%* to EUR 909 million. Operating expenses rose +4.8% vs. 2018 to EUR 349 million in conjunction with the Insurance business' commercial development plans.

Financial Services to Corporates

(In EURm)	2019	2018	Change	
Net banking income	1,872	1,822	+2.7%	+3.1%*
Operating expenses	(980)	(955)	+2.6%	+2.7%*
Gross operating income	892	867	+2.9%	+3.6%*
Net cost of risk	(84)	(69)	+21.7%	+19.9%*
Operating income	808	798	+1.3%	+2.1%*
Net income from companies accounted for by the equity method	1	1		
Net profits or losses from other assets	0	1		
Impairment losses on goodwill	0	0		
Income tax	(176)	(184)	-4.3%	-3.5%*
Net income	633	616	+2.8%	+3.6%*
o.w. non-controlling interests	107	106	+0.9%	+0.0%*
Group net income	526	510	+3.1%	+4.4%*
Cost-to-income ratio	52.4%	52.4%		
Average allocated capital	2,870	2,639		

* When adjusted for changes in Group structure and at constant exchange rates

Financial Services to Corporates recorded positive commercial momentum in 2019. Operational Vehicle Leasing and Fleet Management saw a +6.1% increase in its vehicle fleet in 2019 to 1.8 million vehicles. Equipment Finance's outstanding loans were up +2.5%* and totalled EUR 18.5 billion in 2019 (excluding factoring).

Financial Services to Corporates' net banking income rose +2.7% (+3.1%*) in 2019 to EUR 1,872 million, reflecting growth in the Operational Vehicle Leasing and Fleet Management fleet. Operating expenses rose +2.6% (+2.7%*) vs. 2018.

2.3.4 GLOBAL BANKING AND INVESTOR SOLUTIONS

(In EURm)	2019	2018	Change	
Net banking income	8,704	8,846	-1.6%	-3.1%*
Operating expenses	(7,352)	(7,241)	+1.5%	+0.4%*
Gross operating income	1,352	1,605	-15.8%	-18.6%*
Net cost of risk	(206)	(93)	x2.2	x2.2*
Operating income	1,146	1,512	-24.2%	-26.9%*
Net income from companies accounted for by the equity method	3	6	-50.0%	-50.0%*
Net profits or losses from other assets	6	(16)		
Impairment losses on goodwill	-	0		
Income tax	(174)	(281)	-38.1%	-40.8%*
Net income	981	1,221	-19.7%	-22.3%
o.w. non-controlling interests	23	24	-4.2%	-4.0%*
Group net income	958	1,197	-20.0%	-22.7%*
Cost-to-income ratio	84.5%	81.9%		
Average allocated capital	15,201	15,425		

* When adjusted for changes in Group structure and at constant exchange rates

In 2019, Global Banking and Investor Solutions successfully implemented its restructuring plan, respecting the given financial targets:

- the target of reducing risk-weighted assets (RWA) by EUR 10 billion by 2020 (including EUR 8 billion in Global Markets), was already met in Q3 2019, more than one year ahead of schedule.
- 44% of the EUR 500 million in targeted cost savings was achieved in 2019 (vs. a target of 20%-30%), with the total secured for 2020, and lends weight to the feasibility of the EUR 6.8 billion operating expense target for 2020.
- EUR 268 million in restructuring costs were recorded, in line with the target of EUR 250-300 million.
- the loss of revenues from closed or scaled back activities is in line with the given full-year target of EUR 300 million.

Net banking income was up +0.9% vs. 2018, after adjustment for the impact of restructuring (activities in the process of being closed or scaled back), the cost of exceptional RWA reduction operations and the disposal of Private Banking in Belgium, .

Operating expenses were down -2.5% vs. 2018 after restating restructuring costs of EUR 268 million, costs associated with integrating EMC activities and the disposal of Private Banking in Belgium, reflecting the success of the cost savings plan implemented in Global Banking and Investor Solutions (+1.5% vs. 2018 on a reported basis). When restated solely for the restructuring provision of EUR 227 million, costs were 1.6% lower in 2019 than in 2018.

Net cost of risk was low, registering 17 basis points over the final quarter of the period and 13 points for the full year.

Adjusted for the EUR 227 million restructuring provision, RONE for the pillar stood at 7.4% for the period, compared with 7.8% for 2018.

Global Markets & Investor Services

(In EURm)	2019	2018	Change	
Net banking income	5,210	5,414	-3.8%	-5.9%*
Operating expenses	(4,788)	(4,706)	+1.7%	+0.3%*
Gross operating income	422	708	-40.4%	-44.6%*
Net cost of risk	(13)	(25)	-48.0%	-48.3%*
Operating income	409	683	-40.1%	-44.4%*
Net income from companies accounted for by the equity method	4	9	-55.6%	-55.6%*
Net profits or losses from other assets	4	(1)		
Impairment losses on goodwill	0	0		
Income tax	(89)	(180)	-50.6%	-53.8%*
Net income	328	511	-35.8%	-40.5%*
o.w. non-controlling interests	20	20	+0.0%	+0.2%*
Group net income	308	491	-37.3%	-42.0%*
Cost-to-income ratio	91.9%	86.9%		
Average allocated capital	8,454	8,510		

* When adjusted for changes in Group structure and at constant exchange rates

2018 figures restated to reflect new quarterly series incorporating the change in analytical split of the result of market products sale to Corporates, Asset Backed Products and Commodities

Global Markets & Investor Services recorded a -1.6% contraction in revenues in 2019 after adjustment for restructuring measures compared with 2018, in the wake of a first half characterised by low volumes. Reported net banking income totalled EUR 5,210 million in 2019, down -3.8% vs. 2018.

Restated for the impact of restructuring in Global Markets, revenues from **Fixed Income and Currencies** were 3.4% higher. Excluding the restatement, revenues contracted -2.3% vs. 2018.

Equities and Prime Services' net banking income totalled EUR 2,502 million in 2019, down -5.2% vs. 2018.

Despite a challenging environment, the Group maintained its leadership position in structured products, with the franchise once again being named "Structured Products House of the Year" by Risk Awards.

Securities Services' assets under custody amounted to EUR 4,213 billion at end-December 2019, a decline of EUR 34 billion vs. end-September 2019. Over the same period, assets under administration were slightly higher (+2.4%) at EUR 647 billion. Over the year, Securities Services' assets totalled EUR 714 million, down -2.7%.

Financing & Advisory

(In EURm)	2019	2018	Change	
Net banking income	2,547	2,466	+3.3%	+1.5%*
Operating expenses	(1,676)	(1,630)	+2.8%	+1.4%*
Gross operating income	871	836	+4.2%	+1.7%*
Net cost of risk	(195)	(49)	x4.0	x3.9*
Operating income	676	787	-14.1%	-16.2%*
Net income from companies accounted for by the equity method	(1)	(2)		
Net profits or losses from other assets	0	(1)		
Impairment losses on goodwill	(70)	(93)	-24.7%	-28.3%*
Income tax	-	-		
Net income	605	691	-12.4%	-14.3%*
o.w. non-controlling interests	0	1		
Group net income	605	690	-12.3%	-14.1%*
Cost-to-income ratio	65.8%	66.1%		
Average allocated capital	5,732	5,756		

* When adjusted for changes in Group structure and at constant exchange rates

2018 figures restated to reflect new quarterly series incorporating the change in analytical split of the result of market products sale to Corporates, Asset Backed Products and Commodities

Financing & Advisory revenues totalled EUR 2,547 million in 2019, up +3.3% vs. 2018 despite the cost of exceptional RWA reduction operations. This increase reflects the strong commercial momentum of financing activities. The Asset Backed Products platform continued to expand.

Transaction Banking revenues continued to grow (revenues were 9.2% higher in 2019 than in 2018) on back of the successful rollout of growth initiatives.

Asset and Wealth Management

(In EURm)	2019	2018	Change	
Net banking income	947	966	-2.0%	+0.7%*
Operating expenses	(888)	(905)	-1.9%	+0.7%*
Gross operating income	59	61	-3.3%	+0.0%*
Net cost of risk	2	(19)	n/s	n/s
Operating income	61	42	+45.2%	+49.0%
Net income from companies accounted for by the equity method	0	(1)		
Net profits or losses from other assets	2	(14)		
Impairment losses on goodwill	0	0		
Income tax	(15)	(8)	+87.5%	+92.4%*
Net income	48	19	x2.5	x2.6*
o.w. non-controlling interests	3	3	+0.0%	+0.1%*
Group net income	45	16	x2.8	x2.9*
Cost-to-income ratio	93.8%	93.7%		
Average allocated capital	1,015	1,158		

* When adjusted for changes in Group structure and at constant exchange rates

Asset and Wealth Management's net banking income totalled EUR 947 million in 2019, an increase of +1.2%, adjusted for the disposal of Private Banking in Belgium, vs. 2018 (-2.0% on a reported basis).

At end-December 2019, Private Banking's assets under management were 1.4% higher than in September 2019, at EUR 119 billion. Inflows remained buoyant in France. Adjusted for the disposal of Private

Banking in Belgium, net banking income totalled EUR 727 million in 2019, 0.3% higher than in 2018 (-3.8% on a reported basis).

Lyxor's assets under management reached a record EUR 149 billion at end-December 2019, up +7.6% vs. September 2019 and +26.1% year-on-year, including EUR 17 billion from the integration of Commerzbank assets. Revenues totalled EUR 200 million in 2019, an increase of +4.7% vs. 2018.

2.3.5 CORPORATE CENTRE

(In EURm)	2019	2018	Change
Net banking income	(152)	182	n/s
Operating expenses	(94)	(535)	-82.4%
Gross operating income	(246)	(353)	+30.3%
Net cost of risk	(17)	(19)	-10.5%
Operating income	(263)	(372)	+29.3%
Net income from companies accounted for by the equity method	(152)	7	n/s
Net profits or losses from other assets	(394)	(274)	-43.8%
Impairment losses on goodwill	-	-	
Income tax	184	425	+56.7%
Net income	(625)	(214)	n/s
o.w. non-controlling interests	171	164	+4.3%
Group net income	(796)	(378)	n/s

The Corporate Centre includes:

- real estate management of the Group's head office;
- the Group's equity portfolio;
- the Group's Treasury function;
- certain costs related to cross-functional projects and certain costs incurred by the Group and not re-invoiced to the businesses.

The Corporate Centre's net banking income totalled EUR -152 million in 2019 vs. EUR 182 million in 2018 (which included the revaluation of Euroclear securities for EUR 271 million).

Operating expenses totalled EUR -94 million in 2019 and included an operating tax adjustment for EUR +241 million. Operating expenses totalled EUR -535 million in 2018 and included an allocation to the provision for litigation of EUR -336 million. Gross operating income totalled EUR -246 million in 2019 vs. EUR -353 million in 2018.

Net profits or losses from other assets totalled EUR -394 million in 2019 and primarily included a capital loss of EUR -386 million as a result of the application of IFRS 5 following the rollout of the Group's refocusing plan. Scope-wise, the capital loss breaks down as follows:

- EUR -249 million for Europe as a result of the following disposals: SKB Banka in Slovenia, Ohridska Banka Societe Generale in North Macedonia, Societe Generale Serbia, Societe Generale Montenegro, Modiasbanka in Moldova, Eurobank in Poland, SG Express Bank in Bulgaria and SG Albania;

- EUR -148 million for Financial Services to Corporates on the announced disposal of SG Finans and the disposal of Pema GmbH;

Net income from companies accounted for by the equity method includes an impairment of EUR -158 million corresponding to the Group's entire minority stake (16.8%) in SG de Banque au Liban.

The Corporate Centre's contribution to Group net income was EUR -796 million in 2019 vs. EUR -378 million in 2018.

2.3.6 DEFINITIONS AND METHODOLOGY, ALTERNATIVE PERFORMANCE MEASURES

Framework

The financial information presented in respect of the financial year ended 31 December 2019 has been prepared in accordance with IFRS as adopted in the European Union and applicable at that date.

Capital allocation

In 2019, the allocation of normative capital to the businesses on the basis of their capital consumption was determined in accordance with CRR rules, i.e. 11% of their risk-weighted assets, supplemented by the consumption of Common Equity Tier 1 capital chargeable to each business after taking into account non-controlling interests and the adjustment of capital consumption in insurance activities. Accordingly, the capital allocation rule applies to the Group's three pillars - French Retail Banking, International Retail Banking and Financial Services, and Global Banking and Investor Solutions - and enables each activity's capital consumption and profitability to be calculated by activity on a standalone and uniform basis, taking into account the Group's regulatory constraints.

Net banking income

Net banking income (NBI) for each business division includes:

- revenues generated by its activity;
- the yield on normative capital allocated to the business division, which is calculated using a long-term rate by currency. In return, in order to compare performances between the Group's different business lines, book capital is reassigned to the Corporate Centre at the same rate.

Moreover, capital gains and losses generated by the business divisions on the disposal of shares in non-consolidated entities, and income from management of the Group's industrial and bank equity portfolios, are booked under NBI as these securities are classified as available-for-sale financial assets.

Operating expenses

Operating expenses for the business divisions correspond to the information reported in Note 8.1 to the Group's consolidated financial statements at 31 December 2019 (see p. 423 and 424) and include their direct expenses, their management overheads, and a share of the head-office expenses, which are in principle almost fully redistributed between the business divisions. The Corporate Centre only books costs related to its own activity, along with certain technical adjustments.

Cost-to-income ratio

The cost-to-income ratio indicates the operating expenses of a business in relation to its net banking income. This indicator provides a measure of a system's effectiveness (see glossary).

IFRIC 21 adjustment

The IFRIC 21 adjustment corrects the result of the charges recognised in the accounts in their entirety when they are due (generating event) in order to recognise only the portion concerning the current quarter, i.e. a quarter of the total. It consists of smoothing the charge recognised accordingly over the financial year to give a more reliable economic picture of the costs actually attributable to the activity over the period analysed. By applying the IFRIC 21 adjustment, the expense – previously recognised progressively if the generating event occurs over a period of time – is instead recognised once and in its entirety.

Underlying indicators

The Group may be required to provide underlying indicators to gain a clearer understanding of its actual performance. Underlying data is obtained from reported data by restating the latter and taking into account exceptional items and the IFRIC 21 adjustment. Several indicators may be provided in this respect, such as all income statement amounts - net banking income, operating expenses, net cost of risk, net profits or losses from other assets and Group net income - in addition to profitability indicators (ROE, RONE and ROTE), earnings per share and the cost-to-income ratio,...

The Group may need to adjust some components of its results; i.e. the exceptional items, to provide a clearer picture of its actual performance.

The Group reports net banking income excluding PEL/CEL (cost-to-income ratio, gross operating income and operating income), i.e. adjusted for the provisions for risk for specific commitments on regulated savings.

These items, together with the underlyings obtained from reported data, appear in the table below.

(In EUR m)	2019	2018	Change
Operating Expenses⁽¹⁾	(17,727)	(17,931)	- 1.1%
(-) Provision for disputes*		(336)	Corporate Centre
(-) Restructuring provision*	(316)		see note (2)
Underlying Operating Expenses	(17,411)	(17,595)	- 1.0%
Net cost of risk	(1,278)	(1,005)	+ 27.2%
(-) Group refocusing plan*	(18)		Corporate Centre
Underlying net cost income	(1,260)	(1,005)	+ 25.4%
Net profit or losses from other assets	(327)	(208)	- 57.2%
(-) Group refocusing plan*	(386)	(268)	Corporate Centre
Underlying net profit or losses from other assets	59	60	- 1.7%
Net income from companies accounted for by the equity method	(129)	56	n/s
(-) Write-off of Group minority stake in SG de Banque au Liban*	(158)		Corporate Centre
Underlying Net income from companies accounted for by the equity method	29	56	
Group Net Income	3,248	4,121	- 21.2%
Effect in Group net income of above restatements	(813)	(604)	
Underlying Group Net Income	4,061	4,725	-14.1%

* Exceptional items

(1) Reflects the sum total of the following items in the financial statements: Personnel expenses + Other operating expenses + Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(2) French Retail Banking (EUR - 55 million), International Retail Banking and Financial Services (EUR - 34 million), Global Banking and Investor Solutions (EUR - 227 million)

Cost of risk

Net cost of risk is charged to each business division to reflect the cost of risk inherent in their activity during each financial year. Impairment losses concerning the whole Group are booked by the Corporate Centre.

Societe Generale's commercial net cost of risk is expressed in basis points. It is calculated by dividing the net annual allocation to

provisions for commercial risks by average loan outstandings at the end of the four quarters preceding the closing date. This indicator reveals the level of risk borne by each of the pillars as a percentage of balance sheet loan commitments, including operating leases. The key items used in this calculation are indicated in the table below.

		2019	2018
French Retail Banking	Net cost of risk (EUR m)	467	489
	Gross loan outstandings (EUR m)	194,359	186,782
	Cost of risk in bp	24	26
International Retail Banking and Financial Services	Net cost of risk (EUR m)	588	404
	Gross loan outstandings (EUR m)	136,303	134,306
	Cost of risk in bp	43	30
Global Banking and Investor Solutions	Net cost of risk (EUR m)	206	93
	Gross loan outstandings (EUR m)	161,865	152,923
	Cost of risk in bp	13	6
Societe Generale Group	Net cost of risk (EUR m)	1,278	1,005
	Gross loan outstandings (EUR m)	501,929	481,608
	Cost of risk in bp	25	21

Gross coverage ratio for doubtful outstandings

Doubtful outstandings are outstandings that are in default within the meaning of the regulations.

The gross doubtful outstandings ratio measures the doubtful outstandings recognised in the balance sheet compared with gross loan outstandings.

The gross coverage ratio for doubtful outstandings is calculated as the ratio of provisions recognised in respect of the credit risk to gross outstandings identified as being in default within the meaning of the regulations, without taking into account any guarantees provided. The coverage ratio measures the maximum residual risk associated with outstandings in default, i.e. doubtful.

Net income/expense from other assets

Net income or expense from other assets essentially comprises capital gains and losses on operating fixed assets, or when the Group ceases to control a consolidated subsidiary, as well as goodwill immediately written down when the Group takes control of an entity and recalculates the stake previously held by the Group in entities that have been fully consolidated during the year.

Impairment losses on goodwill

Impairment losses on goodwill are booked by the business division to which the corresponding activity is attached.

Income tax

The Group's tax position is managed centrally.

Income tax is charged to each Business Division on the basis of a normative tax rate which takes into account the local tax rate of the countries in which it conducts its activities and the nature of its revenues. The difference between the income tax charged to the Group's consolidated companies and the sum of normative taxes of the strategic pillars is assigned to the Corporate Centre.

ROE, ROTE

Group ROE and ROTE is calculated on the basis of average Group shareholders' equity under IFRS.

It excludes:

- unrealised or deferred capital gains or losses booked directly under shareholders' equity, excluding conversion reserves;
- deeply subordinated notes;
- undated subordinated notes restated as shareholders' equity.

It deducts:

- interest payable to holders of deeply subordinated notes and of restated, undated subordinated notes;
- a provision in respect of the dividends to be paid to shareholders.

For the ROTE, the following items are also excluded:

- average net goodwill in the assets, and underlying average goodwill relating to shareholdings in companies accounted for by the equity method;
- average net intangible assets.

Net income used to calculate ROE is based on Group net income adjusted for interest to be paid to holders of deeply subordinated notes for the period and, since 2006, holders of restated deeply subordinated notes and undated subordinated notes.

Net income used to calculate ROTE is based on Group net income excluding the goodwill impairment loss but reinstating interest on deeply subordinated notes for the period (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for deeply subordinated notes) and interest on undated subordinated notes (including issuance fees paid, for the period, to external parties and the discount charge related to the issue premium for undated subordinated notes).

RONE

RONE (Return on Normative Equity) determines the return on average normative equity allocated to the Group's businesses (see "capital allocation" above). The allocation principle in force since 1 January 2016 consists of allocating to each business normative equity corresponding to 11% of its risk-weighted assets.

The key items used in this calculation are indicated in the tables below:

(In EURm, end of period)	2019	2018
Shareholders' equity Group share	63,527	61,026
Deeply subordinated notes	(9,501)	(9,330)
Undated subordinated notes	(283)	(278)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations	4	(14)
OCI excluding conversion reserves	(575)	(312)
Dividend provision	(1,869)	(1,764)
ROE equity end-of-period	51,303	49,328
Average ROE equity	50,586	48,138
Average Goodwill	(4,586)	(5,019)
Average Intangible Assets	(2,243)	(2,065)
Average ROTE equity	43,757	41,054
Group net Income (a)	3,248	4,121
Underlying Group net income (b)	4,061	4,725
Interest on deeply subordinated notes and undated subordinated notes (c)	(715)	(719)
Cancellation of goodwill impairment (d)	200	198
Corrected Group net Income (e) = (a) + (c) + (d)	2,733	3,600
Corrected Underlying Group net Income (f) = (b) + (c)	3,346	4,006
Average ROTE equity (g)	43,757	41,054
ROTE (e/g)	6.2%	8.8%
Average ROTE equity (underlying) (h)	43,983	41,345
Underlying ROTE (f/h)	7.6%	9.7%

RONE CALCULATION: AVERAGE CAPITAL ALLOCATED TO CORE BUSINESSES

(in EURm)	2019	2018
French Retail Banking	11,263	11,201
International Retail Banking and Financial Services	11,075	11,390
Global Banking and Investor Solutions	15,201	15,424

Earnings per share

In accordance with IAS 33, to calculate earnings per share, "Group net income" for the period is adjusted by the amount (net of tax, capital gains/losses on partial buybacks of securities issued and classified as equity) of costs pertaining to these equity instruments and the interest paid on them.

Earnings per share is therefore calculated as the ratio of corrected Group net income for the period to the average number of ordinary outstanding shares, excluding own shares and treasury shares, but including:

- a) trading shares held by the Group; and
- b) shares held under the liquidity contract.

The Group also reports its underlying earnings per share, i.e. also corrected for exceptional items (restatement of debt related to own credit risk) and Debit Valuation Adjustment (DVA), in addition to underlying, i.e. also corrected for exceptional items and the IFRIC 21 adjustment.

	2019	2018
Existing shares (average number, in thousands of shares)	834,062	807,918
Deductions (in thousands of shares)		
Shares allocated to cover stock option plans and free shares awarded to staff (average, in thousands of shares)	4,011	5,335
Other own shares and treasury shares	149	842
Number of shares used to calculate EPS⁽¹⁾	829,902	801,741
Group net Income (in EURm)	3,248	4,121
Interest on deeply subordinated notes and undated subordinated notes (in EURm)	(715)	(719)
Capital gain net of tax on partial buybacks (in EURm)	0	0
Adjusted Group net income (in EURm)	2,533	3,402
EPS (in EUR)	3.05	4.24
Underlying EPS⁽²⁾ (in EUR)	4.03	5.00

(1) The number of shares considered is the number of ordinary shares outstanding at 31 December 2019, excluding treasury shares and buybacks, but including the trading shares held by the Group.

(2) Adjusted for exceptional items.

Net Asset, Net Tangible Asset Value

Net assets comprise Group shareholders' equity, excluding:

- deeply subordinated notes, undated subordinated notes previously recognised as debt; and
- interest payable to holders of deeply subordinated notes and undated subordinated notes, but reinstating the book value of trading shares held by the Group and shares held under the liquidity contract.

Tangible net assets are corrected for net goodwill in the assets, goodwill under the equity method and intangible assets.

In order to calculate Net Asset Value Per Share or Net Tangible Asset Value Per Share, the number of shares used to calculate book value per share is the number of shares issued at the end of the period, excluding own shares and treasury shares, but including:

- trading shares held by the Group; and
- shares held under the liquidity contract.

	2019	2018
Shareholders' equity Group share (in EUR m)	63,527	61,026
Deeply subordinated notes (in EUR m)	(9,501)	(9,330)
Undated subordinated notes (in EUR m)	(283)	(278)
Interest net of tax payable to holders of deeply subordinated notes & undated subordinated notes, interest paid to holders of deeply subordinated notes & undated subordinated notes, issue premium amortisations (in EUR m)	4	(14)
Book value of own shares in trading portfolio (in EUR m)	375	423
Net Asset Value (in EUR m)	54,122	51,827
Goodwill (in EUR m)	(4,510)	(4,860)
Intangible Asset (in EUR m)	(2,362)	(2,224)
Net Tangible Asset Value (in EUR m)	47,250	44,743
Number of shares used to calculate NAPS⁽¹⁾	849,665	801,942
Net Asset Value per Share (EUR)	63.7	64.6
Net Tangible Asset Value per Share (EUR)	55.6	55.8

(1) In thousands of shares, the number of shares considered is the number of ordinary shares outstanding at 31 December 2019, excluding treasury shares and buybacks, but including the trading shares held by the Group. In accordance with IAS33, historical data per share prior to the date of detachment of a preferential subscription right are restated by the adjustment coefficient for the transactions.

Prudential capital and solvency ratios

The Societe Generale Group's Common Equity Tier 1 capital is calculated in accordance with applicable CRR/CRD4 rules.

The fully-loaded solvency ratios are presented *pro forma* for current earnings, net of dividends, for the current financial year, unless specified otherwise.

Where reference is made to phased-in ratios, the latter include the earnings for the current financial year, unless otherwise specified.

The leverage ratio is calculated according to applicable CRR/CRD4 rules, including the provisions of the Delegated Act of October 2014.

2.4 NEW IMPORTANT PRODUCTS OR SERVICES

Business Unit	Product name	New product or service
French Retail Banking	Instant transfer offer (January, May and June 2019, Societe Generale) (January 2019, Boursorama)	Instant transfers are available from respective client websites (retail, professional and corporate customers, app and mobile websites). In contrast to standard SEPA transfers, the instant transfer is irrevocable and can be sent and received in 10 seconds, 24/7/365, with a systematic check performed on the account balance.
	Card with degressive fees (January 2019, Societe Generale)	A simple and efficient concept giving self-employed customers with a Jazz Pro account the advantage of an additional percentage reduction on their next Business card subscription fee.
	WELCOME PROF LIB (Offer for self-employed customers) (April 2019, Societe Generale)	A finance package geared to our prospective self-employed customers who are either starting up or who have already set up their business. The package includes pre-arranged approval on a EUR 5,000 overdraft (through a Current Account Agreement) and a loan for fixed asset investments of up to EUR 50,000 with no personal guarantee required, all at significantly reduced rates.
	Fizen (January 2019, Societe Generale)	In partnership with Fizen, we offer our PRO customers a new management and accounting preparation tool. The service enables professional customers to automatically import bank statements, track cash positions, create an activity dashboard, prepare quotes and manage expenses.
	Electronic account statements (January and May 2019, Societe Generale)	We have enriched our remote banking service by making available electronic statements and invoices detailing fees subject to VAT to our corporate customers and non-profit associations, in addition to monthly and yearly statements recapping fees charged on card payments. The enriched remote banking service for professional customers furnishes new electronic account statements and, more specifically, business card account statements.
	Sogecommerce Lite (April 2019, Societe Generale)	A simplified version of our Sogecommerce secure online payments solution, the Sogecommerce Lite service is geared to our merchant, corporate and self-employed customers who do not have a website or who have a showcase website only, which now gives their own customers the possibility to pay online. The pack includes the four following functionalities: payment requests by email, by SMS, by link or by hosted form.
	Travellers card (Visa card for frequent travellers) (October 2019, Societe Generale)	Visa card for frequent travellers outside the eurozone. Customers are exempted from fees on payments and withdrawals made abroad. They also enjoy access to airport lounges.
	Boost (September 2019, Societe Generale)	A services platform for 18-24 year olds, in partnership with the start-up Wizbii.
	Cashback (November 2019, Societe Generale)	A free-of-charge change in the "Grande Avenue" service which reimburses online or instore purchases made with an SG payment card at partnering brands.
	Remote banking for professionals (August 2019, Societe Generale)	PROGELIANCE NET provides an enhanced service to professional customers by providing information on their business cards and outstanding loans (see also electronic account statements).
	DIT NET Pro and Medical Information Portal (October 2019, Societe Generale)	DIT NET PRO was introduced in the pre-assessed professional medium- to long-term loan segment, enabling customers to take out borrower insurance policies electronically. A medical information portal has also been set up for policy holders to send medical files securely and confidentially to the insurer.
	Investment offers for Corporates and Non-profit Associations (October 2019, Societe Generale)	Our enriched Coeur de Gamme investment products are marketed by the Network's financial advisors to our corporate and non-profit association customers. The offer now includes long-dated cash UCIs, bond and diversified UCIs, in addition to real estate funds.
	EXPENSYA partnership (End-2018, Crédit du Nord)	An expense management solution that uses a web- and mobile-based platform to comprehensively and electronically manage professional expenses. Zero inputs, zero paper and 100% mobile.

Business Unit	Product name	New product or service
French Retail Banking	CAPTAIN CONTRAT partnership Legal and administrative assistance (March 2019, Crédit du Nord)	A legal support start-up offering a comprehensive electronic range of services and content to assist VSEs and SMEs with their legal and administrative tasks.
	CSR personal loan offer (January 2019, Crédit du Nord)	Zero fees charged on new or second hand hybrid or electric vehicles.
	Convention Étoile (Essential services offer) (April 2019, Crédit du Nord)	A package comprising a suite of essential services, including a payment card, payment means protection, online banking services and exemption from account keeping fees. The Convention Etoile offer also includes three customisable packages for Family, Investment Savings and International services.
	Electronic file for real estate mortgage applications (April 2019, Crédit du Nord)	A file is automatically created when the real estate mortgage is arranged and replaces a paper file. The electronic file is shared by internal contributors, enabling them to compile full file details.
	Digital auto insurance (September 2019, Crédit du Nord)	Customers take charge of every step of the insurance process – from getting a quote to subscribing – directly on line in their Secure Internet Area, 24/7/365.
	CSR Lumo partnership (November 2019, Crédit du Nord)	Lumo is a French fintech and an SG Group subsidiary. It is a crowdfunding platform for the renewable energies sector. Our investor customers can participate directly and on line in renewable energy debt projects operating in their respective regions.
	End-to-end account opening procedure in branches for professional customers (October 2019, Crédit du Nord)	Customer relationship managers in agencies handle end-to-end account opening requests made by professional customers until final approval by the branch manager which occurs in one day for 65% of the professional customer perimeter, i.e. non-trading property investment companies, companies with a French company identification number (SIREN) and sole proprietorships.
	Electronic signatures on borrower insurance for legal entities (December 2019, Crédit du Nord)	Customers can take out Group borrower insurance electronically. A dedicated online area is available to input medical information (health questionnaires) and sign contracts electronically.
	Stock exchange performance (May 2019, Boursorama)	Boursorama Banque has launched new and exclusive tools and content to help retail customers manage their share portfolios. These include a new tracking service for net and real performances of securities portfolios, a customisable New Trading Board for active investors, exclusive advice from industry magazines Investir and Le Revenu, plus video webinars reserved for customers to enhance their understanding of financial markets.
	Ultim card (June 2019, Boursorama)	Boursorama Banque launched Ultim, a free-of-charge premium card, including for payments and withdrawals made worldwide, the condition being that it is used, failing which a €15/month fee is charged if no transactions are billed in the preceding month. The Ultim card is available to everyone and no proof of income is required. An initial EUR 500 is immediately transferred to the account, together with an overdraft of EUR 100 or more that is scalable from the time the card account is opened. Respective ceilings of EUR 3,000 and EUR 920 are set for payments and withdrawals from the time the card account is opened. An exclusive ceiling of up to EUR 20,000 exists depending on flows and outstandings. ULTIM is an instant debit card compatible with ApplePay, GooglePay and SamsungPay.
	Fitbit Pay and Garmin Pay (December 2019, Boursorama)	Boursorama has rounded out its suite of mobile payment solutions by adding Fitbit Pay and Garmin Pay to its range, making Boursorama the first French bank to offer Visa cardholders the full array of mobile payment solutions for smartphones and smartwatches.

Business Unit	Product name	New product or service
International Retail Banking and Financial Services	Amazon (June 2019, ALD Automotive Spain) (Financial Services to Corporates and Insurance)	<p>ALD Automotive offers fully digital personal car leasing on Amazon.es with the launch of Amazon Motors in Spain.</p> <p>Available on www.amazon.es/motors, car leasing is available from a range of brands to private customers and comes with no initial deposit, free doorstep delivery and a 50km/30-day return policy. Leasing packages are available for either 36 or 48 months and include service and maintenance, insurance, tyre replacement, breakdown assistance, vehicle registration and an excess mileage buffer.</p> <p>ALD Automotive has implemented a fully digital customer journey that is fully integrated with the Amazon marketplace.</p>
	ALD Electric (May 2019, ALD Automotive) (Financial Services to Corporates and Insurance)	<p>As part of its commitment to shape the future of sustainable mobility, ALD Automotive signed an international framework agreement with ChargePoint, Inc., the world's leading electric vehicle (EV) charging network, to facilitate and accelerate the transition to e-mobility for international corporate clients, small and medium companies and private individuals.</p> <p>This initiative is part of ALD Electric, a holistic approach to electric vehicles composed of five key services which facilitates customer decision making and helps alleviate anxiety related to EV adoption:</p> <ul style="list-style-type: none"> ■ consultancy services dedicated to the energy transition, helping clients to identify the right vehicle for the right usage and encouraging the adoption of new forms of mobility; ■ test driving services with electrically-chargeable vehicles; ■ smart charging infrastructure (home and office chargers, as well as public network access); ■ reporting and payments with dedicated digital access for drivers and fleet managers; ■ short-term rental flexibility with ALD Switch, a non-EV exchange service for longer journeys.
	ALD Move (September 2019, ALD Automotive The Netherlands) (Financial Services to Corporates and Insurance)	ALD Automotive launched in the Netherlands ALD Move, the company's first Mobility-as-a-Service app. Aimed at fostering a holistic, flexible approach to travel, ALD Move provides a combination of real time travel insight and advice with a range of mobility offerings to improve efficiency and encourage responsible mobility behavior.
	Mon Assurance mobile (January 2019, Sogessur – France) (Financial Services to Corporates and Insurance)	Mon Assurance Mobile, offered to Societe Generale Retail Banking customers, covers all at-home phones and tablets. Policyholders benefit from repair or replacement cover for theft and/or damage, regardless of cause. Mon Assurance Mobile also includes an exclusive phone loan service covering the period until the policyholder's device has been repaired or replaced.
	Easy Travel 365 and Easy Travel (March 2019, Societe Generale Assurance Poland) (Financial Services to Corporates and Insurance)	In partnership with April Poland, introduction of a travel insurance product marketed through a network of travel agencies and insurance agents and on April's website. Both Easy Travel 365 and Easy Travel offers include an innovative remote medical consultation service providing 24/7 access to a first aid doctor or specialist.
	Retirement offers (October 2019, Societe Generale Assurances France) (Financial Services to Corporates and Insurance)	Since France's PACTE Law (Action Plan for Business Growth and Transformation) took effect on 1 October 2019, a number of individual and corporate retirement offers have been launched and group together all existing retirement packages. The offers are adapted for each customer category - individual, professional and corporate - and cover all distribution channels.
	Health offers (November 2019, Societe Generale Assurances France) (Financial Services to Corporates and Insurance)	Destined for Societe Generale and Credit du Nord retail banking customers, these sustainable health offers integrate the changes planned under France's health reform programme ("100% Santé") during the next three years. The aim is to improve access to healthcare services by proposing a large choice of optical, dental prosthetic and hearing equipment, with no gap payment attached.
	Winter sports offers (December 2019, Societe Generale Assurances France and Italy) (Services Financiers aux Entreprises et Assurances)	Diversifying the distribution model in France and Italy, the insurance product range has been extended to winter sports. Policies are tailored to meet customer needs and practices for the duration of their choice.

Business Unit	Product name	New product or service
International Retail Banking and Financial Services	Factoring solution (January 2019, SGEF Scandinavia) (Financial Services to Corporates and Insurance)	Development of a fully digitalised factoring solution customised for SMEs, spanning the prospecting phase to on-boarding and servicing.
	Lighting as a service (February 2019, SGEF) (Financial Services to Corporates and Insurance)	Signify assures lighting services to the headquarters of one of the Netherlands' main telecoms companies and SGEF provides finance over a 10-year period. The service covers installation and maintenance, and guarantees optimum lighting quality in addition to substantial energy savings thanks to LED technology.
	Ombona (May 2019, Societe Generale Madagasikara – Madagascar) (International Retail Banking)	Ombona is a village association savings collection initiative in Madagascar (Vondron'Olona An-toerana Miaramanao tahiry sy Mifampindrampola – VOAMAMI). Funds are collected according to the traditional custom and channelled to a bank account to secure members' shared micro-savings. Ombona is the result of collaboration between CARE International Madagascar, Societe Generale Madagasikara, TELMA and the VOAMAMI association, and gives VOAMAMI members access to a banking offer that meets their needs.
	YUP Music (June 2019, YUP – Senegal) (International Retail Banking)	The YUP e-wallet has broadened its offering with YUP Music, a music streaming platform. The app enables YUP users to download music of their choice from Universal Music Group. Initially launched in Senegal, YUP Music will be gradually offered to other countries covered by YUP. YUP goes beyond the traditional banking model by using mobile technology as a gateway to delivering exclusive experiences.
	Apple PAY (January 2019, Komerční banka – Czech Republic) (International Retail Banking)	Komerční banka cardholders can use Apple PAY, an easy, secure and personal payment tool that has radically transformed the sphere of mobile payments by offering speed and convenience.
	Instant payments for KB customers (December 2019, Komerční banka – Czech Republic) (International Retail Banking)	Komerční banka customers can receive and send instant payments to accounts held at many other Czech banks for the same price as standard payments, at no extra cost. Using the online banking service or the Mobilni banka app, remittances take a matter of seconds any time day or night, irrespective of whether it is a business day, a weekend or a public holiday.
	Instant payments for businesses (January 2019, Hanseatic Bank – Germany) (International Retail Banking)	With Hanseatic Bank, businesses can transfer funds throughout Europe in less than ten seconds, 24/7/365. As soon as the funds are received, Hanseatic Bank's systems send a push message to the recipient company, confirming the cash receipt. E-commerce goods can be dispatched immediately after payment confirmation, which considerably reduces delivery times.
	JuhuAuto: innovative online used-car marketplace (December 2019, BDK – Germany) (International Retail Banking)	A smart search engine is the linchpin of this new service. Rather than clicking through filters, users simply enter their preferences into a free text search engine, set their budget and state their location. JuhuAuto pulls up a selection of used cars matching the customer's requirements. The technology gradually intuitively user preferences and improves search relevance.
	Mob.application (Q1 2019, Rosbank) (International Retail Banking)	A new digital service optimises and speeds up the customer loan repayment process.
	Digital life insurance (Q1 2019, Rosbank) (International Retail Banking)	A new fully digital service for customers wishing to take out a loan that is available via web banking and a mobile banking app.
	Access bank services on WhatsApp (November 2019, Rosbank) (International Retail Banking)	Rosbank customers can now access bank services by using WhatsApp messenger to contact the customer call centre.

Business Unit	Product name	New product or service
Global Banking and investor Solutions	SG Equity Machine Learning Indices Range (March 2019) (Global Markets and Investor Services)	Leveraging a Machine Learning algorithm developed by Microsoft, the SG Quantitative Research team developed a comprehensive model taking as an input 80 common equity factors. Using these factors, the model assesses the probability of a stock outperforming in three universes (US, Europe and Japan). These probabilities are then used to rank the stocks and to go long on the top quantile. In addition to monthly rebalancing, the model undergoes training on a new set of data every month to continuously improve accuracy and adapt it to changing market conditions.
	SG Equity US Intraday Trend (April 2019) (Global Markets and Investor Services)	<p>The SGI Equity US Intraday Trend Index is a rules-based index that aims to capture the intraday trend of the US equity market by taking long or short positions on the S&P 500 Index based on an observable signal.</p> <p>The strategy takes positions on S&P 500 futures contracts during the day (several times a day) according to trend signals.</p> <p>The trend signal is based on the intra-day returns versus the previous day's close:</p> <ul style="list-style-type: none"> ■ if the return is positive, the strategy takes a long position on the underlying; ■ if the return is negative, the strategy takes a short position on the underlying. <p>The size of the position depends on the strength of the trend, measured at a particular point of time (i.e. the higher/lower the return, the higher the long or short exposure), with a cap and smoothed using TWAP.</p> <p>Any position is unwound at the end of day as smoothly as possible to limit market impact.</p>
	SGI FX Value Index (November 2019) (Global Markets and Investor Services)	<p>The SGI FX Value G10 Index is a long short FX strategy that aims to capture the FX value premium by purchasing “cheap” currencies (undervalued) and selling “expensive” ones (overvalued) as identified by their deviation from the Purchasing Power Parity (PPP) level. Every day the index calculates the score of each of the G10 currencies (AUD, CAD, CHF, EUR, GBP, JPY, NOK, NZD, SEK, USD) to identify the relatively cheap and expensive currencies.</p> <p>The currency score is the ratio of the spot FX and the PPP on any given day. The PPP exchange rates, which are calculated and published regularly by the OECD for a wide range of countries, can be used as a proxy for a relative fair value across the countries.</p> <p>The index is long on the cheap currencies, where scores are above the average score across the G10 universe, and short the expensive ones, where scores are below the average.</p>
	SG European Quantitative ESG Index (November 2019) (Global Markets and Investor Services)	<p>In November 2019 the SG QIS team launched the SGI European Quantitative ESG Index, which aims to outperform the benchmark based on a strategy that selects stocks according to an Environmental, Social and Corporate Governance (ESG) score. The Index is a basket of European stocks determined according to a systematic scoring methodology that excludes certain stocks based on ESG criteria.</p> <p>The Index selects the “best in class” stocks based on the scores provided by Sustainalytics, a global leader in ESG ratings and research. The Index uses a minimum variance allocation of selected stocks to avoid concentration risk while respecting liquidity constraints (maximum weight by stock, maximum holding per stock).</p>

Business Unit	Product name	New product or service
Global Banking and investor Solutions	Gates mechanism (September 2019) (Societe Generale Securities Services)	<p>SGSS has implemented a gate mechanism to help asset managers manage liquidity risks.</p> <p>This automated service allows fund managers to stagger redemptions on multiple net asset values via a temporary ceiling in order to:</p> <ul style="list-style-type: none"> ■ maintain the quality of the assets in the funds by protecting them from forced sales under unfavourable conditions; ■ enable the fund to honour redemptions progressively while maintaining equal treatment of unitholders. <p>The mechanism enables SGSS to offer an innovative response by proposing an automated solution to process gates on AIFs as well as UCITS funds. The first of its kind in France, the solution allows the application of gates on high volumes of inflows to be processed securely.</p>
	ETF Link (October 2019) (Societe Generale Securities Services)	<p>A comprehensive service offer dedicated to ETF issuers. SGSS currently services over 230 ETFs as custodian/depositary, paying/transfer agent and fund administrator.</p> <p>The service includes a dedicated solution servicing the ETF primary market. A white-labelled, scalable platform provides authorised participants with web-based portal access to process subscription and redemption orders through SGSS in a direct, fluid and efficient manner and allows ETF issuers to monitor their activity in real time.</p>
	Instant Payment for corporates (June 2019) (Global Transaction & Payment Services)	<p>Instant payment simplifies money transfers in a host of situations.</p> <p>Available to Societe Generale's individual customers since January, the instant payment service was extended to corporate customers in June via the Sogecash Net web banking platform.</p> <p>The transaction is completed in less than 10 seconds. As soon as the customer receives the payment notification, the beneficiary is credited and can immediately reuse the amount. This optional service is available 24/7/365.</p>
	SWIFT gpi product coverage extension (March 2019) (Global Transaction & Payment Services)	<p>After France and Monaco in 2018, Societe Generale announced the extended coverage of the SWIFT gpi product to nine new countries in Europe - Germany, Belgium, Spain, Italy, the Netherlands, the UK and Switzerland - as well as Hong Kong and Singapore in Asia.</p> <p>Through SWIFT gpi, Societe Generale furnishes customers pre-eminent experience in tracking and managing their cross-border payments. Benefits of SWIFT gpi include increased processing speed, fee transparency, real-time payment tracking and end-to-end payment information transfer.</p>
	We.trade (Summer 2019) (Global Transaction & Payment Services)	<p>A blockchain-based digital platform, we.trade secures and simplifies intra-European trade transactions.</p> <p>By connecting to the platform, customers of the we.trade consortium of banks - both buyers and sellers - agree on the terms of a transaction. After both parties agree, the transaction is carried out with every event tracked on the blockchain. When all conditions are met, the buyer's bank automatically triggers the associated payment.</p> <p>we.trade facilitates and expands the customer experience through:</p> <ul style="list-style-type: none"> ■ a shared buyer/seller view of every stage of the transaction process, secured at each node of the chain; ■ the ability to implement a payment guarantee; ■ a delayed payment financing service.
	GARI Euro Equity Dynamic Overlay (Lyxor)	<p>Shares offer long-term earnings prospects. They are also inherently risky, with episodes of volatility that can have a lasting impact on portfolios. The Fund has a dual investment objective: exposure to euro zone equities selected by Lyxor through a proprietary strategy ("GARI Euro") and reduction of equity risk through the use of proprietary dynamic hedging, which was initially developed for our insurance customers.</p>

Business Unit	Product name	New product or service
Global Banking and investor Solutions	Marathon Emerging Markets Bond Fund (Lyxor)	The Marathon Emerging Markets Bond Fund is a long-only emerging market debt strategy focused on emerging markets sovereign and quasi sovereign bonds denominated in USD, with additional diversification in corporate credit. Emerging markets may provide a diversified, uncorrelated return to a number of more traditional fixed income investments.
	Extendam real estate club deal (February 2019) (Private Banking)	The partnership between SGPB France and management group Extendam enables shares of funds invested predominantly in real estate assets ("real estate club deal") to be marketed to our customers. The investor may invest through a feeder fund. The investment vehicle is an FPCI.
	U'Wine partnership (April 2019) (Private Banking)	The partnership between SGPB France and Bordeaux trading company U'Wine furnishes our individual and legal entity customers two offers: <ul style="list-style-type: none"> ■ the U'Wine Management Offer gives customers the opportunity of building up over time a cellar of Grand Cru wines for consumption or wealth management purposes. It offers customised management of Grand Cru wine futures; ■ the U'Wine Grand Cru Offer enables customers to benefit from the price performances of Grand Cru wines over a period of time through an offer of financial securities for wealth management purposes (investment and transmission). This is a private equity service in that it involves the securities of an investment company and not wine, even though the company's underlying is wine.
	My Wealth Management (Private Banking)	My Wealth Management is an innovative digital solution developed by SGPB France in conjunction with customers to help them with their financial and wealth management decisions. Based on asset aggregation, the solution proposes a 360° vision of the overall wealth package and provides a detailed view of the financial assets by institution, type of contract and asset class. An area is dedicated to real estate assets and credits. My Wealth Management includes financial allocation analyses and, since December 2019, legal and tax information. The solution is accessible from the EIP and on mobile devices via the SG app.

2.5 ANALYSIS OF THE CONSOLIDATED BALANCE SHEET

ASSETS

(In EURbn)	31.12.2019	31.12.2018
Cash, due from central banks	102.3	96.6
Financial assets at fair value through profit or loss	385.7	365.6
Hedging derivatives	16.8	11.9
Financial assets at fair value through other comprehensive income	53.3	50.0
Securities at amortised cost	12.5	12.0
Due from banks at amortised cost	56.4	60.6
Customer loans at amortised cost	450.2	447.2
Revaluation differences on portfolios hedged against interest rate risk	0.4	0.3
Investments of insurance companies	164.9	146.8
Tax assets	5.8	5.8
Other assets	68.0	67.4
Non-current assets held for sale	4.5	13.5
Investments accounted for using the equity method	0.1	0.2
Tangible and intangible fixed assets	30.7	26.8
Goodwill	4.6	4.7
TOTAL	1,356.3	1,309.4

LIABILITIES

(In EURbn)	31.12.2019	31.12.2018
Due to central banks	4.1	5.7
Financial liabilities at fair value through profit or loss	364.1	363.1
Hedging derivatives	10.2	6.0
Due to banks	107.9	94.7
Customer deposits	418.6	416.8
Debt securities issues	125.2	116.3
Revaluation differences on portfolios hedged against interest rate risk	6.7	5.3
Tax liabilities	1.4	1.2
Other liabilities	85.1	76.6
Non-current liabilities held for sale	1.3	10.5
Insurance contract related liabilities	144.3	129.5
Provisions	4.4	4.6
Subordinated debt	14.5	13.3
Shareholder's equity	63.5	61.0
Non-controlling interests	5.0	4.8
TOTAL	1,356.3	1,309.4

2.5.1 MAIN CHANGES IN THE CONSOLIDATION SCOPE

The main changes to the consolidation scope at 31 December 2019 compared with the scope applicable at the closing date of 31 December 2018 are as follows:

SG EXPRESS BANK

On 15 January 2019, the Group sold its entire stake in its Bulgarian subsidiary, SG Express Bank, to OTP Bank. The disposal reduced the Group's balance sheet by EUR 3.4 billion, mainly through a EUR 2.4 billion decrease in customer loans and a EUR 2.7 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

SOCIETE GENERALE PRIVATE BANKING NV/SA

On 28 February 2019, the Group sold its entire stake in its Belgian private banking subsidiary, Societe Generale Private Banking NV/SA, to ABN AMRO. The disposal reduced the Group's balance sheet by EUR 1.1 billion due to a EUR 1.1 billion decrease in Non-current assets held for sale (o/w EUR 0.4 billion in cash from central banks and EUR 0.5 billion in customer loans) and a EUR 1.1 billion decrease in Non-current liabilities held for sale (o/w EUR 1 billion in customer deposits).

LA BANQUE POSTALE FINANCEMENT

On 28 March 2019, the Group sold to La Banque Postale its 35% equity interest in La Banque Postale Financement, accounted for under the equity method.

BANKA SOCIETE GENERALE ALBANIA SH.A.

On 29 March 2019, the Group sold its entire stake in its Albanian subsidiary, Banka Societe Generale Albania SH.A., to OTP Bank. The disposal reduced the Group's balance sheet by EUR 0.7 billion, mainly through a EUR 0.4 billion decrease in customer loans and a EUR 0.6 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

EURO BANK S.A.

On 31 May 2019, the Group sold its entire stake in its Polish subsidiary, Eurobank, to Bank Millennium. The disposal reduced the Group's balance sheet by EUR 3.4 billion, mainly through a EUR 2.9 billion decrease in customer loans and a EUR 1.8 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

SOCIETE GENERALE BANKA MONTENEGRO A.D.

On 16 July 2019, the Group sold its entire stake in its Montenegrin subsidiary, SG Banka Montenegro A.D., to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a EUR 0.4 billion decrease in customer loans and a EUR 0.4 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

MOBIASBANCA GROUPE SOCIETE GENERALE

On 25 July 2019, the Group sold its entire stake in its Moldavian subsidiary, Mobiasbanca, to OTP Bank. The disposal reduced the Group's balance sheet by EUR 0.5 billion, mainly through a EUR 0.3 billion decrease in customer loans and a 0.5 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD

On 24 September 2019, the Group sold its entire stake in its Serbian subsidiary, SG Banka Srbija A.D. Beograd, to OTP Bank. The disposal reduced the Group's balance sheet by EUR 2.7 billion, mainly through a EUR 2 billion decrease in customer loans and a 1.6 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

OHRIDSKA BANKA A.D. SKOPJE

On 4 November 2019, the Group sold its entire stake in its Macedonian subsidiary, SG Banka Ohridska Banka A.D. Skopje, to Steiermärkische Sparkasse. The sale reduced the Group's balance sheet by EUR 0.6 billion, mainly through a EUR 0.5 billion decrease in customer loans and a 0.5 billion decrease in customer deposits, reported respectively under Non-current assets held for sale and Non-current liabilities held for sale at 31 December 2018.

PEMA GMBH

On 2 December 2019, the Group sold its entire stake in PEMA GmbH, a truck and trailer rental company, to TIP Trailer Services. The transfer resulted in a EUR 0.6 billion decrease in Tangible and intangible fixed assets and a EUR 0.5 billion decrease in Customer deposits compared to 31 December 2018.

SKB GROUPE

On 13 December 2019, the Group sold its entire stake in SKB Banka D.D. Ljubljana (Slovenia) and its subsidiaries Leasing D.O.O and SKB Leasing Select D.O.O. to OTP Bank. The sale reduced the Group's balance sheet by EUR 3 billion, mainly through a EUR 2.4 billion decrease in customer loans and a 2.5 billion decrease in customer deposits compared to 31 December 2018.

The result from these disposals recorded in Net income/expense from other assets amounted to EUR -277 million for the period.

2.5.2 CHANGES IN MAJOR CONSOLIDATED BALANCE SHEET ITEMS

Financial assets at fair value through profit or loss increased by EUR 20.2 billion (+5.5%) compared to 31 December 2018.

The increase in financial assets at fair value through profit or loss is mainly attributable to the growth of trading derivatives and other capital instruments.

Debt securities issued increased by EUR 8.9 billion (+7.7%) compared to 31 December 2018 mainly due to the growth of interbank certificates and negotiable debt instruments.

Customer loans at amortised cost increased by EUR 3.0 billion (+0.7%) compared to 31 December 2018. The rise is mainly attributable to the increase in other customer loans, which was offset by a decrease in securities purchased under resale agreements.

Customer deposits increased by EUR 1.8 billion (+0.4%) compared to 31 December 2018, mainly due to the growth of other demand deposits which was partially offset by securities sold to customers under repurchase agreements.

Due from banks at amortised cost decreased by EUR 4.2 billion (-6.9%) due to the decline in the number of current accounts.

Due to banks increased by EUR 13.2 billion (+13.9%) compared to 31 December 2018 chiefly due to the increase of other term deposits and securities sold under repurchase agreements.

Investments of insurance companies increased by EUR 18.1 billion (+12.3%) compared to 31 December 2018 mainly due to the financial asset at fair value through profit or loss and available for sale financial assets.

Insurance contract related liabilities increased by EUR 14.8 billion (+11.4%) compared with 31 December 2018 due to underwriting reserves of insurance companies.

Other assets and liabilities increased by a respective EUR 0.6 billion (+0.9%) and EUR 8.4 billion (+11%), including EUR 2.2 billion recorded as a lease liability under IFRS 16 and EUR 5.8 billion from guarantee deposits received.

Non-current assets and liabilities held for sale decreased by respective EUR 9 billion (-66.7%) and EUR 9.2 billion (-87.6%) compared to 31 December 2018, principally owing to the disposal of SG Express Bank, Societe Generale Banka Srbija A.D. Beograd, Ohridska Banka A.D. Skopje, Mobiasbanka Groupe Societe Generale and Eurobank S.A.

Groupe shareholders' equity totalled EUR 63.5 billion at 31 December 2019 versus EUR 61 billion at 31 December 2018. The change can be primarily attributable to the following items:

- Net income Group share for the financial year at 31 December 2019 of EUR +3.2 billion;
- A dividend payment of EUR -1.8 billion;
- Remuneration of other equity instruments totalled EUR -0.7 billion;
- Unrealised or deferred capital gains and losses of EUR +0.6 billion;
- A EUR + 1 billion capital increase of which EUR +0.9 billion was due to a payment of dividends in shares

After taking into account non-controlling interests of EUR 5.0 billion, Group shareholders' equity totalled EUR 68.5 billion at 31 December 2019.

2.6 FINANCIAL POLICY

The objective of the Group's financial policy is to optimise the use of shareholders' equity in order to maximise short- and long-term return for shareholders, while maintaining a level of capital ratios (Common Equity Tier 1, Tier 1 and Total Capital ratios) consistent with the market status of Societe Generale and the Group's target rating.

Since 2010, the Group has implemented a major realignment programme, strengthening capital and focusing on the rigorous management of scarce resources (capital and liquidity) and proactive risk management in order to apply the regulatory changes related to the implementation of new Basel 3 regulations.

2.6.1 GROUP SHAREHOLDERS' EQUITY

Group shareholders' equity totalled EUR 63.5 billion at 31 December 2019. Net asset value per share stood at EUR 63.70 and net tangible asset value per share was EUR 55.61 using the new methodology disclosed in Chapter 2 of this Universal Registration Document, on page 48. Book capital includes EUR 9.5 billion in deeply subordinated notes and EUR 0.3 billion in undated subordinated notes.

At 31 December 2019, Societe Generale held, directly or indirectly, 3.7 million Societe Generale shares, representing 0.43% of the capital

(excluding shares held for trading purposes). In 2019, the Group acquired 1.7 million Societe Generale shares under the liquidity contract concluded with an external investment services provider on 22 August 2011. Over the period, Societe Generale also transferred 1.8 million Societe Generale shares via the liquidity contract.

Information concerning the Group's capital and shareholding structure is available in Chapter 7 of this Universal Registration Document, on page 541 and following.

2.6.2 SOLVENCY RATIOS

As part of managing its capital, the Group ensures that its solvency level is consistently compatible with its strategic targets and regulatory obligations.

The Group also ensures that its Total Capital Ratio (Common Equity Tier 1 + hybrid securities recognised in additional Tier 1 and Tier 2) provides a sufficient safety buffer for unsecured senior lenders.

The Common Equity Tier 1 ratio stood at 12.71% at 31 December 2019 compared to 10.94% at 31 December 2018.

The leverage ratio, calculated according to the CRR/CRD4 rules integrating the Delegated Act of October 2014 remained stable at 4.3% at 31 December 2019, in keeping with the expected trend and the target range of between 4% and 4.5%.

At end-2019, the Tier 1 ratio stood at 15.1% and the Total Capital Ratio stood at 18.3%, i.e. above the regulatory requirements.

The TLAC (Total Loss-Absorbing Capacity) ratio for RWAs was 27.4% and the TLAC leverage ratio stood at 7.9% at end-2019.

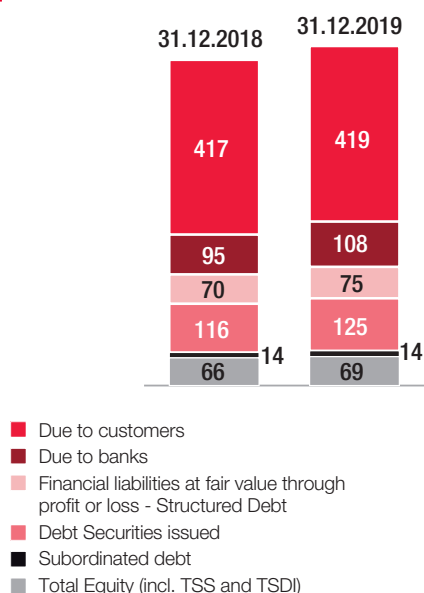
Under French Act No. 2016-1691 of 9 December 2016, published in the French Official Journal (*Journal Officiel*) no. 0287 of 10 December 2016, the creditor hierarchy that applies in cases of compulsory liquidation of French credit institutions was modified by introducing a new category of debt securities intended to cover liquidation losses. This new category ranks after subordinated instruments and before preferred debt instruments. In contracts for securities issues falling within this new category, the ranking of said securities in the creditors' hierarchy must be clearly specified. The new category allows TLAC and MREL eligible securities to be issued.

Further details on the regulatory framework governing TLAC and MREL are provided in Chapter 4.1, "Risk factors".

Detailed information on capital management, together with the regulatory framework, is provided in Chapter 4 of this Universal Registration Document on page 172 and following.

2.6.3 GROUP DEBT POLICY*

FUNDING STRUCTURE



The Group's funding structure is as follows:

- total equity including deeply subordinated notes and undated subordinated notes (respectively representing EUR 9.8 billion at 31 December 2019 and EUR 9.7 billion at 31 December 2018);
- debt securities issued by the Group, of which:
 - dated subordinated debt (EUR 13.7 billion at end-2019 and EUR 13.7 billion at end-2018),
 - long-term vanilla senior non-preferred debt (EUR 21.8 billion at end-2019 and EUR 13.4 billion at end-2018),
 - long-term vanilla senior preferred debt (EUR 34.6 billion at end-2019 and EUR 27.9 billion at end-2018),
 - covered bonds issued through the following vehicles: SGSCF (EUR 3.4 billion at end-2019 and EUR 5.7 billion at end-2018), SGSFH (EUR 13.8 billion at end-2019 and EUR 13.3 billion at end-2018), and CRH (EUR 5.5 billion at end-2019 and EUR 5.9 billion at end-2018),
 - securitisations and other secured debt issues (EUR 2.7 billion at end-2019 and EUR 3.1 billion at end-2018),
 - conduits (EUR 10.0 billion at end-2019 and EUR 10.6 billion at end-2018),
 - financial liabilities reported at fair value through P&L, including debt securities reported in the trading book, and debt securities measured using the fair value option through P&L;
- amounts due to customers, in particular deposits.

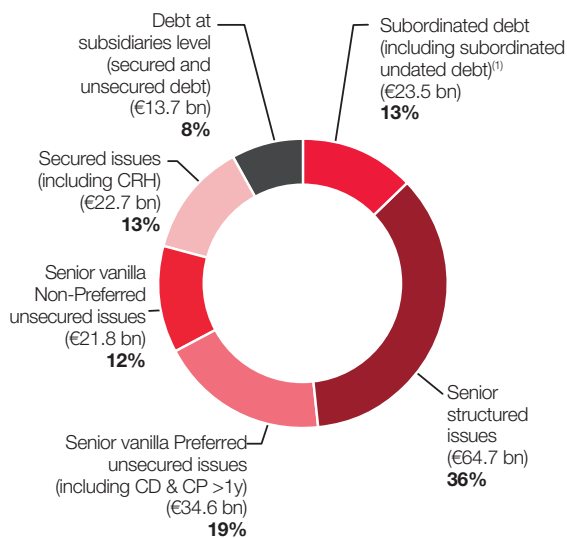
* Additional information about the Group liquidity risk management is available in Chapter 4 of this Universal Registration Document, on page 235 and following, and in Note 7.4 to the consolidated financial statements on page 520.

These resources also include funding via securities lending and borrowing transactions and securities sold under repurchase agreements measured at fair value through P&L totalling EUR 136.8 billion at 31 December 2019, versus EUR 150.2 billion at 31 December 2018 (see Note 3.1 to the consolidated financial statements), which are not included in this graph. **The Societe Generale Group's debt policy** is designed not only to ensure financing for the growth of the businesses' commercial activities and debt renewal, but also to maintain repayment schedules that are compatible with the Group's ability to access the market and its future growth.

The Group's debt policy is based on two principles:

- maintaining an active policy of diversifying the Societe Generale Group's sources of refinancing in order to guarantee its stability; and
- adopting a Group refinancing structure that consistently matches the maturities of its assets and liabilities.

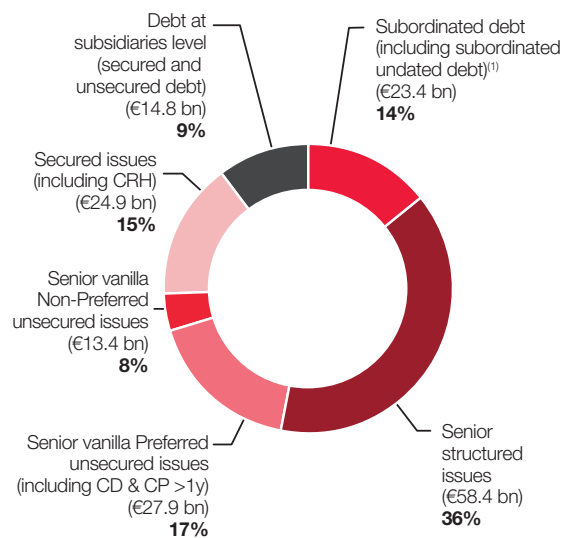
**GROUP LONG-TERM DEBT AT 31 DECEMBER 2019:
EUR 181.0 BN***



* Group short-term debt totalled EUR 43.4 billion at 31 December 2019, of which EUR 10.0 billion issued by conduits.

(1) Of which EUR 9.8 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity).

**GROUP LONG-TERM DEBT AT 31 DECEMBER 2018:
EUR 162.9 BN***



* Group short-term debt totalled EUR 46.4 billion at 31 December 2018, of which EUR 10.6 billion issued by conduits.

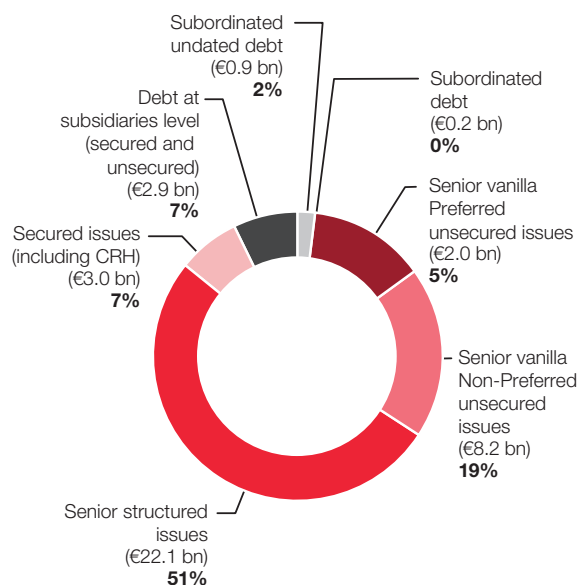
(1) Of which EUR 9.7 billion accounted as "other equity instruments" (see consolidated financial statements, changes in shareholders' equity)

Accordingly, **the Group's long-term financing plan**, implemented gradually and in a coordinated manner during the year and based on a non-opportunistic issuance policy, is designed to maintain a surplus liquidity position over the medium and long term.

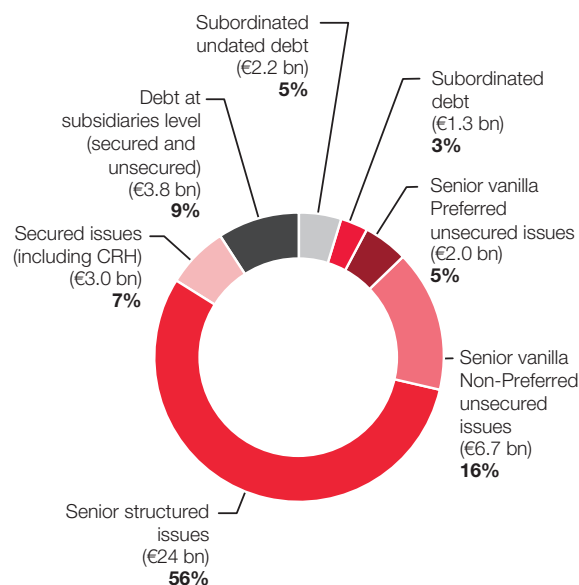
At end-2019, liquidity raised under the 2019 financing programme amounted to EUR 43.0 billion in senior and subordinated debt. Liquidity raised at parent company level amounted to EUR 40.1 billion at 31 December 2019.

The breakdown of refinancing sources is as follows: EUR 8.2 billion in senior vanilla non-preferred unsecured issues, EUR 5.6 billion in senior vanilla preferred unsecured issues, EUR 22.1 billion in senior structured issues, EUR 3.0 billion in secured issues (SG SFH and CRH), EUR 0.2 billion in subordinated Tier 2 debt and EUR 0.9 billion in subordinated undated debt. At subsidiary level, a total of EUR 2.9 billion was raised at 31 December 2019.

2019 FINANCING PROGRAMME: EUR 43.0 BN



2018 FINANCING PROGRAMME: EUR 43.0 BN



2.6.4 LONG-TERM RATINGS, SHORT-TERM RATINGS, COUNTERPARTY RATINGS AND CHANGES OVER THE FINANCIAL YEAR

The table below summarises Societe Generale's counterparty ratings and senior long-term and short-term ratings at 31 December 2019:

	DBRS	FitchRatings	Moody's	R&I	Standard & Poor's
Long-term/short-term counterparty assessment	AA/R-1(high)	A+(dcr)/F1	A1(CR)/P-1(CR)	n/a	A+/A-1
Long-term senior preferred rating	A (high) (Positive)	A+ (Stable)	A1 (Stable)	A (Stable)	A (Positive)
Short-term senior rating	R-1 (middle)	F1	P-1	n/a	A-1

The credit ratings remained unchanged in 2019, reflecting the Group's robust risk profile.

2.7 MAJOR INVESTMENTS AND DISPOSALS

The group maintained a targeted acquisition and disposal policy, in line with its strategy focused on its core businesses and the management of scarce resources.

Business division	Description of investments
2019	
International Retail Banking and Financial Services	Acquisition of Sternlease by ALD (fleet leasing in Netherlands).
Global Banking and Investor Solutions	Acquisition of Equity Capital Markets and Commodities activities from Commerzbank.
French Retail Banking	Acquisition of Treezor, pioneering Bank-As-A-Service platform in France.
2018	
International Retail Banking and Financial Services	Acquisition of a stake by CGI in Reezocar, a French start-up specialising in the sale of used cars to private individuals.
International Retail Banking and Financial Services	Acquisition of Reflex (flexible vehicle rental in Spain).
Global Banking and Investor Solutions	Acquisition of Lumo (pioneering renewable energy crowdfunding platform).
2017	
International Retail Banking and Financial Services	Acquisition of BBVA Autorenting (long-term vehicle rental in Spain) and Merrion Fleet (long-term vehicle rental in Ireland).
International Retail Banking and Financial Services	Acquisition of 50% and exclusive control of Antarius (Insurance).
Business division	Description of disposals
2019	
International Retail Banking and Financial Services	Disposal of SKB Banka in Slovenia.
International Retail Banking and Financial Services	Disposal of Pema GmbH, a truck and trailer rental company in Germany.
International Retail Banking and Financial Services	Disposal of its majority stake in Ohridska Banka SG in Macedonia.
International Retail Banking and Financial Services	Disposal of SG Srbija in Serbia.
International Retail Banking and Financial Services	Disposal of SG Montenegro.
International Retail Banking and Financial Services	Disposal of Mobiasbanka in Moldova.
International Retail Banking and Financial Services	Disposal of Inora Life en Ireland.
International Retail Banking and Financial Services	Disposal of Eurobank in Poland.
Global Banking and Investor Solutions	Disposal of SG Private Banking Belgium.
French Retail Banking	Disposal of SelfTrade Bank S.A.U. in Spain.
French Retail Banking	Disposal of the entire stake in La Banque Postale Financement (35%).
International Retail Banking and Financial Services	Disposal of Express Bank in Bulgaria.
International Retail Banking and Financial Services	Disposal of SG Albania.
2018	
Corporate Centre	Disposal of a 2.05% stake in Euroclear.
2017	
International Retail Banking and Financial Services	Disposal of 20% of ALD at the time of the company's stock market listing.
International Retail Banking and Financial Services	Disposal of Splitska Banka in Croatia.
Global Banking and Investor Solutions	Disposal of the entire stake in Fortune (49%) in China.
French Retail Banking	Disposal of Onvista in Germany.

2.8 PENDING ACQUISITIONS AND MAJOR CONTRACTS

2.8.1 FINANCING OF THE MAIN ONGOING INVESTMENTS

Ongoing investments will be financed using the Group's usual sources of funding.

2.8.2 PENDING ACQUISITIONS

On 18 July 2019, the Group announced having entered into exclusive discussions with My Money Bank for the acquisition of Socalfi, the subsidiary of My Money Bank in New Caledonia.

2.8.3 ONGOING DISPOSALS

On 19 December 2019, the Group announced the signing of an agreement to sell SG Finans AS, its equipment finance and factoring activities in Norway, Sweden and Denmark, to Nordea Finance. The closing is expected to take place during the second half of 2020.

2.9 PROPERTY AND EQUIPMENT

The gross book value of Societe Generale Group's tangible operating fixed assets amounted to EUR 42.6 billion at 31 December 2019. The figure comprises land and buildings (EUR 5.6 billion), the right of use (EUR 2.6 billion) due to the first-time application of IFRS 16, assets leased by specialised financing companies (EUR 28.6 billion) and other

tangible assets (EUR 5.8 billion). The net book value of tangible operating assets and investment property amounted to EUR 28.3 billion, representing only 2.1 % of the consolidated balance sheet at 31 December 2019. Due to the nature of Societe Generale's activities, property and equipment are not material at Group level.

2.10 POST-CLOSING EVENTS

On 21 January 2020, the Group announced an agreement to acquire ITL, a leading provider in equipment finance specialised in the environmental, manufacturing and healthcare sectors, through its subsidiary Franfinance. The transaction is subject to the approval of competition authorities.

On 2 March 2020, the Group finalised the disposal to Promontoria MMB of Société Générale Banque aux Antilles.

On 2 March 2020, the Group finalised the disposal to Absa of Societe Generale's custody, depository and clearing activities in South Africa.

2.11 INFORMATION ABOUT GEOGRAPHIC LOCATIONS AND ACTIVITIES RELATED TO 2019

Article L.511-45 of the French Monetary and Financial Code (*Code monétaire et financier*) as amended by Order No. 2014-158 of 20 February, 2014, requires credit institutions to communicate information about the geographic locations and activities of their entities included in their consolidation scope, in each country or territory.

Information relative to Societe Generale's staff and financial information by country or territory is published below.

The list of locations is published in Note 8.6 to the consolidated financial statements.

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
South Africa	90	12	2	(1)	(0)	(0)	-
Albania	-	5	2	-	-	(0)	-
Algeria	1,578	200	68	(37)	17	(7)	-
Germany	2,764	851	141	(47)	(3)	(3)	-
Australia	50	15	(10)	0	4	(0)	-
Austria	78	13	4	(1)	(0)	(0)	-
Belgium	314	86	39	(1)	(8)	(1)	-
Benin	258	10	(18)	(0)	3	(1)	-
Bermuda ⁽¹⁾	-	6	6	-	-	-	-
Brazil	343	82	41	(21)	(2)	(8)	-
Bulgaria	-	-	-	-	-	-	-
Burkina Faso	320	52	12	(3)	1	(0)	-
Cameroon	675	114	32	(18)	4	(2)	-
Canada	160	33	7	(1)	(0)	(0)	-
China	332	67	24	-	2	(6)	-
Congo	129	25	4	-	(1)	(2)	-
South Korea	114	130	60	(21)	6	(3)	-
Côte d'Ivoire	1,081	221	88	(18)	(1)	(5)	-
Croatia	43	6	4	(1)	0	(0)	-
Curacao ⁽²⁾	-	(0)	(0)	-	-	-	-
Denmark	169	69	40	(3)	(5)	(6)	-
United Arab Emirates	49	10	1	-	-	(0)	-
Spain	675	270	133	(27)	(6)	(3)	-
Estonia	13	2	1	(0)	-	-	-
United States of America	2,368	1,343	203	3	(80)	(8)	-
Finland	104	40	25	(5)	0	-	-

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
France	55,984	11,604	527	(20)	(205)	(1,118)	-
Ghana	562	89	31	(8)	(1)	(0)	-
Gibraltar	40	15	2	-	(0)	(0)	-
Greece	41	5	2	0	(1)	(0)	-
Guernsey	117	44	3	-	-	-	-
Guinea	443	58	32	(10)	(1)	(1)	-
Equatorial Guinea	287	35	(31)	(2)	12	(0)	-
Hong Kong	1,182	620	226	(29)	1	(0)	-
Hungary	98	13	7	(1)	(0)	(0)	-
Isle of Man	-	-	-	-	-	-	-
Cayman Islands ⁽³⁾	-	-	(0)	-	-	-	-
British Virgin Islands	-	-	-	-	-	-	-
India ⁽⁴⁾	8,875	93	114	(42)	4	(1)	-
Ireland	188	75	52	(7)	(0)	(0)	-
Italy	2,000	723	276	(23)	4	(3)	-
Japan	263	200	45	(21)	6	(16)	-
Jersey	229	45	5	(1)	(0)	(0)	-
Latvia	16	3	2	(0)	-	-	-
Lebanon	-	-	15	-	-	-	-
Lithuania	13	3	2	(0)	0	-	-
Luxembourg	1,510	685	367	(26)	(16)	(13)	-
Macedonia	-	23	8	(1)	(0)	(1)	-
Madagascar	879	55	27	(5)	0	(2)	-
Malta	-	-	-	-	-	-	-
Morocco	3,934	510	202	(70)	(11)	(17)	-
Mauritius	-	0	0	-	-	-	-
Mexico	108	16	9	(1)	(1)	-	-
Moldova	-	19	10	(1)	(0)	(0)	-
Monaco	345	119	39	(13)	0	(0)	-
Montenegro	-	15	7	(0)	(0)	(1)	-
Norway	340	130	74	(21)	(1)	-	-
New Caledonia	304	78	37	(20)	1	(0)	-
Netherlands	268	99	66	(24)	(1)	(0)	-
Poland	461	127	26	(10)	1	(7)	-
French Polynesia	281	46	16	(11)	1	(1)	-
Portugal	115	21	12	(4)	1	-	-
Czech Republic	8,313	1,315	748	(135)	(4)	(33)	-
Romania	9,940	695	399	(66)	2	(35)	-
United Kingdom	2,645	1,380	242	(38)	8	(8)	-
Russian Federation	14,081	968	299	(67)	(1)	(35)	-
Senegal	1,015	112	49	(15)	(1)	(2)	-

INFORMATION ABOUT GEOGRAPHIC LOCATIONS AND ACTIVITIES RELATED TO 2019

Country	Staff*	NBI*	Earnings before corporate tax*	Corporate tax*	Deferred corporate tax*	Other taxes*	Subsidies*
Serbia	26	102	53	(6)	(0)	(5)	-
Singapore	218	136	(12)	(4)	(0)	(0)	-
Slovakia	103	25	12	(3)	(0)	(0)	-
Slovenia	19	123	74	(13)	(0)	(3)	-
Sweden	195	77	31	(7)	(0)	(1)	-
Switzerland	593	283	102	(13)	(15)	(0)	-
Taiwan	50	28	9	(3)	0	(2)	-
Chad	212	27	3	(2)	1	(2)	-
Thailand	4	2	(0)	-	-	-	-
Togo	41	5	1	(0)	-	-	-
Tunisia	1,376	130	60	(20)	(1)	(4)	-
Turkey	110	24	15	(1)	(8)	(0)	-
Ukraine	57	8	6	(2)	1	(0)	-
TOTAL	129,586	24,671	5,210	(968)	(296)	(1,369)	-

* **Staff:** Full-time equivalent (FTE) at closing date. Staff members of entities accounted for by the equity method and removed during the year are excluded.

NBI (in EURm): Net banking income by territorial contribution to the consolidated statement, in millions of euros, before elimination of intragroup reciprocal transactions. Net income from companies accounted for by the equity method is directly recorded in the earnings before tax, there is no contribution from them.

Earnings before corporate tax (in EURm): Earning before tax by territorial contribution to the consolidation statement before elimination of intragroup reciprocal transactions.

Corporate tax (in EURm): Such as presented in the consolidated statement in accordance with the IFRS standards and by distinguishing the current taxes of the deferred taxes.

Other taxes (in EURm): Other taxes include among others payroll taxes, the C3S, the contribution to the SRF, CET taxes and local taxes. The data arise from the consolidated reporting and from management report, in millions of euros

Public subsidies received: Non-matching or non-refundable subsidies granted by a public entity on a one-off or renewable basis to complete a clearly defined project.

(1) Income from the entity located in Bermuda is taxed in France.

(2) Income from the entity located in Curacao is taxed in France

(3) Income from entities located in Cayman Islands is taxed in the United States and in Japan.

(4) Most of the staff located in India is assigned to a shared services centre, the re-invoicing income of which is recorded in general and administrative expenses and not in NBI.

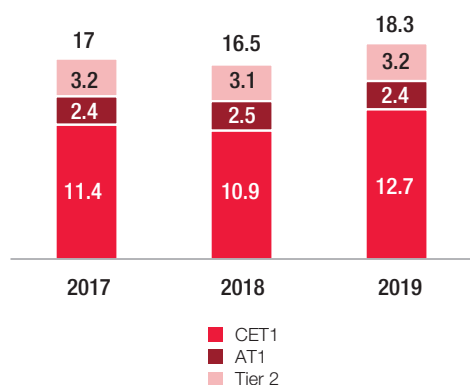
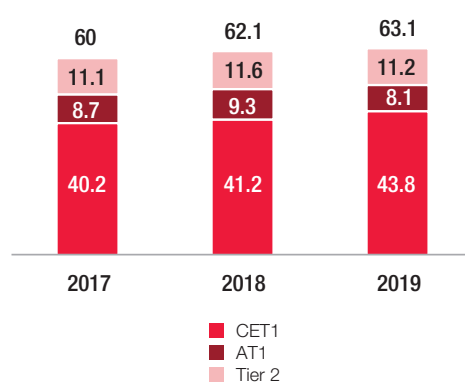
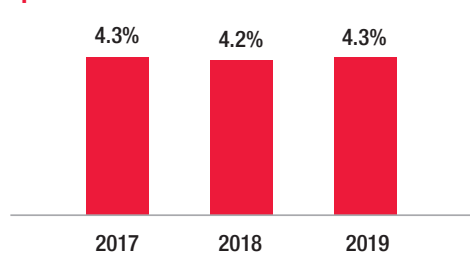
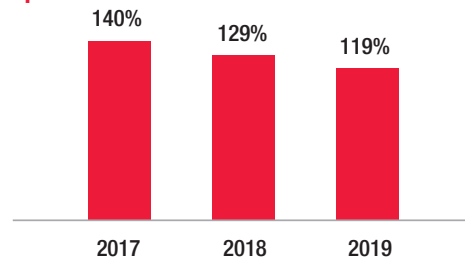
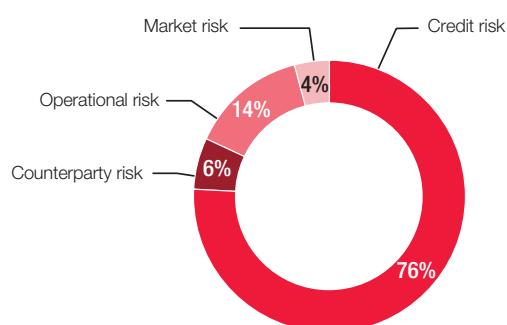
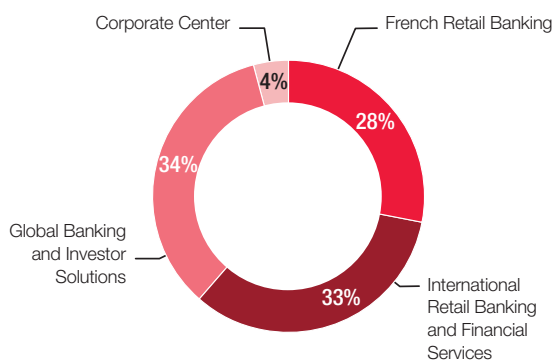


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RISKS AND CAPITAL ADEQUACY

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KEY FIGURES

Solvency ratios
 (In %)

Regulatory capital
 (In EURbn)

Leverage ratio

LCR ratio

Distribution of RWA by risk type
 (RWA at end 2019: EUR 345bn
 RWA at end 2018: EUR 376bn)

Distribution of RWA by pillar
 (RWA at end 2019: EUR 345bn
 RWA at end 2018: EUR 376bn)


This section includes information on the risk management linked to financial instruments, and information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union.

Some of this information forms an integral part of the notes to the consolidated financial statements and is covered by the opinion of the Statutory Auditors on the consolidated financial statements. This information is indicated with the note “Audited I”, (the symbol ▲ indicates the end of the audited part).

The Societe Generale Group is subject to oversight by supervisory authorities and to regulations on capital requirements applicable to credit institutions and investment firms (Regulation (EU) No. 575/2013 of 26th June 2013).

Within the framework of the Third Pillar of the Basel Accord, a detailed and standardised statement is included in the “Risk Report for the purposes of improving published financial disclosures” (Pillar 3 Report and cross-reference table).

All the information regarding the Pillar 3 Report and the prudential disclosures is available on the www.societegenerale.com website, under “Investors”, Universal Registration Document and Pillar 3.

TYPES OF RISKS

The Group’s risk management framework involves the following main categories:

- **Credit and counterparty risk:** risk of losses arising from the inability of the Group’s customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitisation activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk;
- **Market risk:** risk of a loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equity, bonds), commodities, derivatives and other assets;
- **Operational risk:** risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events. It includes:
 - **non-compliance risk (including legal and tax risks):** risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group’s activities,
 - **reputational risk:** risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group’s ability to maintain or engage in business relationships and to sustain access to sources of financing,
 - **misconduct risk:** risk resulting from actions (or inactions) or behaviour of the Bank or its employees inconsistent with the Group’s Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the Bank’s sustainability or reputation at risk,
 - **IT and Information Systems Security risk** (cybercrime, IT systems failures, etc.);
- **Model risk:** potential for adverse consequences from decisions based on incorrect or misused model outputs and reports.
- **Risk related to insurance activities:** through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to this business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims;
- **Risk on private equity and related transactions:** risk of reduction in the value of our equity ownership interests;
- **Structural risk:** risk of losses in interest margin or banking book value if interest rates, exchange rates, or credit spreads change. This risk is related to the commercial and own activities of the Bank, it includes the distortion of the structural difference between assets and liabilities related to pension obligations, as well as the risk related to longer terms of future payments;
- **Liquidity and funding risk:** liquidity risk is defined as the inability of the Group to meet its financial obligations: debt repayments, collateral supply, etc. Funding risk is defined as the risk that the Group will not be able to finance its business growth on a scale consistent with its commercial objectives and at a cost that is competitive compared to its competitors;
- **Strategic/business risk:** risks resulting from the Group’s inability to execute its strategy and to implement its business plan for reasons that are not attributable to the other risks in this list; for instance, the non-occurrence of the macroeconomic scenarios that were used to construct the business plan or sales performance that was below expectations;
- **Residual value risk:** through its Specialised Financial Services Division, mainly in its long-term vehicle leasing subsidiary, the Group is exposed to residual value risk (where the net resale value of an asset at the end of the leasing contract is less than expected).

In addition, **risks associated with climate change**, both physical (increase in the frequency of extreme climatic events) and transition-related (New Carbon Regulation), have been identified as factors that could aggravate the Group’s existing risks.

4.1 RISK FACTORS

This section identifies the main risk factors that the Group estimates could have a significant effect on its business, profitability, solvency or access to financing.

The risks inherent to the Group's activity are presented below under six main categories, in accordance with Article 16 of the "Prospectus 3" regulation 2017/1129 of 14 June 2017 applicable since 21 July 2019 to risk factors:

- risks related to the macroeconomic, market and regulatory environments;
- credit and counterparty risks;

- market and structural risks;
- operational risks (including risk of inappropriate conduct) and model risks;
- liquidity and funding risks;
- risks related to insurance activities.

Risk factors are presented on the basis of an evaluation of their materiality, with the most material risks indicated first within each category. The risk exposure or measurement figures included in the risk factors provide information on the Group's exposure level but are not necessarily representative of future evolution.

4.1.1 RISKS RELATED TO THE MACROECONOMIC, MARKET AND REGULATORY ENVIRONMENTS

4.1.1.1 The global economic and financial context, as well as the context of the markets in which the Group operates, may adversely affect the Group's activities, financial position and results of operations.

As a global financial institution, the Group's activities are sensitive to changes in financial markets and economic conditions generally in Europe, the United States and elsewhere around the world. The Group generates 47% of its business in France (in terms of 2018 net banking income), 34% in Europe, 6% in the Americas and 13% in the rest of the world. The Group could face a significant deterioration in market and economic conditions resulting from, in particular, crises affecting capital or credit markets, liquidity constraints, regional or global recessions, sharp fluctuations in commodity prices (notably oil), currency exchange rates or interest rates, inflation or deflation, rating downgrades, restructuring or defaults of sovereign or private debt, or adverse geopolitical events (including acts of terrorism and military conflicts). Such events, which may develop quickly and thus potentially may not be anticipated and hedged, could affect the operating environment for the Group for short or extended periods and have a material adverse effect on the Group's financial position, cost of risk and results of operations. In recent years, the financial markets have thus experienced significant disruptions resulting from concern over the trajectory of the sovereign debt of several euro-zone countries, Brexit (refer to the risk factor "Brexit and its impact on the financial markets and the economic environment could have repercussions on the Group's activity and results of operations."), the persistence of commercial tensions (especially between the United States and China), fears of a cyclical slowdown growth (particularly in China) and more recently the economic effects of the spread of the Covid-19 coronavirus. These factors are likely to weaken several economic sectors and consequently the credit quality of the players concerned, which could negatively affect the Group's activities and results. Geopolitical risks also remain high and the accumulation of different risks is an additional source of instability which could also weigh on economic activity and demand for credit, while increasing the volatility of financial markets. Developments related to the Covid-19 coronavirus remain a source of uncertainty. It has already resulted in a sharp drop in activity in the most affected areas (China, South Korea, Japan, Italy and Iran to date) and should have repercussions on world demand and via the disruption of value chain. This crisis affects both supply and demand, which complicates the appropriate economic policy response. Authorities in the most affected countries could take measures to support businesses in difficulty. The financial markets can be an accelerator of the economic

crisis in the event of a marked and lasting fall in asset prices. If the epidemic were to be contained in the coming weeks of March 2020, the effects on global activity would be concentrated in the first or possibly second quarter of 2020 and a rebound in the second half would partially offset the effects observed in the first semester. For information, 6% of the Group's exposure (Exposure at Default or EAD) is concentrated in the Asia Pacific region and 2% is in Italy.

The long period of low interest rates in the Eurozone and the United States, driven by accommodating monetary policies, has affected, and could continue to affect, the Group's net interest margin (which stood at 4 billion euros in 2019 for Retail Banking in France). Furthermore, this context of low interest rates tends to lead to an increased risk appetite of some participants in the banking and financial system which could result in excessive risk-taking, lower risk premiums compared to their historical average and high valuation levels of certain assets. The current economic slowdown could also lead to excessive risk-taking.

Furthermore, the environment of abundant liquidity that has been at the origin of the upturn in credit growth in the Eurozone and particularly in France could lead to additional regulatory measures from the supervisory authorities in order to limit the extension of credit or to further protect banks against a financial cycle downturn.

Lastly, the increase or accumulation of geopolitical or political risks (in particular in the Middle East) is another source of uncertainty which, in case of military conflict, could impact global economic activity and credit demand, while increasing the volatility of financial markets.

The Group's results are significantly exposed to economic, financial and political conditions in the principal markets in which it operates.

At 31 December 2019, 90% of the Group's credit and counterparty risk EAD was concentrated in Europe and the United States (accounting for 90% of EAD), with a predominant exposure to France (45% of EAD). The other exposures concern Western Europe excluding France (accounting for 22%), North America (accounting for 14%), Eastern European members of the European Union (accounting for 7%) and Eastern Europe excluding the European Union (accounting for 2%).

In France, the Group's principal market, the good growth performance during the 2016-2019 period and low interest rates have fostered an upturn in the housing market. A reversal of activity in this area could have a material adverse effect on the Group's asset value and business, by decreasing demand for loans and in higher rates of non-performing loans.

The Group also operates in emerging markets, such as Russia (2% of the Group's exposure to credit and counterparty risk at 31 December 2019) and Africa and the Middle East (4% of the Group's credit exposure at 31 December 2019). A significant adverse change in the political, macroeconomic or financial environment in these emerging markets could have a material adverse effect on the Group's business, results and financial position. These markets may be adversely affected by uncertainty factors and specific risks, such as a significant decline in oil prices since the beginning of coronavirus Covid-19 epidemic, which, if it were to last beyond several quarters, would deteriorate the financial health of producing countries. The correction of macroeconomic or budgetary imbalances that would result could be imposed by the markets with an impact on growth and on exchange rates. Another source of uncertainty comes from the enforcement of international sanctions against certain countries such as Russia. In the longer term, the energy transition to a "low-carbon economy" could adversely affect fossil energy producers, energy-intensive sectors of activity and the countries that depend on them. In addition, capital markets (including foreign exchange activity) and securities trading activities in emerging markets may be more volatile than those in developed markets and may also be vulnerable to certain specific risks, such as political instability and currency volatility. These elements could negatively impact the Group's activity and results of operations.

4.1.1.2 The Group is subject to an extensive supervisory and regulatory framework in each of the countries in which it operates and changes in this regulatory framework could have a negative effect on the Group's businesses, financial position, costs, as well as on the financial and economic environment in which it operates.

The Group applies the regulations of the jurisdictions in which it operates. French, European and U.S. regulations as well as other local regulations are concerned, given the cross-border activities of the Group. The application of existing regulations and the implementation of future regulations requires significant resources that could affect the Group's performance.

In addition, non-compliance with regulations could lead to fines, damage to the Group's reputation, forced suspension of its operations or the withdrawal of operating licences.

By way of illustration, as at 31 December 2019, exposures to credit and counterparty risks (Exposure at Default (EAD)) in France, the 27-member European Union (including France) and the United States represented 45%, 66% and 14%, respectively.

Among the recent regulations that have a significant influence on the Group:

- the implementation of prudential reforms, notably in the context of the finalisation of the Basel Agreement, including the Fundamental Review of the Trading Book and the IRB repair initiative (including the new definition of defaults), could result in increased capital and liquidity requirements, revised standards for calculating risk-weighted assets and a restriction on the use of internal models for calculating capital requirements;
- in the United States, the implementation of the Dodd-Frank Act has not yet been finalised and additional regulations (including new Securities and Exchange Commission (SEC) regulations) have yet to be introduced. These developments could in particular have an impact on the Group's U.S. market activities;
- the constant evolution of the legal and regulatory framework for activities on the financial markets (such as the European regulations and directives EMIR, MIFID 2 and MIFIR or the Volcker regulation in the United States) increases the Group's obligations, notably in the areas of transparency and reporting. This regulatory context, combined with the strengthening of controls exercised by various authorities, notably European and American, could have a significant impact on the conduct of some of the Group's activities,

such as through the obligation to offset some of its derivative transactions or the introduction of additional collateral requirement;

- new European measures aimed at restoring banks' balance sheets through active management of non-performing loans ("NPLs"), which are leading to a rise of prudential requirements and an adaptation of the Group's strategy for managing NPLs. Additional regulatory provisions (as indicated in the Guidelines of the European Banking Authority), the scope of which remains to be determined, are being considered to define a framework of good practices for granting and monitoring loans;
- the strengthening of the supervisor's requirements (through the adoption of best practices) within the Single Supervisory Mechanism (SSM) could have an impact on the management costs and risk-weighted exposure levels of internal models;
- a strengthening of requirements related to internal control as well as the Group's rules of governance and good conduct, with a potential impact on costs;
- the strengthening of data quality and protection requirements and a potential strengthening of cyber-resilience requirements in relation to the consultation on "digital operational resilience framework for financial services" initiated by the European Commission in December 2019;
- sustainable finance considerations on the European political and regulatory agenda, with uncertainty for the Group regarding the inclusion of environmental and social issues in the supervisory review and assessment process (Supervisory Review and Evaluation Process - SREP) as well as the computation of the prudential capital requirement of credit institutions;
- the strengthening of the crisis prevention and resolution regime set out in the Bank Recovery and Resolution Directive of 15 May 2014 ("BRRD"), as revised, gives the Single Resolution Board ("SRB") the power to initiate a resolution procedure when the point of non-viability is reached which could, in order to limit the cost to the taxpayer, result in creditors and shareholders of the Group incurring losses in priority. Should the resolution mechanism be triggered, the Group could, in particular, be forced to sell certain of its activities, modify the terms and conditions of its debt instruments, issue new debt instruments, or result in the total or partial depreciation or conversion of debt instruments into equity securities. Furthermore, the Group's contribution to the annual financing of the Single Resolution Fund ("SRF") is significant and will grow steadily until 2023, with 2024 being the year of the full endowment of the fund. The contribution to the banking resolution mechanisms is described on p. 427 of the 2020 Universal Registration Document.

The Group is also subject to complex tax rules in the countries in which it operates. Changes in applicable tax rules, uncertainty regarding the interpretation of such changes or their impact may have a negative impact on the Group's business, financial position and costs.

Moreover, as an international bank that handles transactions with "US persons", denominated in US dollars, or involving US financial institutions, the Group is subject to US laws and regulations relating in particular to compliance with economic sanctions, the fight against corruption and market abuse. More generally, in the context of agreements with US and French authorities, the Group has undertaken to implement, through a dedicated program and organisation, corrective actions to address identified deficiencies, the cost of which will be significant, and strengthen its compliance program. In the event of a failure to comply with relevant US laws and regulations, or a breach of the Group's commitments under these agreements, the Group could be exposed to the risk of (i) administrative sanctions, including fines, suspension of access to US markets, and even withdrawals of banking licences, (ii) criminal proceedings, and (iii) damage to its reputation.

As at 31 December 2019, the Group had own funds CET1 of 43.8 billion euros (for a CET1 ratio of 12.7%) and total regulatory capital of 63.1 billion euros (for a total ratio of 18.3%).

4.1.1.3 Brexit and its impact on financial markets and the economic environment could have an adverse effect on the Group's activities and results of operations.

Pursuant to the agreement between the United Kingdom and the European Union on a new "flexible extension" of the United Kingdom's withdrawal from the European Union until 31 January 2020 (or earlier upon approval of the updated withdrawal agreement), the UK Withdrawal Agreement Bill (WAB) has now received the Queen's royal assent, thus confirming the United Kingdom's withdrawal from the European Union on Friday, 31 January 2020. The WAB received the final approval of the European parliament on 29 January 2020.

The transition period during which the United Kingdom and the European Union will define the future of their relationship began on 1 February 2020 and is scheduled to end on 31 December 2020 (unless extended). Even after the withdrawal agreement's approval, there is no guarantee that a trade agreement will be concluded by the end of the transition period, and the nature of future relations between the United Kingdom and the European Union remains unclear beyond the end of the transition period. The possibility of a "no-deal" Brexit remains in the event that no trade agreement is reached and no extension to the transition period is agreed.

At 31 December 2019, the Group had an Exposure at Default of 39 billion euros in the United Kingdom (4% of the Group's credit exposure). Beyond a direct impact on our credit exposure in the United Kingdom, Brexit is likely (depending on the scenarios considered) to considerably disrupt the European and global economies and financial markets and thus have an impact on the Group's overall activity and results.

4.1.1.4 Risks related to the implementation of the Group's strategic plan.

On 28 November 2017, the Group announced a strategic and financial plan for 2017-2020. This plan includes a number of strategic objectives, in particular a plan to accelerate the digital transformation of the Group's model, the streamlining of its French Retail Banking network, the implementation of the program to refocus activities, the improvement of operational efficiency, the strengthening of its internal control function and the embedding of a culture of corporate responsibility. It also includes a certain number of financial objectives related to return on equity, net income, cost savings and regulatory ratios.

This strategic plan is based on a number of assumptions, in particular relating to the macroeconomic environment and the development of the Group's activities. Failure to achieve these objectives (including as a result of the realization of one or more of the risks described in this section) or the occurrence of unexpected events could compromise the achievement of the strategic plan and have a material adverse effect on the Group's business, results of operations and financial position.

Upon publication of the 2019 annual results on 6 February 2020, the Group communicated on its outlook for 2020 in terms of revenues (slight growth expected), cost management (lower costs at Group level, lower cost/income ratio and a positive jaws effect at Group level and across all pillars) and cost of risk (expected between 30bp and 35bp) as well as an improvement in return on tangible equity (ROTE) and a new shareholder return policy.

In addition, the Group aims to steer above a CET1 ratio of 12%, which remains its current target.

Global Markets & Investor Solutions has confirmed the successful execution of its restructuring plan, in line with financial targets, including:

- EUR 500 million in cost savings (of which 44% was already achieved in 2019 and is fully secured for 2020);
- EUR 10 billion of risk-weighted assets (RWA) by 2020 (including EUR 8 billion of RWA allocated to Market Activities) was reached in Q3 2019.

The Group is committed to becoming a leading bank in the field of responsible finance through, among others:

- a new commitment to raise EUR 120 billion for energy transition between 2019 and 2023 (including EUR 100 billion in sustainable bond issues and EUR 20 billion for the renewable energy sector in the form of advisory and financing);
- a planned total exit from thermal coal;
- the signing as co-founder of the Principles for a Responsible Banking Sector, through which the Group undertakes to strategically align its business with the Sustainable Development Objectives set by the United Nations and the Paris Agreement on Climate Change.

These actions (or similar actions that may be taken in the future) could in some cases decrease the Group's results in the sectors concerned.

For more details on the Group's revised profit objectives, see paragraph *The Group is fully engaged to deliver its strategic plan* in Chapter 1.3 of the 2020 Universal Registration Document. A quarterly statement on the execution of these objectives is included in the Group's financial communications.

4.1.1.5 Increased competition from banking and non-banking operators could have an adverse effect on the Group's business and results, both in its French domestic market and internationally.

Due to its international activity, the Group faces intense competition in the global and local markets in which it operates, whether from banking or non-banking actors. As such, the Group is exposed to the risk of not being able to maintain or develop its market share in its various activities. This competition may also lead to pressure on margins, which is detrimental to the profitability of the Group's activities.

In France and in the other main markets in which the Group operates, the presence of major domestic banking and financial actors, as well as new market participants (notably online banking and financial services providers), has increased competition for virtually all products and services offered by the Group (particularly our online banking activities, with Boursorama, which had 2,100,000 customers at the end of 2019). Driven by new market participants such as "fintechs", new services that are automated, scalable and based on new technologies are developing rapidly and are fundamentally changing the relationship between consumers and financial services providers, as well as the function of traditional retail bank networks. To address these challenges, the Group has implemented a strategy that includes developing digital technologies and the establishment of commercial or equity partnerships with these new players (such as the platform Lumo proposing green investments) which could, if it proves ineffective or poorly executed, lead to a weakened competitive position. This intensification of competition could have an adverse effect on the Group's business and results, both in the French market and internationally.

Consolidation in the financial services industry could result in the Group's remaining competitors benefiting from greater capital, resources and an ability to offer a broader range of products and services. In addition, competition is increasing from emerging

non-banking actors that, in some cases, may benefit from a regulatory framework that is more flexible and in particular less demanding in terms of equity capital requirements.

4.1.2 CREDIT AND COUNTERPARTY RISKS

Weighted assets subject to credit and counterparty risks amounted to EUR 282 billion at 31 December 2019.

4.1.2.1 The Group is exposed to counterparty and concentration risks, which may have a material adverse effect on the Group's business, results of operations and financial position.

Due to its financing and market activities, the Group is exposed to credit and counterparty risk. The Group may therefore realise losses in the event of default by one or more counterparties, particularly if the Group encounters legal or other difficulties in enforcing its collateral or if the value of the collateral is not sufficient to fully recover the exposure in the event of default. Despite the Group's vigilant efforts to limit the concentration effects of its credit portfolio exposure, it is possible that counterparty defaults could be amplified within the same economic sector or region of the world due to the interdependence effects of these counterparties. Moreover, some economic sectors could, in the longer term, be particularly impacted by the measures implemented to promote energy transition or by the physical risks related to climate change (more information is available in the Group's Task Force on Climate-related Financial Disclosures report).

Consequently, the default of one or more significant counterparties of the Group could have a material adverse effect on the Group's cost of risk, results of operations and financial position.

For information, as at 31 December 2019, the Group's exposure at default (EAD, excluding counterparty risk) was EUR 801 billion, with the following breakdown by type of counterparty: 32% on corporates, 24% on sovereigns, 25% on retail customers and 7% on credit institutions and similar. Risk-weighted assets (RWA) for credit risk totalled 264 billion euros.

Regarding counterparty risks resulting from market transactions (excluding CVA), at the end of December 2019, the exposure value (EAD) was EUR 118 billion, mainly to credit institutions and similar entities (42%) and corporates (38%), and to a lesser extent to sovereign entities (20%). Risk-weighted assets (RWA) for counterparty risk amounted to EUR 16 billion.

The main sectors to which the Group was exposed in its corporate portfolio included finance and insurance (accounting for 17% of exposure), business services (11%), real estate (10%), wholesale trade (7%), transport and logistics (7%), the oil and gas sector (6%) and collective services (6%).

In terms of geographical concentration, the five main countries in which the Group is exposed at 31 December 2019 were France (45% of the Group's total EAD, mainly related to retail customers and corporates), the United States (14% of EAD, mainly related to corporates and sovereign customers), the Czech Republic (5% of the Group's total EAD, mainly related to sovereigns, retail clients and corporates), the United Kingdom (4% of EAD, mainly related to corporates and financial institutions) and Germany (4% of the Group's total EAD, mainly related to corporates and financial institutions).

For more details on credit and counterparty risk, see this section 4.5.6 *Quantitative information* in the Document of Universal Registration 2020.

4.1.2.2 The financial soundness and conduct of other financial institutions and market participants could adversely affect the Group.

For information, at 31 December 2019, the Group's exposure (EAD) to credit and counterparty risk on financial institutions amounted to EUR 107 billion, representing 12% of EAD in respect of the Group's credit risk.

Financial institutions are important counterparties for the Group in capital and inter-bank markets. Financial services institutions are closely interrelated as a result of trading, clearing, counterparty and funding relationships. As a result, defaults by one or several actors in the sector or a crisis of confidence affecting one or more actors may result in market-wide liquidity scarcity or chain defaults.

The Group is also exposed to clearing institutions and their members because of the increase in transactions traded through these institutions. For information, the Group's exposure to clearing houses amounted to 32 billion euros of EAD at 31 December 2019. The default of a clearing institution or one of its members could generate losses for the Group and have an adverse effect on the Group's business and results of operations.

4.1.2.3 The Group's results of operations and financial position could be adversely affected by a late or insufficient provisioning of credit exposures.

The Group regularly records provisions for doubtful loans in connection with its lending activities in order to anticipate the occurrence of losses and moderate the volatility of its results. The amount of provisions is based on the most accurate assessment at the time of the recoverability of the debts in question. This assessment relies on an analysis of the current and prospective situation of the borrower as well as an analysis of the value and recovery prospects of the debt, taking into account any security interests. In some cases (loans to individual customers), the provisioning method may call for the use of statistical models based on the analysis of historical loss and recovery data. Since 1 January 2018, the Group has also been recording provisions on performing loans under the IFRS9 accounting standard. This assessment is based on statistical models for assessing probabilities of default and potential losses in the event of default, which take into account a prospective analysis based on macroeconomic scenarios.

As at 31 December 2019, the stock of provisions relating to outstanding amounts (on- and off-balance sheet) amounted to EUR 2.3 billion euros on performing assets and EUR 9.3 billion euros on assets in default. Outstanding loans in default (stage 3 under IFRS 9) represented 17.4 billion euros, including 57% in France, 19% in Africa and Middle East and 11% in Western Europe (excluding France). For more details, see Chapter 4.5 *Credit and counterparty risk* of the 2020 Universal Registration Document. The gross ratio of doubtful loans on the balance sheet was 3.2% and the gross coverage ratio of these loans was approximately 55%.

Net changes in provisions are recorded as net cost of risk in the Group's consolidated income statement. Over the last three years, the Group has recorded a historically low net cost of risk (25 bp in 2019), partly due to an economic environment that is generally favourable to credit risk. Depending on its intensity, an economic slowdown and the expected reversal of the credit cycle could lead to an increase in provisions for doubtful outstandings, reflecting both an increase in borrowers' defaults and a potential deterioration in the value of

collateral. This increase could have an adverse effect on the Group's results of operations and financial position.

In addition, IFRS 9 accounting standard principles and provisioning models could be pro-cyclical in the event of a sharp and sudden deterioration in the environment or result in enhanced volatility in the event of fluctuations in economic prospects. This could lead to a significant and/or not fully anticipated variation in the cost of risk and therefore in the Group's results of operations.

4.1.3 MARKET AND STRUCTURAL RISKS

Market risk corresponds to the risk of impairment of financial instruments resulting from changes in market parameters, the volatility of these parameters and the correlations between these parameters. The concerned parameters include exchange rates, interest rates, as well as the prices of securities (shares, bonds) and commodities, derivatives and any other assets.

4.1.3.1 Changes and volatility in the financial markets may have a material adverse effect on the Group's business and the results of market activities.

In the course of its market activities, the Group is exposed to "market risk". For information, Global Markets & Investor Services activities, which account for the bulk of the Group's market risks, represented 5 billion euros of net banking income in 2019, or 21% of the Group's total revenues. At 31 December 2019, risk-weighted assets (RWA) subject to market risk represented EUR 15 billion, or 4% of the Group's total RWA.

Volatility in the financial markets can have a material adverse effect on the Group's market activities. In particular:

- significant volatility over a long period of time could lead to corrections on risky assets and generate losses for the Group; and
- a sudden change in the levels of volatility could make it difficult or more costly to hedge certain structured products and thus increase the risk of loss for the Group.

Severe market disruptions and high market volatility have occurred in recent years and may occur again in the future, which could result in significant losses for the Group's markets activities. Such losses may extend to a broad range of trading and hedging products, including swaps, forward and future contracts, options and structured products.

In the event that a low-volatility environment emerges, reflecting a generally optimistic sentiment in the markets and/or the presence of systematic volatility sellers, increased risks of correction may also develop, particularly if the main market participants have similar positions on certain products. Such corrections could result in significant losses for the Group's market activities.

The volatility of the financial markets makes it difficult to predict trends and implement effective trading strategies; it also increases risk of losses from net long positions when prices decline and, conversely, from net short positions when prices rise. Such losses could have a

material adverse effect on the Group's results of operations and financial position.

The assessment and management of market risks in the Group is based on a set of risk indicators that make it possible to evaluate the potential losses incurred at various time horizons and given probability levels, by defining various scenarios for changes in market parameters impacting the Group's positions. These scenarios are based on historical observations or are theoretically defined. However, these risk management approaches are based on a set of assumptions and reasoning that could turn out to be inadequate in certain configurations or in the case of unexpected events, resulting in a potential underestimation of risks and a significant negative effect on the results of the Group's market activities.

Furthermore, in the event of a deterioration of the market situation, the Group could experience a decline in the volume of transactions carried out on behalf of its customers, leading to a decrease in the revenues generated from this activity and in particular in commissions received.

4.1.3.2 Changes in interest rates may adversely affect retail banking activities.

The Group generates a significant part of its income through net interest margin and as such remains highly exposed to interest rate fluctuations as well as to changes in the yield curve, particularly in its retail banking activities. The Group's results are influenced by changes in interest rates in Europe and in the other markets in which it operates. In Europe in particular, a protracted environment of low or even negative interest rates has affected and could continue to adversely affect the Group's retail banking income, notably in France.

For information, net banking income (NBI) of French retail banking amounted to EUR 7.7 billion in 2019, or 31% of the Group's total NBI.

For more details on structural interest rate risks, see chapter 3.5 *Structural interest rate risks* and Note 8.1 *Segmented reporting* of the 2020 Universal Registration Document.

4.1.3.3 Fluctuations in exchange rates could adversely affect the Group's results.

As a result of its international activities and its geographic implantation in many countries, the Group's revenues and expenses as well as its assets and liabilities are recorded in different currencies, which exposes it to the risk of exchange rate fluctuations.

Because the Group publishes its consolidated financial statements in euros, which is the currency of most of its liabilities, it is also subject to translation risk for items recorded in other currencies, in the preparation of its consolidated financial statements. Exchange rate fluctuations of these currencies against the euro may adversely affect the Group's consolidated results, financial position and cash flows. Exchange rate fluctuations may also negatively affect the value (denominated in euros) of the Group's investments in its subsidiaries outside the Eurozone.

4.1.4 OPERATIONAL RISKS (INCLUDING RISK OF INAPPROPRIATE CONDUCT) AND MODEL RISKS

At 31 December 2019, risk-weighted assets subject to operational risk amounted to EUR 48 billion, or 14% of the Group's total RWA. These risk-weighted assets relate mainly to Global Markets & Investor Services (67% of total operational risk).

Between 2015 and 2019, the Group's operational risks were primarily concentrated in five risk categories, representing 96% of the Group's total operating losses over the period: fraud and other criminal activities (29%), execution errors (23%), disputes with the authorities (18%), commercial disputes (14%), errors in pricing or risk evaluation including model risk (12%).

The Group's other categories of operational risk (unauthorized activities in the markets, failure of information systems and loss of operating resources) remain minor, representing 4% of the Group's losses on average over the 2015 to 2019 period.

See Chapter 4.7.3 *Operational risk measure* of the 2020 Universal Registration Document for more information on the allocation of operating losses.

4.1.4.1 The Group is exposed to legal risks that could have a material adverse effect on its financial position or results of operations.

The Group and certain of its former and current representatives may be involved in various types of litigation, including civil, administrative, tax, criminal and arbitration proceedings. The large majority of such proceedings arise from transactions or events that occur in the Group's ordinary course of business. There has been an increase in client, depositor, creditor and investor litigation and regulatory proceedings against intermediaries such as banks and investment advisors in recent years, in part due to the challenging market environment. This has increased the risk, for the Group, of losses or reputational harm arising from litigation and other proceedings. Such proceedings or regulatory enforcement actions could also lead to civil, administrative, tax or criminal penalties that could adversely affect the Group's business, financial position and results of operations.

In preparing its financial statements, the Group makes estimates regarding the outcome of civil, administrative, tax, criminal and arbitration proceedings in which it is involved, and records a provision when losses with respect to such matters are probable and can be reasonably estimated. It is inherently difficult to predict the outcome of litigation and proceedings involving the Group's businesses, particularly those cases in which the matters are brought on behalf of various classes of claimants, cases where claims for damages are of unspecified or indeterminate amounts, or cases involving unprecedented legal claims. Should such estimates prove inaccurate or should the provisions set aside by the Group to cover such risks prove inadequate, the Group's financial position or results of operations could be adversely affected.

The provision recorded in the Group's financial statements for public rights disputes amounted to EUR 340 million at 31 December 2019.

For a description of the most significant ongoing proceedings, see the section *Compliance and reputational risk, Litigations*, Note 8.3.2 "Other

For information, at 31 December 2019, out of a total of EUR 1,356 billion of assets on the balance sheet, 61% was recorded in euros, 19% in USD and 4% in JPY.

See Chapter 4.6.5 *Market Risk Capital Requirements and Risk-Weighted Assets*, Chapter 4.8.3 *Structural exchange rate risk* and Note 8.5 *Foreign exchange transactions* in Chapter 6 of the 2020 Universal Registration Document.

provisions", Note 9 *Information on risks and litigation* of the 2020 Universal Registration Document.

4.1.4.2 Operational failure, termination or capacity constraints affecting institutions the Group does business with, or failure or breach of the Group's information technology systems, could have an adverse effect on the Group's business and result in losses and damages to the reputation of the Group.

The Group relies heavily on communication and information systems to conduct its business and this is reinforced by the widespread use of remote banking. Any failure, dysfunction, interruption of service or breach in security of its systems, even if only brief and temporary, could result in significant disruptions to the Group's business. Despite the Group's preventive measures and backup solutions, such incidents could result in significant costs related to information retrieval and verification, loss of revenue, loss of customers, litigation with counterparties or customers, difficulties in managing market operations and short-term refinancing, and ultimately damage to the Group's reputation.

The Group is exposed to the risk of operational failure or capacity constraints in its own systems and in the systems of third parties, including those of financial intermediaries that it uses to facilitate cash settlement or securities transactions (such as clearing agents and houses and stock exchanges), as well as of clients and other market participants.

The interconnectivity of multiple financial institutions with clearing agents and houses and stock exchanges, and the increased concentration of these entities, increases the risk that an operational failure at one institution or entity may cause an industry-wide operational failure that could adversely affect the Group's ability to conduct business and could therefore result in losses. Industry concentration, whether among market participants or financial intermediaries, can exacerbate these risks, as disparate complex systems need to be integrated, often on an accelerated basis.

The Group is also exposed to risks relating to cybercrime and has experienced fraudulent attempts to break into its information systems. Every year, the Group experiences numerous cyber-attacks to its systems, or via those of its clients, partners or suppliers. The Group could be subject to targeted and sophisticated attacks on its IT network, resulting in embezzlement, loss, theft or disclosure of confidential or customer data (in particular in violation of the European Data Protection Regulation "GDPR"). Even if the Group has the means to monitor and to effectively respond to these issues, such actions are likely to result in operational losses and have an adverse effect on the Group's business and results of operations.

See *Information security risks* of section 4.7.1 *Organisation of operational risk management*, *Quantitative data* of section 4.7.3 *Measurement of operational risk* for a breakdown of operational risk losses, and section 4.7.4 *Weighted assets and capital requirements* of the 2020 Universal Registration Document.

4.1.4.3 Reputational damage could harm the Group's competitive position, its activity and financial condition

The Group's reputation for financial strength and integrity is critical to its ability to foster loyalty and develop its relationships with customers and other counterparties in a highly competitive environment. Any reputational damage could result in loss of activity with its customers or a loss of confidence on the part of its investors, which could affect the Group's competitive position, its business and its financial condition. As a result, negative comments regarding the Group, whether or not legitimate, and concerning events that may or may not be attributable to the Group, could deteriorate the Group's reputation and affect its competitive position.

The Group's reputation could also be adversely affected by a weakness in its internal control measures aimed at monitoring and preventing operational, compliance, credit and market risks, particularly with respect to monitoring inappropriate conduct of its employees (such as corruption, fraud, market abuse and tax evasion). This risk may arise from the conduct itself as well as from administrative or criminal sanctions resulting from an insufficiently effective control environment, such as the sanctions issued by the American and French authorities in 2018.

Financing extended by the bank that does not comply with regulations or its commitments could affect the Group's reputation. Methods of distribution of products and services that do not provide sufficient information to customers, a lack of transparency in its communication (particularly financial communication) or internal management rules (including human resources management or relations with suppliers and service providers) that do not comply with regulatory obligations or the bank's commitments could affect the Group's reputation. In addition, a corporate social responsibility strategy (in particular with regard to environmental issues) deemed insufficiently ambitious in relation to the expectations of external stakeholders or difficulties in implementing this strategy could also impact the Group's reputation.

The consequences of these events, which could potentially result in legal proceedings, may vary according to the extent of media coverage and the overall context and remain difficult to estimate.

In particular, the Group monitors client satisfaction and loyalty through the use of a Net Promoter Score® system, detailed in section 5.1.3 *Satisfying clients by ensuring their protection* of Chapter 5 *Corporate Social Responsibility*.

4.1.4.4 The Group's inability to attract and retain qualified employees may adversely affect its performance.

The Group employs more than 138,000 people⁽¹⁾ in 62 countries and supports 29 million individual, corporate and institutional clients⁽²⁾ worldwide on a daily basis. The performance of banking and financial activities is closely linked to the human factor. The inability to attract and retain employees, whether in terms of career prospects and training or in terms of compensation levels in line with market practices, could have an impact on the Group's performance. A high rate of turnover or the departure of strategic employees could expose the Group to a loss in its know-how as well as a deterioration in the quality of service, at the expense of client satisfaction.

Furthermore, the European financial sector is subject to increased oversight of employee compensation policies, including rules on certain types of compensation (fixed, variable, performance conditions, deferred payments, etc.), which may limit the Group's ability to attract and retain talent. In particular, the CRD IV directive, which has applied since 2014 to banks in the European Economic Area and therefore to the Group, includes a cap on the variable component of compensation compared to its fixed component for the relevant personnel.

4.1.4.5 The models, in particular the Group's internal models, used in strategic decision-making and in risk management systems

could fail or prove to be inadequate and result in financial losses for the Group.

Internal models used within the Group could prove to be deficient in terms of their conception, calibration, use or monitoring of performance over time in relation to operational risk and therefore could produce erroneous results, with financial consequences in particular.

In particular:

- the valuation of certain financial instruments that are not traded on regulated markets or other trading platforms, such as OTC derivative contracts between banks, uses internal models that incorporate unobservable parameters. The unobservable nature of these parameters, even if they are prudently valued, results in an additional degree of uncertainty as to the adequacy of the valuation of the positions. In the event that the relevant internal models prove unsuitable for changing market conditions, some of the instruments held by the Group could be misvalued and the Group could incur losses. For illustrative purposes, financial assets and liabilities measured at fair value on the balance sheet categorized within Level 3 (for which the valuation is not based on observed data) represented EUR 10 billion and EUR 52 billion, respectively, as of 31 December 2019 (see Note 3.4.1 and Note 3.4.2 of chapter 6 of the 2020 Universal Registration Document on level 3 financial assets and liabilities measured at fair value);
- the assessment of customer solvency and the bank's exposure to credit and counterparty risk is generally based on historical assumptions and observations that may prove to be inappropriate in light of new economic conditions and is based on economic scenarios and projections that may not adequately anticipate unfavourable economic conditions or the occurrence of unprecedented events. This miscalculation could, among other things, result in an under-provisioning of risks and an incorrect assessment of capital requirements;
- hedging strategies used in market activities rely on models that include assumptions about the evolution of market parameters and their correlation, partly inferred from historical data. These models could be inappropriate in certain market environments (in the event of strong movements in volatility resulting, for example, from the evolution of the trade war between the United States and China, or from Brexit), leading to an ineffective hedging strategy and causing unanticipated losses that could have a material adverse effect on the Group's results and financial position;
- management of the interest rate risk of the investment portfolio and of the liquidity risk of all balance sheet and off-balance sheet items uses behavioural models that depend on market conditions. These models, based in particular on historical observations, could have an impact on the hedging of these risks when unprecedented events occur.

4.1.4.6 The Group may incur losses as a result of unforeseen or catastrophic events, including terrorist attacks or natural disasters.

The occurrence of unforeseen or catastrophic events, including terrorist attacks, natural disasters (including earthquakes, such as in Romania, and floods, such as the exceptional flooding of the Seine in Paris), a major health crisis or the fear of the occurrence of such a crisis (linked for example to the Covid-19 coronavirus) or major social unrest (such as the "gilets jaunes" movement in France) could create economic and financial disruptions or lead to operational difficulties (including travel limitations or relocation of affected employees) for the Group. These events could impair the Group's ability to manage its businesses and also expose its insurance activities to significant losses and increased costs (such as higher re-insurance premiums). Upon the occurrence of such events, the Group could incur losses.

(1) Number of employees at the end of 2019 excluding temporary staff.

(2) Excluding customers of the Group's insurance companies.

4.1.5 LIQUIDITY AND FUNDING RISKS

4.1.5.1 A number of exceptional measures taken by governments, central banks and regulators could have a material adverse effect on the Group's cost of financing and its access to liquidity.

For several years now, central banks have taken measures to facilitate financial institutions' access to liquidity, in particular by lowering interest rates to historical lows. Various central banks have substantially increased the amount and duration of liquidity provided to banks. They have relaxed collateral requirements and, in some cases, have implemented "non-conventional" measures to inject substantial liquidity into the financial system, including direct market purchases of government bonds, corporate bonds, and mortgage-backed securities.

In the United States, after a tightening period that began in December 2015, the Fed started a new rate cut cycle in 2019 that will continue in 2020, due to the slowdown in the U.S. economy and of global demand. In addition, tensions in the repo market in September 2019 led the Fed, for the first time in ten years, to inject liquidity in order to normalise the situation. The Fed has also put in place a plan to buy short-term Treasury bills to avoid further tensions in the money markets at least until the second quarter of 2020. If tensions in the dollar funding market were to spread internationally, this would represent a risk for countries and sectors whose debt is denominated in US dollars, and therefore for some of the Group's counterparties. For information, as at 31 December 2019, out of a total of EUR 1,356 billion of liabilities on the balance sheet of the Group, 19% was denominated in dollars.

The fragmentation of the European financial markets is now partly "hidden" by ECB policy. The lack of significant progress on the Banking Union and the Capital Markets Union leaves the Eurozone in a situation of potential vulnerability. In the extreme case of a restructuring of a Eurozone Member State's sovereign debt, cross-border capital flows restrictions could be implemented, thus impacting the Group.

A more politically fragmented world and the risks of counterproductive exceptional measures could have a material adverse effect on the Group's business, financial position and results of operations.

As at 31 December 2019, the Group's regulatory short-term liquidity coverage ratio (LCR) stood at 119% and liquidity reserves amounted to EUR 190 billion.

4.1.5.2 A downgrade in the Group's external rating or in the sovereign rating of the French State could have an adverse effect on the Group's cost of financing and its access to liquidity.

For the proper conduct of its activities, the Group depends on access to financing and other sources of liquidity. In the event of difficulties in accessing the secured or unsecured debt markets on terms it considers acceptable, due to market conditions or factors specific to the Group, or if it experiences unforeseen outflows of cash or collateral, including material decreases in customer deposits, its liquidity could be impaired. In addition, if the Group is unable to maintain a satisfactory level of customer deposits collection, it may be forced to turn to more expensive funding sources, which would reduce the Group's net interest margin and results.

The Group is exposed to the risk of an increase in credit spreads. The Group's medium- and long-term financing cost is directly linked to the level of credit spreads which can fluctuate depending on general market conditions. These spreads can also be affected by an adverse change in France's sovereign debt rating or the Group's external ratings by rating agencies.

The Group is currently monitored by four financial rating agencies: Fitch Ratings, Moody's, R&I and Standard & Poor's. The downgrading of the Group's credit ratings, by these agencies or by other agencies, could have a significant impact on the Group's access to funding, increase its financing costs and reduce its ability to carry out certain types of transactions or activities with customers. This could also require the Group to provide additional collateral to certain counterparties, which could have an adverse effect on its business, financial position and results of operations.

Access to financing and liquidity constraints could have a material adverse effect on the Group's business, financial position, results of operations and ability to meet its obligations to its counterparties.

For 2020, the Group has planned a funding program of approximately EUR 18 billion in vanilla long-term debt, mainly in senior preferred and secured debt format as well as in senior non-preferred debt format.

As at 31 December 2019, the Group had raised a total of EUR 43 billion of long-term funding (EUR 40.1 billion for the parent company and EUR 2.9 billion for the subsidiaries) mainly, at the parent company level, via senior structured issues (EUR 22.1 billion), senior vanilla non-preferred issues (EUR 8.2 billion), senior vanilla preferred issues (EUR 5.6 billion) and secured issued (EUR 3.0 billion).

See Chapter 2.6 *Financial policy* of the 2020 Universal Registration Document, including the breakdown of the Group's long-term funding programme's completion (page 62).

4.1.6 RISKS RELATED TO INSURANCE ACTIVITIES

4.1.6.1 A deterioration in the market condition, and in particular a significant increase or decrease in interest rates, could have a material adverse effect on the life insurance activities of the Group's Insurance business.

In 2019, the Group's insurance activities represented net banking income of EUR 909 million, or 3.7% of the Group's consolidated net banking income. The Group's Insurance division is mainly focused on Life Insurance. At 31 December 2019, life insurance contracts had an outstanding amount of EUR 125 billion, divided between euro-denominated contracts (70%) and unit-linked contracts (30%).

The Group's Insurance business is highly exposed to structural interest rate risk due to the high proportion of bonds in the euro-denominated funds in its life insurance contracts. The level of and changes in interest rates may, in certain configurations, have a material adverse effect on the results and financial position of this business line.

With its impact on the yield of euro-denominated contracts, a prolonged outlook of low interest rates reduces the attractiveness of

these products for investors, which can negatively affect fundraising and income from this segment of the life insurance business.

A sharp rise in interest rates could also degrade the competitiveness of the life insurance offerings in euros (compared with bank savings products, for example) and trigger significant repurchases and arbitrage by customers, in an unfavourable context of unrealised losses on bond holdings. This configuration could affect the revenues and the profitability of the life insurance business.

More generally, a pronounced widening of spreads and a decline in equity markets could also have a significant negative effect on the results of the Group's life insurance business.

In the event of a deterioration in market parameters, the Group could be required to strengthen the own funds of its insurance subsidiaries in order to enable them to continue to meet their regulatory capital requirements.

4.2 RISK MANAGEMENT ORGANISATION

4.2.1 RISK APPETITE

Risk appetite is defined as the level of risk that the Group is prepared to accept to achieve its strategic goals.

Principles governing risk appetite

Societe Generale seeks sustainable development based on a diversified and balanced banking model with a strong European anchor and a targeted global presence in selected areas of strong business expertise; the Group also strives to maintain long-term relationships with its clients built on the confidence it has earned and to meet the expectations of all of its stakeholders.

This results in:

- an organisation with 16 Business Units offering various products and services to clients in different locations;
- a balanced capital allocation between activities:
 - a preponderance in retail banking activities in France and abroad, which currently represent more than 60% of risk weighted assets ("RWA");
 - limitation of Business Unit Global Markets' share in the RWA of the Group. In accordance with its client-focused development strategy, the Group has also announced the closure of its proprietary trading activities⁽¹⁾, and seeks to simplify the products offered;
 - non-bank services activities, in particular Insurance, conducted in coherence with the business strategy, and which demonstrate a controlled risk profile and which profitability meets the Group's expectation.
- a geographically balanced model:
 - in Retail Banking, the Group focuses its development on Europe and Africa, where it enjoys a historic presence, extensive knowledge of the markets and prominent positions;
 - as regards Global Banking and Investor Solutions, outside the Europe and Africa zones, the Group targets activities in which it can rely on international expertise;
- a positive contribution to the transformations of our economies, in particular with regard to the technological revolution, and economic, social and environmental transitions; CSR concerns are therefore at the heart of its strategy and its relationships with stakeholders;
- vigilance as regards its reputation, which it considers a high-value asset which must be protected.

A strong financial profile

Societe Generale seeks to achieve sustainable profitability, relying on a robust financial profile consistent with its diversified banking model, by:

- targeting profitable and resilient business development;
- maintaining a target rating allowing access to financial resources at a cost consistent with the development of the Group's businesses and its competitive positioning;
- calibrating its capital and hybrid debt targets to ensure:
 - satisfaction of minimum regulatory requirements on CET1, and others capital ratio in the baseline scenario, with a security buffer;
 - coverage of one year of "internal capital requirement" using available CET capital;
 - a sufficient level of creditor protection consistent with the Group's goals with respect to rating and regulatory ratios such as TLAC ("Total Loss Absorbing Capacity"), MREL ("Minimum Required Eligible Liabilities"), and the leverage ratio;
- ensuring resilience in its liabilities, calibrated by taking into account a survival horizon in a liquidity stress ratio, compliance with LCR (Liquidity Coverage Ratio) and NSFR (Net Stable Funding Ratio) regulatory ratios and the level of dependence on short-term fundings;
- controlling the leverage ratio.

Credit and counterparty risks (including concentration effects)

Credit risk appetite is managed through a system of credit policies, risk limits and pricing policies.

When it assumes credit risk, the Group focuses on medium- and long-term client relationships, targeting both clients with which the bank has an established relationship of trust and prospects representing profitable business development potential over the mid-term.

Acceptance of any credit commitment is based on in-depth client knowledge and a thorough understanding of the purpose of the transaction.

In a credit transaction, risk acceptability is based, first, on the borrower's ability to meet its commitments, in particular through the cash flows which will allow the repayment of the debt. For medium and long-term operations, the funding duration must remain compatible with the economic life of the financed asset and the visibility horizon of the borrower's cash flow.

⁽¹⁾ In accordance with French banking law, certain residual trading activities of the Group with no connection to clients were isolated in a dedicated subsidiary called Descartes Trading, closed in February 2020.

Security interests are sought to reduce the risk of loss in the event of a counterparty defaulting on its obligations, but may not, except in exceptional cases, constitute the sole justification for taking the risk. Security interests are assessed with prudent value haircuts and paying special attention to their actual enforceability.

Complex transactions or those with a specific risk profile are handled by specialised teams within the Group with the required skills and expertise.

The Group seeks risk diversification by controlling concentration risk and maintaining a risk allocation policy through risk sharing with other financial partners (banks or guarantors).

Counterparty ratings are a key criterion of the credit policy and serve as the basis for the credit approval authority grid used in both the commercial and risk functions. The rating framework relies on internal models. Special attention is paid to timely updating of ratings (which, in any event, are subject to annual review).

Market risks

The Group's market activities are carried out in the context of a business development strategy primarily focused on meeting client requirements with a full range of products and solutions.

The market risk is strictly managed through a set of limits for several indicators (such as stress tests, Value at Risk (VaR) and stressed Value at Risk (SVaR), "sensitivity" and "nominal" indicators). These indicators are governed by a series of limits proposed by the business lines and approved by the Risk Division within the framework of a discussion-based process.

Limits are set at different sub-levels of the Group's organization, thereby cascading down the Group's risk appetite from a transactional standpoint throughout its organization.

Within these limits, the limits of the Global stress test on market activities and the Market Stress Test play a pivot role in determining the Group's market risk appetite; in fact, these indicators cover all operations and the main market risk factors as well as risks associated with a severe market crisis which helps limit the total amount of risk and takes account of any diversification effects.

Market operations that do not fall within the activity related to customers are confined to a dedicated subsidiary (Descartes Trading), closed in February 2020.

Operational risks (including reputation and compliance risk)

The Group is exposed to a diversity of operational risks inherent in its business: execution errors, internal and external fraud, IT system failures, malicious acts against IT systems, loss of operational resources, commercial disputes, failure to comply with tax obligations, but also risk of non-compliance, unappropriated behavior or even reputation.

As a general rule, the Group has no appetite for operational risk. Furthermore, there is zero tolerance for incidents severe enough that they are likely to gravely harm its image, jeopardise its results or the trust displayed by its customers and employees, disrupt the continuity of its critical operations or call into question its strategy.

The Group underscores that it has no or low tolerance for operational risk involving the following:

- internal fraud: The Group does not tolerate unauthorised trading by its employees. The Group's growth is founded on relationships of trust among its employees, within the Group and between the Group and its employees. This requires respect, at every level, of the Group's principles, such as displaying loyalty and integrity. The bank's internal control system must be capable of preventing acts of major fraud;
- cybersecurity: The Group has no tolerance for fraudulent intrusions, in particular those resulting in the theft of customer data or a major operational disruption. The Bank intends to introduce effective means to prevent and detect this risk. It is adequately organised to deal with any incidents;
- data leaks: trust is one of the Group's key assets. As a result, the Bank is committed to deploying the necessary resources and implementing controls to prevent, detect and remedy data leaks. The bank does not tolerate leaks of its most sensitive information, in particular where it concerns its customers;
- business continuity: the Group relies heavily on its information systems to carry out its operations and is therefore committed to deploying and keeping its information systems resilient so that they can ensure the continuity of its most essential services. The Bank has very low tolerance for the risk of unavailability of its information systems that take care of its essential functions, in particular when it comes to systems directly accessible to its customers or those allowing it to conduct business on the financial markets;
- outsourced services: the Group intends to demonstrate a high degree of thoroughness in the control of its activities entrusted to external service providers. As such, the Group adheres to a strict discipline of monitoring its providers with a review frequency depending on their level of risk.

Structural interest rate and exchange risks, Risks on Pension/Long-Service Obligations

The Group measures and strictly controls structural risks. The mechanism to control interest rate risk, foreign exchange risk and the risk on pension/long-service obligations is based on sensitivity or stress limits which are broken down within the various businesses (entities and business lines).

There are four main types of risk: rate level risk; curve risk, related to the term structure of the instruments in the banking book; optional risk (arises from automatic options and behavioral options) and basis risk, related to the impact of relative changes in interest rates indices. The Group's structural interest rate risk management primarily relies on the sensitivity of Net Present Value ("NPV") of fixed-rate residual positions (excesses or shortfalls) to interest rate changes according to several interest rate scenarios. Limits are set by the Finance Committee or the Board of Directors at the Business Unit/Service Unit and Group levels. Furthermore, the Group measures and controls the sensitivity of its net interest margin ("NIM") to +/- 10bp interest rates shocks, on a sliding 2-year horizon.

The Group's policy consists of requesting entities to hedge their exposure to currency fluctuations by endorsing all on and off-balance sheet positions and controlling residual exposure by setting low limits. In addition, at the Group level, the hedging policy consists of reducing, as far as possible, the sensitivity of its CET1 ratio to fluctuations in exchange rates.

Regarding risks on pension/long-service obligations, which are the bank's long-term obligations towards its employees, the amount of the provision is monitored for risk on the basis of a specific stress test and an attributed limit. There are two main objectives of the risk management policy: reduce risk by moving from defined-benefit plans to defined-contribution plans, and optimize asset risk allocation (between hedge assets and performance assets) where regulatory and tax constraints allow.

Liquidity Risk and Funding Risk

Liquidity risk calibration and control is based on:

- two complementary metrics, the Business as Usual (BAU) static gap, that measures the price risk, meaning the economic risk, without taking into account new productions in a non-stressed environment (no impact on assets prices, for instance). And the Combined (CMB) stressed dynamic gap, used to measure the lethal risk. That risk is asymmetrical - i.e. the risk that the Group could not meet all its liquidity commitments in a stressed environment due to a short liquidity position;
- maintaining sufficient liquidity reserve in an amount and quality to cover short-term financial obligations in stress scenarios;
- controlling "liquidity gaps" in the principal business lines and entities to control the risk of inconsistent maturities between cash inflows and outflows.

Funding risk calibration and control is based on:

- maintaining a liabilities structure designed to meet Group regulatory requirements (Tier1, Total Capital, Leverage, TLAC, NSFR and MREL ratios) and rating agency requirements in order to secure a minimum rating level;

- capping use of market funding (in particular, overnight and short-term) and of short term financing raised by treasuries;
- diversifying the Group's funding sources by maturity, market, currency and counterparty;
- healthy and prudent management of treasury/ALM transactions as determined by the Group to meet the requirements of the Law on the Separation and Regulation of Banking Activities (*Loi de Séparation et de Régulation des activités bancaires*);
- maintaining an available collateral volume which ensures access to secured debt markets, as well as access to ECB facilities, if necessary.

Model Risk

Societe Generale is committed to defining and deploying internal standards to reduce model risk, on the basis of key principles, including the establishment of three independent lines of defense, a proportionality approach (i.e. modular standards depending on the inherent level of risk associated with each model), a comprehensive analysis of the model risk (end-to-end view of the model lifecycle) and the consistency of the approaches used within the Group.

Risks related to Insurance

The Group conducts Insurance activities (Life Insurance and Savings, Retirement savings, Property & Casualty Insurance, etc.) which exposes the Group to two major types of risks:

- subscription risk related to pricing and claim rates deterioration;
- risks related to financial markets (interest rate, credit and equity) and asset-liability management.

4.2.2 RISK APPETITE – GENERAL FRAMEWORK

Risk appetite is determined at Group level and declined in the businesses and subsidiaries. It is followed up according to the principles set out in the Risk Appetite Framework, which are summarised below.

Governance

Each year the Board of Directors approves the Group's Risk Appetite Statement proposed by the Executive Management and the Group Risk Appetite Framework which oversees and implements risk appetite. It ensures that risk appetite is relevant to the Group's strategic and financial objectives and its vision of the risks presented by the macroeconomic and financial environment. The Board of Directors is also informed of the appropriate implementation of the risk appetite through an annual assessment.

The Risk Department and the Finance Department determines the risk appetite and, in conjunction with the Compliance Department, conducts second-level monitoring and controls of its implementation.

Determining and allocating risk appetite

The following procedures result from the process of determining and allocating risk appetite:

- the identification and assessment of all significant risks to which the Group is exposed using prospective tools (stress tests);
- a forecast of the Group's profitability and solvency in a central scenario and in a stressed scenario over a horizon of at least three years which is used to define the strategic and financial plan;
- an allocation of the risk appetite within the Group, up to the relevant level, taking into account the risk/profitability profile of the businesses and their development prospects;
- a formalisation at Group, Business Unit and main subsidiary level.

The Group's risk appetite is formalised in the Risk Appetite Statement which sets out:

- the Group's strategic profile;
- its profitability and financial strength profile;
- the qualitative and quantitative frameworks for the Group's main risks, respectively through risk strategies and indicators.

Every year ahead of the budgeting procedure and after an independent review by the Risk Department, the Finance Department submits Group level targets to General Management sitting at the Finance Committee. The targets are supplemented by alert thresholds and crisis levels using a traffic light approach. These frameworks are subsequently submitted for approval to the Board of Directors.

These financial targets enable the Group to:

- comply, using a sufficient safety buffer, with the regulatory obligations to which it is subject (in particular the minimum regulatory solvency, leverage and liquidity ratios), by anticipating the introduction of new regulations as best as possible;
- ensure, using a safety buffer, sufficient resistance to stress scenarios (stress normalised by regulators or stress defined according to a process internal to the Group).

The main risks to which the Group is exposed are identified and subject to risk targets/limits that include alert thresholds and potentially a crisis level.

Allocation of risk appetite within the organisation

The allocation of risk appetite within the organisation relies on the strategic and financial plan, and on risk management systems.

The Finance Department submits the financial targets defined at Group level to General Management. Targets are broken down into budget allocation targets at business level as part of the budget, and the strategic and financial plan.

At the end of the budget planning process, General Management and the Finance Department submit to the Board of Directors the budget plan in a central scenario and in a stressed scenario, and they verify that the initial financial targets are being respected, if not the Board of Directors may either approve new frameworks or request amendments.

Allocation of risk appetite is based on an understanding of the businesses' needs and development. The allocation takes into account the profitability and financial strength objectives of the Business Unit and/or the entity.

4.2.3 RISK MANAGEMENT ORGANISATION

Audited I Implementing a high-performance and efficient risk management structure is a critical undertaking for Societe Generale in all businesses, markets and regions in which it operates, as is maintaining a balance between strong awareness of risks and promoting innovation. The Group's risk management, supervised at the highest level, is compliant with the regulations in force, in particular the Order of 3 November 2014 relating to the internal control of companies in the banking sector, payment services and investment services subject to the control of the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) and European Regulations Basel 3 (CRR/CRD). ▲ (See Board's Expertise, p. 86.)

Audited I The main objectives of the Group's risk management strategy are:

- to contribute to the development of the Group's businesses and profitability by defining the Group's risk appetite in conjunction with the Finance Division and the business divisions;
- to contribute to the Group's sustainability by establishing a risk management and monitoring system;
- to reconcile the independence of the risk management system (with respect to the businesses) with close collaboration with the core businesses, which have primary responsibility for the transactions they initiate. ▲

Governance of risk management

Audited I Two main high-level bodies govern Group risk management: the Board of Directors and General Management.

General Management presents the main aspects of, and notable changes to, the Group's risk management strategy to the Board of Directors at least once a year (more often if circumstances so require).

Within the Board of Directors, the Risk Committee (see Art. 11 of the Internal rules of the Board of Directors, p. 91) advises the Board of Directors on overall strategy and the appetite regarding all kinds of risks, both current and future, and assists the Board when it verifies the implementation of this strategy.

The Board of Directors' Audit and Internal Control Committee (see Art. 10 of the Internal Rules of the Board of Directors, p. 90) ensures that the risk control systems operate effectively.

Chaired by General Management, the specialised Committees responsible for central oversight of internal control and risk management are as follows:

- **the Risk Committee** (CORISQ), which met 17 times in 2019, defines the Group's key priorities in terms of risk (credit, country, market and operational risks), within the framework of the risk appetite and financial targets set by the Group Strategy Committee, and monitors compliance in such respect. Subject to the powers attributed to the Board of Directors, the CORISQ, based on proposals from the Risk Division, takes the main decisions relating to the management of various risks (credit risks, country risks, market and operational risks). The Group also has a Large Exposures Committee, which is responsible for approving the sales and marketing strategy and risk-taking with regard to major client groups;
- **the Finance Committee** (COFI) is responsible for setting out the Group's financial strategy and for managing scarce resources (capital, liquidity, balance sheet, tax capacity) in the context of the allocation and the management of structural risks. The COFI, upon proposal from DFIN and RISQ, validates the structural risk

monitoring and management framework for the Group and its significant entities and reviews changes in such risks (limits and consumption). It periodically assesses the consumption of scarce resources. It reviews the financial panorama, ILAAP and ICAAP documents, ongoing issues regarding to ALM, Liquidity, the Preventive Recovery Plan, and the Corporate Centre budget and intra-Group re-invoicing. Lastly, it covers issues pertaining to the Group's taxation (managed jointly by DFIN and SEGL);

- **the Compliance Committee** (COMCO) meets at least quarterly in order to define the Group's main guidelines and principles in terms of compliance;
- **the Corporate Strategic Architecture Committee** (CSAE) defines the Company's architecture from the standpoint of data and reference systems, operational processes and information systems, and ensures the consistency of the Group's projects with the architecture set out;
- **the Group Internal Control Coordination Committee** (CCCIG) is responsible for the overall architecture of the Group's internal control system: for evaluating its efficiency, consistency and comprehensiveness, for taking corrective actions and for monitoring their implementation;
- **the Responsible Commitments Committee** (CORESP) deals with topics related to the Group's commitments and normative framework in CSR (including CSR sectoral policies), culture and conduct, or other topics that have an impact on the Group's liability or reputation and not already covered by an existing Committee.

Divisions in charge of risk monitoring

The Group's Corporate Divisions, which are independent from the core businesses, contribute to the management and internal control of risks.

The Corporate Divisions provide the Group's General Management with all the information needed to assume its role of managing Group strategy under the authority of the Chief Executive Officer. The Corporate Divisions report directly to General Management.

- The main role of the **Risk Division** is to support the development of the Group's activities and profitability by defining the Group's risk appetite (allocated between the Group's different business lines) in collaboration with the Finance Division and the Business and Service Units and establishing a risk management and monitoring system as a second line of defense.

In performing its work, the Risk Division reconciles independence from the businesses with a close working relationship with the Businesses Units, which are responsible in the first instance for the transactions they initiate.

Accordingly, the Risk Division:

- provides hierarchical and functional supervision for the Group's Risk function,
- is jointly responsible, with the Finance Division, for setting the Group's risk appetite as recommended to General Management;
- identifies all Group risks,
- implements a governance and monitoring system for these risks, including cross-business risks, and regularly reports on their nature and extent to General Management, the Board of Directors and the banking supervisory authorities,

- contributes to the definition of risk policies, taking into account the aims of the businesses and the relevant risk issues,
- defines or validates the methods and procedures used to analyse, measure, approve and monitor risks,
- implements a second-level control to ensure the correct application of these methods and procedures,
- assesses and approves transactions and limits proposed by business managers,
- defines or validates the architecture of the central risk information system and ensures its suitability to business requirements;

■ **The Finance Division** is organised according to three levels of supervision, each attached to a Chief Financial Officer:

- French Retail Banking, and International Retail Banking and Financial Services,
- Global Banking and Investor Solutions,
- Cross-business functions, bringing together all the areas of expertise that are key to the operations of the Finance Division;

It also carries out extensive accounting and finance controls. As such:

- **The Group Accounting Department** is responsible for coordinating the mechanism used to draw up the Group's consolidated financial statements,
- **The Experts on Metrics and Reporting Department** is responsible for producing the regulatory reports of the Group,
- **The Mutualised Accounting and Regulatory Activities Department** within the **pooled operations division** is responsible for accounting, regulatory and tax production and coordinating the continuous improvement and management of processes for entities within its scope (o.w. Societe Generale SA),
- **The Finance Control Department** is responsible for the second-level permanent control system over all of the Finance Processes,
- **The Asset and Liability Management Department** is in charge of the ALM function for the Group, structural interest rate, Group liquidity, and exchange rate risks, as well as the operational management of ALM for the Societe Generale Parent Company (SGPM);

The other cross-business functions provide various tasks for the Finance Division, in particular with the Finance Division of the Group Service Units, Group Investor Relations and Financial Communication, Human Resources and the Corporate Secretary.

- **The Finance Departments of the Business Units and Service Units**, which report hierarchically to the Group Finance Division, ensure that the financial statements are prepared correctly at the local level and control the quality of the information in the financial reports (accounting, management control, regulations, etc.).
- **The Group Compliance Division**, which has been reporting to General Management since 1 June 2017, ensures that the Group's banking and investment activities are compliant with all laws, regulations and ethical principles applicable to them. It also ensures the prevention of reputational risk.
- **The Corporate Secretary** includes the **Group Legal Department**, which notably monitors the security and legal compliance of the Group's activities, relying where applicable on the legal

departments of subsidiaries and branches, the **Group Tax Department**, which ensures compliance with tax laws in France and abroad, the **Group Corporate Social Responsibility Department**, which is responsible for defining and proposing a CSR (Corporate Social Responsibility) policy for the Group and the **Group Security Department**, which manages the security of the Group in cooperation with the Corporate Resources and Digital Transformation Service Unit with regard to information systems security, and the **Group's central administration services**, and, when necessary, supports the Secretary of the Board of Directors.

- **The Human Resources and Communication Division** monitors the implementation of compensation policies, amongst other things.
- **The Corporate Resources and Innovation Division** is specifically responsible for defining information system security policies.
- **The Group Internal Audit Division** is in charge of internal audits, under the authority of the Head of Group Internal Audit. ▲

According to the latest voluntary census (31 December 2019) with respect to full-time equivalent (FTE) employees:

- the Group Risk function had 5,568 FTE employees (including 1,617 FTE employees within the Group Risk Division);
- the Compliance function had approximately 3,705 FTE employees;
- the Information System Security function had approximately 457 FTE employees.

Risk reporting and assessment systems

The Group's data aggregation system operates at two levels, with clearly defined responsibilities. The teams of Business Units or Support Units and entities provide data collection and quality functions for both local and Group consolidation needs, as well as a first level of aggregation when necessary. The central teams of the Finance Department and the Risk Department aggregate this data and produce Group-wide risk indicators and reports.

Since 2015, the Group has defined architectural principles relating to Finance and Risk information systems. The TOMFIR principles (Target Operating Model for Finance & Risk) revolve around the following objectives:

- the production of risk indicators is based on data from Business Units and certified entities (Golden sources), with granularity of the contract, of accounting quality, updated daily and fed by the operational systems of the entities;
- the Group-level information system manages its own data aggregation rules to avoid multiplying local developments at BU and entity level. It is based on Group-wide benchmarks, subject to the benchmarks of Business Units and entities;
- the IS architecture must address Finance and Risk uses to meet local needs and needs shared with the Group.

These architectural principles are applied to the following four main application areas:

- the mutual Finance and Risk information system for credit risk and the calculation of RWA;
- interest rate and liquidity risk calculation chains;
- the market risk calculation chain;
- the counterparty risk calculation chain on market operations.

RISK QUANTIFICATION PROCEDURES AND METHODOLOGIES

The Group has been authorised by its supervisory authorities:

- for credit risk, to use the internal ratings-based approach (IRB method) for most of its exposures to credit risk.

Currently, the standard approach is used for certain selected activities and exposures. They have a limited impact on the Group's regulatory capital. The system for monitoring rating models is operational, in accordance with applicable regulations. This system is described in detail further on in this document; for these exposures covered by the standard approach, Societe Generale mainly uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings;

- for market risk, to use internal models (VaR – Value at Risk, Stressed VaR, IRC – Incremental Risk Charge, and CRM – Comprehensive Risk Measure).

These models cover almost all of the transactions involved. Only some transactions are still calculated using the standard method;

- for counterparty risk on market transactions, to use the internal model since 2013 to calculate the EEPE (Effective Expected Positive Exposure) indicator.

Exposure at Default (EAD) counterparty risk has been calculated on the basis of this indicator since June 2012 for "simple" products and since December 2013 for more complex derivative products. For Group entities where the internal model has been approved, the internal model covers 98% of derivative and repo transactions. The Group uses the marked-to-market valuation method for the rest of these transactions;

- for operational risks, to use the Advanced Measurement Approach (AMA).

Lastly, its information systems are regularly upgraded to accommodate changes in the products processed and the associated risk management techniques, both locally (within the banking entities) and centrally (Risk Division).

4.2.4 RISK MAPPING FRAMEWORK AND STRESS TESTS

Group risk mapping framework

The risk mapping is an annual overview of the Group's risk identification process. Risk identification contributes to the overall assessment of the Group's risk profile, and is used in various tasks such as the Internal Capital Adequacy Assessment Process (ICAAP). Prepared by the Risk Division under the authority of General Management, the risk map is presented annually to the Board of Directors' Risk Committee.

The aim of this approach is to estimate potential material losses for the main types of risk to which the Group is exposed, including credit, market, operational and structural risks. The risk map matches potential losses to hypothetical scenarios within defined scopes. The assessment combines expert analysis and various estimated statistical approaches using historical data.

Stress tests

Stress tests or crisis simulations are used to assess the potential impact of a downturn in activity on the behaviour of a portfolio, activity or entity.

At Societe Generale, stress tests are used to help identify, assess and manage risk, and to evaluate the Group's capital adequacy with regard to risks. Accordingly, stress tests are:

- an important indicator of the Group's resilience and that of its activities and portfolios, and a core component in the definition of its risk appetite;
- based on hypothetical or historical scenarios defined with the Economic and Sector Research Department, or on historical scenarios. They are translated into impacts on the Group's activities,

taking into account potential counter-measure and systematically combining quantitative methods with an expert assessment (risk, finance or business lines);

- may also rely on sensitivity analyses (single-factor or multi-factor risk).

As such, the stress test framework in place includes:

- an annual global stress test exercise, incorporated into the budget process (Strategic and Financial Plan) to ensure that the Group's profile is in line with its risk exposure tolerance in the event of an adverse scenario and to quantify the extent of deterioration in the profitability of the BUs under such a scenario. It is also incorporated into the ICAAP (Internal Capital Adequacy Assessment Process);
- specific stress tests by risk or portfolio type:
 - credit risk stress tests complement the comprehensive analysis with a more granular approach, thereby helping to clarify the establishment of risk appetite for an array of portfolios, an activity, etc. They are also used to refine the identification, measurement and operational oversight of this risk;
 - stress tests of capital market activities are based on historical and hypothetical scenarios and apply to the whole Group. They are supplemented by special risk exposure stress tests based on a number of risk factors (interest rate, equities, etc.) or activities (emerging markets, etc.). A stress test limit is defined for these different risk measurements;
 - stress tests give a picture of exposure of the value and the interest margin of the banking portfolio to structural interest rate risk. The Group sets limits on these exposures in scenarios of yield curve changes and shifts (steepening and flattening);

- a stress test of employee benefits involves simulating the impacts of variations in market risk factors (inflation, interest rates, etc.) on the Group's net position (dedicated investments less the corresponding employee benefits). A stress test indicator is established on that indicator ;
- liquidity stress tests; the survival horizon of one of these stresses is identified as a financial target ;
- the operational risk assessment under stress uses scenario analyses and loss modelling to calibrate the Group's capital need for operational risk purposes and allows a better understanding of the exposure to operational losses, including the exposure to unusual and severe losses which are not present historically ;
- insurance stress tests support the process of defining risk appetite for the Insurance Business Unit, which relies on minimum profitability objectives and an SCR coverage ratio under the benchmark scenario and under a stress scenario;

Furthermore, the Insurance Business Line also uses the results of its stress tests to develop its hedging policy, the allocation of its assets and its dividend distribution policy.

- reverse stress tests, for both Risk Appetite and the Recovery Plan. The impact of these stress tests is defined in principle, typically using a solvency ratio or liquidity indicator disruption point (reflecting a serious threat to the bank). The hypothetical scenarios leading to this disruption point are then recreated to determine whether new vulnerabilities appear.

Along with the internal stress test exercises, the Group is part of a selection of European banks that participate in the large-scale international stress tests supervised by the European Banking Authority and the European Central Bank.

In particular, the Group is also taking part in a review of the scenarios being defined for 2020 by Banque de France and the European Banking Authority with respect to the risk posed by climate change.

DEFINITION OF “CENTRAL” AND “STRESSED” ECONOMIC SCENARIOS

Central scenario

It is developed on the basis of a series of observed factors, including the recent economic situation and trends in economic policy (budgetary, monetary, exchange rate policy). Based on these observed factors, economists determine the most likely trajectory for the economic and financial variables over a given time frame.

Stressed scenario

The severity of the stress scenario is quantified through a GDP degradation compared to the central scenario, observed on a historical recession taken as reference. This degradation is maintained from one exercise to another to ensure severity constant.

4.3 INTERNAL CONTROL FRAMEWORK

4.3.1 INTERNAL CONTROL

Internal control is part of a strict regulatory framework applicable to all banking institutions.

In France, the conditions for conducting internal controls in banking institutions are defined in the Order of 3 November 2014. This Order, which applies to all credit institutions and investment companies, defines the concept of internal control, together with a number of specific requirements relating to the assessment and management of the various risks inherent in the activities of the companies in question, and the procedures under which the supervisory body must assess and evaluate how the internal control is carried out.

The Basel Committee has defined four principles – independence, universality, impartiality, and sufficient resources – which must form the basis of internal control carried out by credit institutions.

The Board of Directors ensures that Societe Generale has a solid governance system and a clear organisation ensuring:

- a well-defined, transparent and coherent sharing of responsibilities;
- effective procedures for the detection, management, monitoring and reporting of risks to which the Company could be exposed.

To implement this set up, it gives mandate to The Group General Management which is tasked with rolling out the Group's strategic guidelines.

The Audit and Internal Control Committee (CACI) is a CA Committee that is specifically responsible for preparing the decisions of the CA in the area of internal control supervision.

As such, General Management reports to it on the internal control of the Group. It monitors the implementation of remediation plans when it considers the risk level to be justified.

Control is based on a **body of standards and procedures**.

All Societe Generale Group activities are governed by rules and procedures covered by a set of documents referred to collectively as the "Normative Documentation", gathered in the Societe Generale Code:

- setting forth rules for action and behaviour applicable to Group staff;
- defining the structures of the businesses and the sharing of roles and responsibilities;
- describing the management rules and internal procedures specific to each business and activity.

The Societe Generale Code gathers The Normative Documentations:

- which define the governance of the Societe Generale Group, the structures and duties of its Business Units and Services Units, as well as the operating principles of the cross-business systems and processes (Codes of Conduct, charters, etc.);
- which set out the operating framework of an activity and the management principles and rules applicable to products and services rendered, and also define internal procedures.

The Societe Generale Code has force of law within the Group. It falls under the responsibility of the Group Corporate Secretary.

In addition to the Societe Generale Code, operating procedures specific to each Group activity are applied. The rules and procedures in force are designed to follow basic rules of internal control, such as:

- segregation of functions;
- immediate, irrevocable recording of all transactions;
- reconciliation of information from various sources.

Multiple and evolving by nature, risks are present in all business processes. Risk management and control systems are therefore key to the Bank's ability to meet its targets.

The internal control system is represented by all methods which ensure that the operations carried out and the organisation and procedures implemented comply with:

- legal and regulatory provisions;
- professional and ethical practices;
- the internal rules and guidelines defined by the Company's management body of the undertaking in its executive function.

In particular, internal control aims to:

- prevent malfunctions;
- assess the risks involved, and exercise sufficient control to ensure they are managed;
- ensure the adequacy and effectiveness of internal processes, particularly those which help safeguard assets;
- detect irregularities;
- guarantee the reliability, integrity and availability of financial and management information;
- check the quality of information and communication systems.

The internal control system is based on **five basic principles**:

- the comprehensive scope of the controls, which cover all risk types and apply to all the Group's entities;
- the individual responsibility of each employee and each manager in managing the risks they take or supervise, and in overseeing the operations they handle or for which they are responsible;
- the responsibility of functions, in line with their expertise and independence, in defining normative controls and, for three of them, exercising second-level permanent control;
- the proportionality of the controls to the magnitude of the risks involved;
- the independence of internal auditing.

The internal control framework is organised on the “**three lines of defence**” model, in accordance with the Basel Committee and European Banking Authority guidelines:

- the **first line of defence** comprises all Group employees and operational management, both within the businesses and in Corporate Divisions (in the latter case, with respect to their own operations).

Operational management is responsible for risks, their prevention and their management – by putting in place first-level permanent control measures, among other things – as well as for implementing corrective or remedial actions in response to any failures identified by controls and/or process steering;

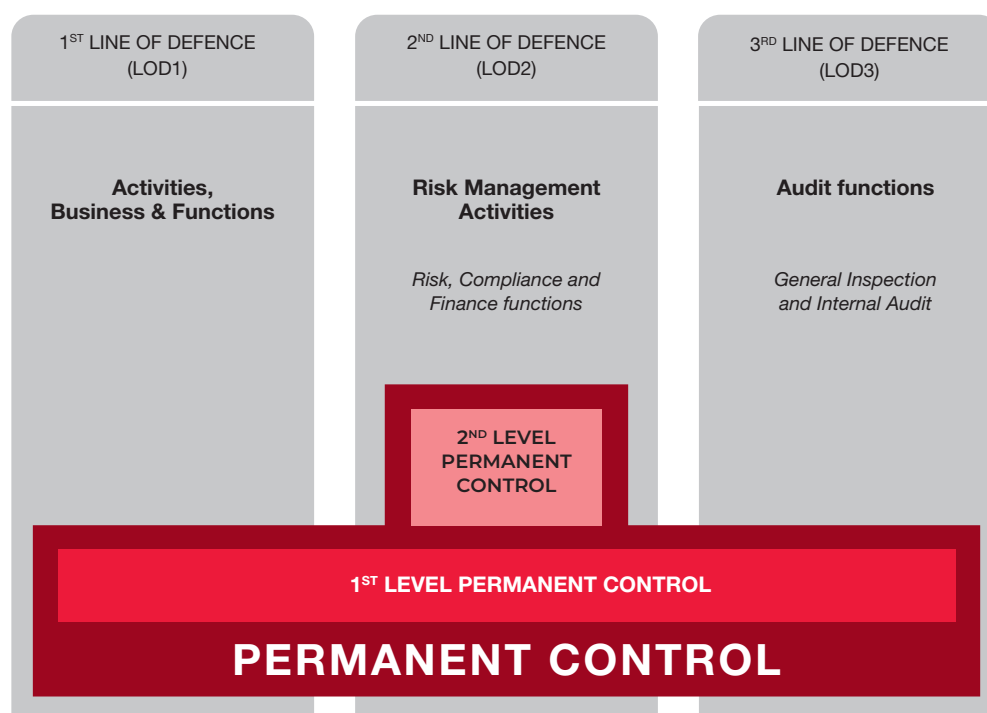
- the **second line of defence** is provided by the compliance, finance and risk functions.

Within the internal control framework, these functions are tasked with continuously verifying that the security and management of risks affecting operations are ensured, under the responsibility of operational management, through the effective application of

established standards, defined procedures, methods and controls as instructed.

Accordingly, these functions must provide the necessary expertise to define, within their respective fields, the controls and other means of risk management to be implemented by the first line of defence, and to ensure that they are effectively implemented; they conduct second-level permanent control over all of the Group’s risks, employing the controls they have established, where appropriate with other expert functions (e.g. sourcing, legal, tax, human resources, information system security, etc.) and by the businesses;

- the **third line of defence** is provided by the Internal Audit Division, which encompasses the Internal Audit and General Inspection functions. This division carries out internal audits that are strictly independent of the business lines and the permanent control function;
- **internal control coordination**, under the responsibility of a Deputy Chief Executive Officer, is also provided at Group level and is rolled out in each core business and Corporate Division.



A Deputy Chief Executive Officer is responsible for ensuring the overall consistency and effectiveness of the internal control system. This Deputy Chief Executive Officer also chairs the Group Internal Control Coordination Committee (Group ICC), which comprises the Chief Risk Officer, the Chief Financial Officer, the Group Chief Compliance Officer, the Group Chief Information Officer, the Head of Group Internal Audit, and the Head of Internal Control Coordination.

The Group Internal Control Coordination Committee met 13 times in 2019. It addressed the following issues:

- review of the effectiveness of permanent control in each Business Unit (BU) and Service Unit (SU);

- review of the effectiveness and consistency of the Group internal control framework;
- review of the Group quarterly permanent control dashboard prior to its communication to the Group Audit and Internal Control Committee (CACI);
- transversal review of new technologies regarding control.

The structure implemented at Group level to coordinate the actions of participants in internal control is rolled out in all Business Unit (BU) and Service Unit (SU). All of the Group's Business Unit (BU) and Service Unit (SU) have an Internal Control Coordination Committee. Chaired by the Head of Business Unit (BU) and Service Unit (SU), these Committees bring together the competent Heads of Internal Audit and Permanent Control for the Business Unit (BU) and Service Unit (SU) in question, as well as the Head of Group Internal Control Coordination and the Heads of the Group-level control functions.

Permanent control system

The Group's permanent control system comprises:

- **first-level permanent control**, under the responsibility of the businesses, which aims to ensure, at the operational level, the security, quality, regularity and validity of transactions completed;
- **second-level permanent control**, independent from the businesses, comes under three Corporate Divisions (Compliance, Risk and Finance Division).

General management initiated in 2018 a program of transformation of the permanent control of the Group, which is under its direct supervision. Through a set of actions affecting the standards, the methods, the tools and the procedures, the training, etc., this program aims at strengthening the culture of control and at optimizing the risk control, so contributing to improve the quality and the reliability of services provided to our customers and partners. It progressed in 2019 as scheduled. It is planned to end at the end of 2020.

FIRST-LEVEL PERMANENT CONTROL

Conducted within the BUs and SUs in connection with operations, first-level permanent controls guarantee the security and quality of transactions and operations. These controls are defined as a set of measures that are permanently in place to guarantee, at operational level, the compliance with rules, validity and security of transactions carried out.

First-level permanent control consists of:

- **risk prevention systems**: controls performed on a regular and continuous basis by the businesses or *via* automated systems when transactions are processed. They comprise a risk prevention framework: security rules and controls – automated or not – forming part of the processing of transactions, or controls included in operational procedures;
- **controls performed by managers**: line managers check the correct functioning of all systems under their responsibility. In this respect, they are required to regularly apply formalised procedures to ensure the employees comply with rules and procedures and that the first-level controls are carried out effectively.

The line managers may rely on controls carried out by dedicated teams, for example (i) on the most sensitive processes requiring stricter or industrialised controls, or to avoid self-controlling practices (e.g. the establishment of customer relations in retail banking), and/or (ii) where the pooling of control tasks improves productivity.

Whatever the choice of organisation, managers retain oversight of the processes carried out by the teams that report to them; they are responsible for their production quality and for correcting identified anomalies.

A “first-level permanent control coordination” function is set up in each business line. It is responsible for the design and reporting of controls, as well as awareness-raising and training of employees with respect to control issues.

SECOND-LEVEL PERMANENT CONTROL

Second-level permanent control is one of the missions of the second line of defence. It involves ensuring the security and risk management of operations at all times, under the responsibility of operational management, through the effective application of established standards, defined procedures, methods and controls, as instructed.

Second-level control has two parts:

- assessment of the architecture of the first-level control framework by process/risk, comprising verification of the definition and efficient conduct of first-level controls. This review also makes it possible to check the effectiveness and relevance of control implementation based on key controls and risk type, the existence of remedial action plans;
- review of the control execution quality and anomaly corrections. The purpose of this work is to verify:
 - the quality of control execution in terms of time, compliance with procedures, operating methods and the appropriateness of samples (representativeness, selection method), frequency of execution and formal documentation,
 - the quality of follow-up of anomalies identified: appropriateness of the solution provided, efficiency of operational implementation, reaction time proportionate to the risk identified, etc;

These reviews and checks form the basis for an opinion on (i) the effectiveness of first-level controls, (ii) the quality of their implementation, (iii) their appropriateness, notably in risk-prevention and response to control objectives defined in the library of normative controls, (iv) the definition of their implementation in practice, (v) the appropriateness of remedial plans to correct anomalies and the quality of follow-up, so arriving at a conclusion as to the effectiveness of first-level controls.

These controls are performed centrally by dedicated teams within Risk Service Unit (RISQ/CTL), Compliance Service Unit (CPLE/CTL) and Finance Service Unit (DFIN/CTL) and locally by the second-level control teams within the BU/SUs or entities.

Internal audit

Reporting to the Group Head of Inspection and Audit, the Inspection and Audit Service Unit (IGAD) is the Group's third line of defense.

The IGAD Service Unit comprises General Inspection (IGAD/INS), Internal Audit departments (IGAD/AUD) and a support function (IGAD/COO). To fulfil its mandate, the Group's IGAD Service Unit has adequate resources from a qualitative and quantitative point of view. The Group's Inspection and Audit Service Unit has about 1,100 employees.

The Group Head of Inspection and Audit reports directly to the Group Chief Executive Officer, with whom it has regular meetings. The Group Head of Inspection and Audit meets regularly with the Chairman of the Board of Directors. The Audit and Internal Control Committee and the Risk Committee refer to the Group Head of Inspection and Audit on their initiative or at his request on any subject. The Group Head of Inspection and Audit participates in the Internal Control Committee and the Risk Committee meetings. Moreover, there are regular bilateral meetings between the Group Head of Inspection and Audit and the chairpersons of these Committees.

The Inspection and Audit Service Unit, delivering its internal audit role, forms the third line of defense, strictly independent of the businesses and permanent control functions.

This is defined in line with IIA (Institute of Internal Auditors) standards as an independent and objective activity that provides the Group with assurance as to how effectively it is controlling its operations, advises on improvements and contributes to the creation of added value. By carrying out this mandate, Inspection and Internal Audit help the Group to achieve its targets, by evaluating systematically and methodically, its processes for risk management, control and corporate governance and making proposals to increase their efficiency.

The Inspection and Audit Service Unit exercises a key role in the Group's risk management set-up and can assess any of its components.

Under this mandate, the General Inspection and Internal Audit assess the quality of risk management within an audited scope, the appropriateness and effectiveness of the permanent control framework, management's risk awareness and compliance with codes of conduct and expected professional practices.

Beyond its internal audit role, General Inspection has a mandate to undertake any type of analysis or research mission, be involved in the assessment of strategic projects or intervene on specific subjects as requested by General Management. The General Inspection also supervises the roll-out of data-analysis initiatives within the scope of Inspection and Audit activities. This mission is ensured *via* a dedicated data-lab (INS/DAT), under the responsibility of an Inspection Managing Director (*'Inspecteur principal'*). The General Inspection also supervises and coordinates the Service Unit's relationship with regulators as third line of defense.

Inspection and Audit teams work together on an annual risk assessment to define the Inspection and Audit plans for the upcoming year. IGAD teams regularly work together on joint assignments. They issue recommendations to correct flaws identified in risk management and generally improve operations and risk management within the Group. IGAD teams are subsequently in charge of monitoring the effective implementation of these recommendations.

IGAD has six distinct audit departments aligned with the Group organisation. The Audit departments, placed under the supervision of

a head of internal Audit, each have the responsibility for a scope of activity. A matrix organisation allows coverage of the main cross-business issues at the Group level. In France, the internal Audit teams are hierarchically linked to the Inspection unit. Abroad, the internal Audit teams have a strong functional link (supervision over hiring, audit plans, missions and their follow-up) with IGAD top management. The six Audit departments are:

- French Retail Banking Audit handles the audit of Retail Banking activities in France (BDDF Business Unit), the audit of the Boursorama and GTPS Business Units as well as the audit of the Group's activities in French Overseas territories;
- Crédit du Nord inspection is in charge of the internal audit of Crédit du Nord and its subsidiaries (CDN Business Unit);
- Audit for Europe, Russia, Africa - International Retail Banking and Financial Services is responsible for auditing the EURO, AFMO, RUSS, ALDA, SGEF and ASSU Business Units;
- Global Banking and Investor Solutions Audit is responsible, on a worldwide basis, for auditing the MARK, GLBA, SGSS, WAAM, AMER and ASIA Business Units and the GBSU Service Unit. This department also audits the Group's Shared Service Centres (SG EBS and SG GSC);
- Group Information Systems Audit is responsible for auditing all IT functions within the RESG, GBSU Service Units and for auditing the ITM Service Unit. The IT audit teams are organised as a global function with strong expertise on IT security and the ability to interact with all teams within IGAD;
- Group functions audit is responsible for auditing the RISQ, DFIN, CPLE, SEGL and HRCOI/COMM Service Units, as well as the Purchasing (ACHA) and Real estate (IMM) functions of the RESG Service Unit. The department also comprises a team in charge of the Model Risk management audit teams, which interacts with other Audit and Inspection teams, and a team dedicated to the audit of risks related to Sanctions and Embargos, created in 2019.

Besides being responsible for the internal audit of the divisions falling within their scope, these teams also provide expertise and coordination in support of the work performed by other audit teams in the areas applicable to them, notably on issues related to Risk, Compliance and Finance.

4.3.2 CONTROL OF THE PRODUCTION AND PUBLICATION OF FINANCIAL MANAGEMENT INFORMATION

The players involved

There are many participants in the production of financial data:

- the **Board of Directors**, and more specifically its Audit and Internal Control Committee, has the task of examining the draft financial statements which are to be submitted to the Board, as well as verifying the conditions under which they were prepared and ensuring not only the relevance but also the consistency of the accounting principles and methods applied. There has been a strengthening of the Audit and Internal Control Committee's role in the follow-up of the process of elaboration of the financial information in accordance with the audit reform. It also approves the Group's financial communication. The Statutory Auditors meet with the Audit and Internal Control Committee during the course of their assignment;
- the **Group Finance Division** gathers all accounting and management data compiled by the subsidiaries and the Business Units/Services Units in a series of standardised reports. It consolidates and verifies this information so that it can be used in the overall management of the Group and disclosed to third parties (supervisory bodies, investors, etc.).

The **Group Finance Division** also has a team in charge of the preparation of the Group regulatory reports.

- The **Finance Divisions of subsidiaries and Business Units/Services Units** carry out certification of the accounting data and entries booked by the back offices and of the management data submitted by the front offices. They are accountable for the financial statements and regulatory information required at the local level and submit reports (accounting data, finance control, regulatory reports, etc.) to the Group Finance Division. They can perform these activities on their own or else delegate their tasks to Shared Service Centres operating in finance and placed under Group Finance Division governance.
- The **Risk Division** consolidates the risk monitoring data from the Group's Business Units/Services Units and subsidiaries in order to control credit, market and operational risks. This information is used in Group communications to the Group's governing bodies and to third parties. Furthermore, it ensures in collaboration with the Group Finance Division, its expert role on the dimensions of credit risk, structural liquidity risks, rates, exchange rates, on the issues of recovery and resolution and the responsibility of certain closing processes, notably the production of solvency ratios.
- The **back offices** are responsible for all support functions to front offices and ensure contractual settlements and deliveries. Among other responsibilities, they check that financial transactions are economically justified, book transactions and manage means of payment.

Beyond consolidating accounting and financial information as described above, the Group Finance Division is charged with significant control responsibilities:

- monitoring the financial aspects of the Group's capital transactions and its financial structure;
- managing its assets and liabilities, and consequently defining, managing and controlling the Group's financial position and structural risks;
- ensuring that the regulatory financial ratios are respected;
- defining accounting standards, standards, frameworks, principles and procedures for the Group, and ensuring that they are observed;

- verifying the accuracy of all financial and accounting data published by the Group.

Accounting and regulatory standards

Local financial statements are drawn up in accordance with local accounting standards, and the consolidated Group financial statements are prepared in accordance with the standards defined by the Group Finance Division, which are based on IFRS as adopted by the European Union.

The applicable standards (called Basel 3) on solvency and liquidity, promulgated by the Basel Committee, were translated into European law by a directive (CRD4) and a regulation (CRR). They were completed by the regulation CRR2 and the directive CRD5 which entered into force on 28 June 2019. These texts are supplemented by several delegated acts and implementation technical standards. The Societe Generale Group identified as a "financial conglomerate" is subjected to an additional supervision.

The Group Finance Division has dedicated teams that monitor the applicable normative regulations and draft new internal standards to comply with any changes in the accounting and regulatory framework.

Procedures for producing financial and accounting data

Each entity within the Group prepares its own accounting and management statements on a monthly basis. This information is then consolidated each month at the Group level and published for the markets on a quarterly basis. Data reported are subject to analytical reviews and consistency checks performed by Finance Divisions or, by delegation under their responsibility, by Shared Service Centres operating in finance, and sent to the Group Finance Division. The Group Finance Division transmits the consolidated financial statements, Management Reports and regulatory statements to General Management and any interested third parties.

In practice, procedures have been tailored to the growing complexity of products and regulations. Moreover, specific action plans for adaptation can be implemented where necessary.

Internal control procedures governing the production of financial and accounting data

Accounting data are compiled independently of the front offices and the sales teams.

The quality and objectivity of the accounting and management data are insured by the separation of sales functions and all the functions of operational processing and follow-up of the operations: back offices and middle offices integrated into Resources Division and team in charge of result production integrated into Finance Division. These teams carry out a series of controls defined by Group procedures on financial and accounting data, in particular:

- daily verification of the economic justification of all information reported;
- reconciliation, within the specified deadlines, of accounting and management data, using specific procedures;

- on market activities, reconciliation between the accounting result (produced by Finance Division) and the economic result (produced by an expert department dedicated within the Resource Division).

Given the increasing complexity of the Group's financial activities and organisation, staff training and IT tools are regularly upgraded to ensure that the production and verification of accounting and management data are effective and reliable.

SCOPE OF CONTROL

In practice, the internal control procedures implemented in the Group's businesses are designed to guarantee the quality of financial and accounting information, and notably to:

- ensure that the transactions entered in the Group's accounts are exhaustive and accurate;
- validate the valuation methods used for certain transactions;
- ensure that transactions are correctly assigned to the corresponding fiscal period and recorded in the accounts in accordance with the applicable accounting regulations, and that the accounting aggregates used to prepare the Group financial statements are compliant with the regulations in force;
- ensure the inclusion of all entities that must be consolidated in accordance with Group regulations;
- check that the operational risks associated with the production and transmission of accounting data through the IT system are correctly controlled, that the necessary adjustments are accurately performed, that the reconciliation of accounting and management data is satisfactory, and that the flows of cash payments and other items generated by transactions are exhaustive and adequate.

CONTROL BY THE FINANCE DEPARTMENTS

The Finance Department of each subsidiary verifies the accuracy and consistency of the financial statements with respect to the relevant accounting frameworks (local standards and IFRS for subsidiaries, as well as French standards for branches). It performs checks to guarantee the accuracy of the information disclosed.

The data received for consolidation from each subsidiary are drawn from corporate accounting data by the subsidiaries, after they have been locally brought into compliance with Group accounting principles.

Each subsidiary must be able to explain the transition from the company financial statements to the financial statements reported through the consolidation tool.

The Finance Departments of Business Units/Services Units have a dedicated department to management and financial monitoring.

CONTROL BY THE SHARED SERVICE CENTRES OPERATING IN FINANCE

Shared Service Centres operating in finance perform first-level controls, as necessary to ensure the reliability of the accounting, tax and regulatory information, on the financial statements they produce

in accordance with Local and IFRS standards and notably data quality and consistency checks (equity, securities, foreign exchange, financial aggregates from the balance sheet and income statement, deviations from standards), justification and certification of the financial statements under their responsibility, intercompany reconciliation of the financial statements, regulatory statement checks and verification of evidence of tax charges and balances (current, deferred and duties).

These controls are declared within the managerial supervision and Group accounting certification processes.

The Shared Services Centres have also implemented a process monitoring approach, which consists in monitoring the teams' works and progress according to the various milestones, communication of incidents affecting the preparation of the financial statements, key indicators (monitoring deadlines and the quality of accounting, regulatory and tax reports; manual entries; internal/intercompany/cash gaps) and follow-up of action plans.

These controls allow the Shared Services Centres to provide all necessary information to the Finance Departments of Business Units/Services Units and the Group Finance and Accounting Division.

SUPERVISION BY THE GROUP FINANCE DIVISION

Once the financial statements produced by the entities have been restated according to Group standards, they are entered into a central database and processed to produce the consolidated statements.

The service in charge of consolidation within Group Accounting Officer Department, checks that the consolidation scope is compliant with the applicable accounting standards and performs multiple verifications on data received for consolidation. These verifications include:

- confirmation that the data collected are properly aggregated;
- verification of recurring and non-recurring consolidation entries;
- exhaustive treatment of critical points in the consolidation process;
- treatment of any residual differences in reciprocal or intercompany statements.

Ultimately, this service ensures that the overall consolidation process has been conducted properly by performing analytical reviews of the summary data and verifying the consistency of the main aggregates of the financial statements. Changes in shareholders' equity, goodwill, provisions and any deferred taxes consolidated in the fiscal year are also analysed.

Within this department, a team is in charge of managing and coordinating the quarterly Group accounting certification framework in order to certify first-level key controls on a quarterly basis (Internal Control Certification).

The Group Finance Division has also a dedicated team responsible for second-level permanent control with respect to all Group Finance processes, independent of the production teams. Its mission consists to ensure effectiveness, quality and relevance of the permanent first-level control system; by an evaluation of this system with processes or activities reviews, testings of controls and the follow-up of quarterly certification.

Accounting audit framework

CONTROLS BY ALL OPERATIONAL STAFF INVOLVED IN THE PRODUCTION OF ACCOUNTING, FINANCIAL AND MANAGEMENT DATA

The operational staff monitor their activity *via* a permanent supervision process, under the direct responsibility of their management teams, repeatedly verifying the quality of the controls carried out on accounting data and the associated accounting treatment.

CONTROLS THROUGH AUDITS AND SPECIALISED AUDIT TEAMS OF THE INTERNAL AUDIT DIVISION

As part of their assignments, audit teams verify the quality of the control environment contributing to the quality of the accounting and management data produced by the audited entities. They check a certain number of accounts and assess the reconciliations between accounting and management data, as well as the quality of the permanent supervision procedures for the production and control of accounting data. They also assess the performance of IT tools and the accuracy of manual processing.

The team in charge of auditing the Corporate Divisions is also responsible for auditing the Group Finance Division. Placed under the

responsibility of a dedicated business correspondent, the team coordinates and monitors all audits related to accounting and financial matters on a Group-wide basis. The team provides expertise in identifying the Group's main accounting risks and carries out audits to verify the adequate application of accounting standards in areas deemed to be the most significant for the accuracy of the Group's accounting information. The team also organises training sessions and develops methodologies to help share expertise in the auditing of accounting risks.

Based on their audit findings, these teams issue recommendations to the parties involved in the production and control of accounting, financial and management data in order to improve this process through more specific initiatives targeted towards particular entities or activities.

CONTROLS CARRIED OUT BY THE GENERAL INSPECTION DEPARTMENT

The Group's General Inspection teams typically perform accounting audits as part of their assignments, and thus check the quality of the controls carried out by the persons involved in producing accounting, financial and management data.

4.4 CAPITAL MANAGEMENT AND ADEQUACY

4.4.1 THE REGULATORY FRAMEWORK

Audited I Since January 2014, Societe Generale has been applying the new Basel 3 Regulation implemented in the European Union *via* a directive (CRD4) and a regulation (CRR).

The general framework defined by Basel 3 is structured around three pillars:

- Pillar 1 sets the minimum solvency requirements and defines the rules that banks must use to measure risks and calculate the related capital requirements, according to standard or more advanced methods;
- Pillar 2 concerns the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar 1, and to calibrate additional capital requirements taking into account all the risks to which these institutions are exposed;
- Pillar 3 encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to better assess a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy.

In terms of capital, the main measures introduced to strengthen banks' solvency were as follows:

- the complete revision and harmonisation of the definition of capital, in particular with the amendment of the deduction rules, the definition of a standardised Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities;
- new capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and to hedge exposures on the central counterparties (CCP);
- the set-up of capital buffers that can be mobilised to absorb losses in case of difficulties. The new rules require banks to create a conservation buffer and a countercyclical buffer to preserve their solvency in the event of adverse conditions. Moreover, an additional buffer is required for systemically important banks. As such, the Societe Generale Group, as a global systemically important bank (G-SIB), has had its Common Equity Tier 1 ratio requirement increased by an additional 1%;
- the set-up of restrictions on distributions relating to dividends (MDA - Maximum Distributable Amount), AT1 instruments and variable remuneration;
- in addition to these measures, there will be measures to contain the size and, consequently, the use of excessive leverage. To this end, the Basel Committee has defined a leverage ratio, for which the definitive regulations were published in January 2014, and included in the Commission's Delegated Regulation (EU) 2015/62. The leverage ratio compares the bank's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions. Banks have been required to publish this ratio since 2015.

Moreover, some amendments to the European regulatory legislation has been adopted in May 2019 (CRR2/ CRD5). Most of the new provisions will enter into force in mid-2021.

The new provisions concern the following aspects:

- NSFR: introduction of a new requirement on long-term funding;
- Leverage ratio: a 3% minimum requirement plus an additional 50% buffer for the systemic entities;
- Counterparty derivatives risk: the Basel method "SA-CCR" replaces the current "CEM" method to calculate the prudential exposure to derivatives using the Standardised approach;
- Large exposures: the main change concerns the calculation of the Tier 1 regulatory limit (25%, instead of total capital), as well as the introduction of a cross-specific limit on systemic institutions (15%);
- TLAC: The ratio requirement for G-SIBs is introduced in CRR. According to the Basel text, the G-SIBs must have an amount of eligible capital and debt equal to the highest between 16% plus risk-weighted capital buffers and 6% of the leverage exposure in 2019, the ratio increasing to 18%+risk-weighted cushions and 6.75% leverage in 2022.

With regard to the implementation of market risk reform (FRTB), after the publication in January 2016 of the first revised standard and of Consultation in March 2018 on this subject, the Basel Committee published in January 2019 its final text: BCBS457.

According to its previous publications, the Basel Committee confirms its implementation schedule (which does not challenge the European Union calendar below, with an entry into force no later than 1 January 2022).

As a reminder, in Europe, the CRR2 calendar will apply as follows:

- First, the FRTB reform will come into force as a disclosure requirement (2021 for the Standardised approach and 2023 for the IMA);
- FRTB's own funds requirements will then become mandatory in the futur CRR3 package (not before 2023).

In December 2017, the Group of Central Bank Governors and Heads of Supervision (GHOS), the Basel Committee's oversight body has endorsed the last Basel 3 regulatory reforms. These new rules will take effect from 2022 with an overall output floor: the RWA will be floored to a percentage of the Standardised method (credit, market and operational). The output floor level will increase gradually, from 50% in 2022 to 72.5% in 2027. Nevertheless, these rules will have to be transposed into European law (CRR3/CRD6) to be applicable to the Group. ▲

At the beginning of 2019, the European Central Bank (ECB) has noticed to Societe Generale a requirement of 1.75% effective as of 1 March 2019.

At the end of 2019, the ECB confirmed the level of additional capital requirements in respect of Pillar 2 (P2R or "Pillar 2 Requirement"), effective as of 1 January 2020 at 1.75% for Societe Generale.

Detailed information on the G-SIB requirements and other prudential information is available on the Group's website, www.societegenerale.com, under "Universal Registration Document and Pillar 3".

Throughout 2019, the Societe Generale Group complied with the minimum ratio requirements applicable to its activities.

4.4.2 SCOPE OF APPLICATION – PRUDENTIAL SCOPE

The Group's prudential reporting scope includes all fully consolidated entities, with the exception of insurance entities, which are subject to separate capital supervision.

All of the Group's regulated entities comply with their prudential commitments on an individual basis.

Non-regulated entities outside of the scope of prudential consolidation are subject to periodic reviews, at least annually.

The following table provides the main differences between the accounting scope (consolidated Group) and the prudential scope (Banking Regulation requirements).

TABLE 1: DIFFERENCE BETWEEN ACCOUNTING SCOPE AND PRUDENTIAL REPORTING SCOPE

Type of entity	Accounting treatment	Prudential treatment under Basel 3
Entities with a finance activity	Full consolidation	Full consolidation
Entities with an Insurance activity	Full consolidation	Equity method
Holdings with a finance activity by nature	Equity method	Equity method
Joint ventures with a finance activity by nature	Equity method	Proportional consolidation

The following table provides a reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope. The amounts presented are accounting data and not a measure of risk-weighted assets, EAD or prudential capital. Prudential filters related to entities and holdings not associated with an insurance activity are grouped together on account of their non-material weight (< 0.2%).

TABLE 2: RECONCILIATION OF THE CONSOLIDATED BALANCE SHEET AND THE PRUDENTIAL ACCOUNTING BALANCE SHEET

ASSETS at 31.12.2019 <i>(In EURm)</i>	Consolidated balance sheet	Prudential restatements linked to insurance⁽¹⁾	Prudential restatements linked to consolidation methods	Accounting balance sheet within the prudential scope
Cash, due from banks	102,311	-	-	102,311
Financial assets at fair value through profit or loss	385,739	9,499	-	395,238
Hedging derivatives	16,837	36	-	16,873
Financial assets at fair value through other comprehensive income	53,256	-	-	53,256
Securities at amortised cost	12,489	-	-	12,489
Due from banks at amortised cost	56,366	-	94	56,460
<i>of which subordinated loans to credit institutions</i>	88	-	-	88
Customer loans at amortised cost	450,244	1,556	(3)	451,797
Revaluation differences on portfolios hedged against interest rate risk	401	-	-	401
Investment of insurance activities	164,938	(164,938)	-	-
Tax assets	5,779	(135)	-	5,644
<i>o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences</i>	2,659	-	(756)	1,903
<i>o.w deferred tax assets arising from temporary differences</i>	2,082	-	650	2,732
Other assets	68,045	(2,614)	65	65,496
<i>o.w defined-benefit pension fund assets</i>	120	-	-	120
Non-current assets held for sale	4,507	-	-	4,507
Investments accounted for using the equity method	112	4,501	(73)	4,540
Tangible and intangible assets	30,652	(169)	-	30,483
<i>o.w intangible assets exclusive of leasing rights</i>	2,363	-	(138)	2,225
Goodwill	4,627	(325)	-	4,302
TOTAL ASSETS	1,356,303	(152,589)	83	1,203,797

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to its entities.

LIABILITIES at 31.12.2019 <i>(In EURm)</i>	Consolidated balance sheet	Prudential restatements linked to insurance⁽¹⁾	Prudential restatements linked to consolidation methods	Accounting balance sheet within the prudential scope
Due to central banks	4,097	-	-	4,097
Financial liabilities at fair value through profit or loss	364,129	3,228	(59)	367,298
Hedging derivatives	10,212	3	-	10,215
Debt securities issued	125,168	1,135	-	126,303
Due to banks	107,929	(3,643)	61	104,347
Customer deposits	418,612	1,517	(73)	420,056
Revaluation differences on portfolios hedged against interest rate risk	6,671	-	-	6,671
Tax liabilities	1,409	(396)	-	1,013
Other Liabilities	85,062	(9,204)	154	76,012
Non-current liabilities held for sale	1,333	-	-	1,333
Liabilities related to insurance activities contracts	144,259	(144,259)	-	-
Provisions	4,387	(14)	-	4,373
Subordinated debts	14,465	40	-	14,505
<i>o.w redeemable subordinated notes including revaluation differences on hedging items</i>	14,032	42	-	14,074
TOTAL DEBTS	1,287,733	(151,593)	83	1,136,223
Sub-Total Equity, Group share	63,527	(203)	-	63,324
Issued common stocks, equity instruments and capital reserves	31,102	-	-	31,102
Retained earnings	29,558	(203)	-	29,355
Net income	3,248	-	-	3,248
Unrealised or deferred capital gains and losses	(381)	-	-	(381)
Minority interests	5,043	(793)	-	4,250
TOTAL EQUITY	68,570	(996)	-	67,574
TOTAL LIABILITIES	1,356,303	(152,589)	83	1,203,797

(1) Restatement of entities excluded from the prudential scope and reconsolidation of intra-group transactions relating to its entities.

ASSETS at 31.12.2018 (In EURm)	Consolidated balance sheet	Prudential restatements linked to insurance⁽¹⁾	Prudential restatements linked to consolidation methods	Accounting balance sheet within the prudential scope
Cash, due from banks	96,585	-	-	96,585
Financial assets at fair value through profit or loss	365,550	9,736	-	375,286
Hedging derivatives	11,899	32	-	11,931
Financial assets at fair value through other comprehensive income	50,026	-	-	50,026
Securities at amortised cost	12,026	-	-	12,026
Due from banks at amortised cost	60,588	-	150	60,738
<i>o.w subordinated loans to credit institutions</i>	91	-	-	91
Customer loans at amortised cost	447,229	1,539	213	448,981
Revaluation differences on portfolios hedged against interest rate risk	338	0	-	338
Investment of insurance activities	146,768	(146,768)	-	0
Tax assets	5,819	(143)	-	5,676
<i>o.w deferred tax assets that rely on future profitability excluding those arising from temporary differences</i>	2,895	-	(816)	2,079
<i>o.w deferred tax assets arising from temporary differences</i>	1,858	-	762	2,620
Other assets	67,446	(2,396)	56	65,106
<i>o.w defined-benefit pension fund assets</i>	76	-	-	76
Non-current assets held for sale	13,502	3	-	13,505
Investments accounted for using the equity method	249	3,569	(68)	3,750
Tangible and intangible assets	26,751	(152)	-	26,599
<i>o.w intangible assets exclusive of leasing rights</i>	2,198	-	(132)	2,066
Goodwill	4,652	(325)	-	4,327
TOTAL ASSETS	1,309,428	(134,905)	351	1,174,874

(1) Restatement of entities outside the prudential reporting scope and reconsolidation of intra-group transactions relating to its entities.

LIABILITIES at 31.12.2018 (In EURm)	Consolidated balance sheet	Prudential restatements linked to insurance⁽¹⁾	Prudential restatements linked to consolidation methods	Accounting balance sheet within the prudential scope
Due to central bank	5,721	-	-	5,721
Financial liabilities at fair value through profit or loss	363,083	2,472	-	365,555
Hedging derivatives	5,993	8	-	6,001
Debt securities issued	116,339	1,757	-	118,096
Due to bank	94,706	(2,966)	(30)	91,710
Customer deposit	416,818	1,529	40	418,387
Revaluation differences on portfolios hedged against interest rate risk	5,257	-	-	5,257
Tax liabilities	1,157	(333)	-	824
Other Liabilities	76,629	(6,996)	341	69,974
Non-current liabilities held for sale	10,454	58	-	10,512
Liabilities related to insurance activities contracts	129,543	(129,543)	-	0
Provisions	4,605	(12)	-	4,593
Subordinated debts	13,314	139	-	13,453
<i>o.w redeemable subordinated notes including revaluation differences on hedging items</i>	12,730	139	-	12,869
TOTAL DEBTS	1,243,619	(133,887)	351	1,110,083
Sub-Total Equity, Group share	61,026	(203)	-	60,823
Issued common stocks, equity instruments and capital reserves	29,856	-	-	29,856
Retained earnings	28,342	(203)	-	28,139
Net income	3,864	-	-	3,864
Unrealised or deferred capital gains and losses	(1,036)	-	-	(1,036)
Minority interests	4,783	(815)	-	3,968
TOTAL EQUITY	65,809	(1,018)	-	64,791
TOTAL LIABILITIES	1,309,428	(134,905)	351	1,174,874

(1) Restatement of entities outside the prudential reporting scope and reconsolidation of intra-group transactions relating to its entities.

The main Group companies outside the prudential reporting scope are as follows:

TABLE 3: ENTITIES OUTSIDE THE PRUDENTIAL REPORTING SCOPE

Company	Activity	Country
Antarius	Insurance	France
ALD RE Designated Activity Company	Insurance	Ireland
Catalyst RE International LTD	Insurance	Bermuda
Société Générale Strakhovanie Zhizni LLC	Insurance	Russia
Sogelife	Insurance	Luxembourg
Genecar - Société Générale de Courtage d'Assurance et de Réassurance	Insurance	France
SG Strakhovanie LLC	Insurance	Russia
Sogecap	Insurance	France
Komerční Pojistovna A.S.	Insurance	Czech Republic
La Marocaine Vie	Insurance	Morocco
Oradea Vie	Insurance	France
Société Générale RE SA	Insurance	Luxembourg
Sogessur	Insurance	France
Société Générale Life Insurance Broker SA	Insurance	Luxembourg
Banque Pouyanne	Bank	France

Generally, all regulated Group undertakings are subject to solvency requirements set by their respective regulators. Regulated financial entities and affiliates outside of Societe Generale's prudential consolidation scope are all in compliance with their respective solvency requirements.

The supervising authority accepted that some Group entities may be exempted from the application of prudential requirements on an

individual basis or, where applicable, on a sub-consolidated basis. Accordingly, Societe Generale SA is not subject to prudential requirements on an individual basis.

Any transfer of equity or repayment of liabilities between the parent company and its entities shall be carried out in compliance with capital and liquidity requirements applicable locally.

4.4.3 REGULATORY CAPITAL

Reported according to international financial reporting standards (IFRS), Societe Generale's regulatory capital consists of the following components.

Common Equity Tier 1 capital

According to the applicable regulations, Common Equity Tier 1 capital is made up primarily of the following:

- ordinary shares (net of repurchased shares and treasury shares) and related share premium accounts;
- retained earnings;
- components of other comprehensive income;
- other reserves;
- minority interests limited by CRR/CRD4.
- Deductions from Common Equity Tier 1 capital essentially involve the following:
 - estimated dividend payments;
 - goodwill and intangible assets, net of associated deferred tax liabilities;
 - unrealised capital gains and losses on cash flow hedging;
 - income on own credit risk;
 - deferred tax assets on tax loss carryforwards;
 - deferred tax assets resulting from temporary differences beyond a threshold;
 - assets from defined benefit pension funds, net of deferred taxes;
 - any positive difference between expected losses on customer loans and receivables, risk-weighted using the internal ratings-based (IRB) approach, and the sum of related value adjustments and collective impairment losses;
 - expected losses on equity portfolio exposures;
 - value adjustments resulting from the requirements of prudent valuation;
 - securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

Additional Tier 1 capital

According to CRR/CRD4 Regulations, Additional Tier 1 capital is made up of deeply subordinated notes that are issued directly by the Bank, and have the following features:

- these instruments are perpetual and constitute unsecured, deeply subordinated obligations. They rank junior to all other obligations of the Bank, including undated and dated subordinated debt, and senior only to common stock shareholders;
- in addition, Societe Generale may elect, on a discretionary basis, not to pay the interest and coupons linked to these instruments. This compensation is paid out of distributable items;
- they include neither a step-up in compensation nor any other incentive to redeem;
- they must have a loss-absorbing capacity;
- they might be haircut or converted when in resolution or independently of a resolution measurement;
- subject to the prior approval of the European Central Bank, Societe Generale has the option to redeem these instruments at certain dates, but no earlier than five years after their issuance date.

Deductions of Additional Tier 1 capital essentially apply to the following:

- AT1 hybrid treasury shares;
- holding of AT1 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum T1 requirement in the entities concerned.

Tier 2 capital

Tier 2 capital includes:

- undated deeply subordinated notes⁽¹⁾;
- dated subordinated notes;
- any positive difference between the sum of value adjustments and impairment losses on customer loans and receivables exposures, risk-weighted using the IRB approach and expected losses, up to 0.6% of the total credit risk-weighted assets using the IRB approach;
- value adjustments for credit risk related to collective impairment losses on customer loans and receivables exposures, risk-weighted using the standard approach, up to 1.25% of the total credit risk-weighted assets.

Deductions of Tier 2 capital essentially apply to the following:

- Tier 2 hybrid treasury shares;
- holding of Tier 2 hybrid shares issued by financial sector entities;
- minority interests beyond the minimum capital requirement in the entities concerned.

All capital instruments and their features are detailed online (www.societegenerale.com/Investors/UniversalRegistrationDocumentandPillar3).

TABLE 4: CHANGES IN DEBT INSTRUMENTS ELIGIBLE FOR THE SOLVENCY CAPITAL REQUIREMENTS

(In EURm)	31.12.2018	Issues	Redemptions	Prudential supervision valuation haircut	Others	31.12.2019
Debt instruments eligible for Tier 1	9,424	934	(2,310)	-	117	8,165
Debt instruments eligible for Tier 2	13,389	185	(6)	(641)	105	13,032
TOTAL ELIGIBLE DEBT INSTRUMENTS	22,813	1,119	(2,316)	(641)	222	21,197

Solvency ratio

The solvency ratio is set by comparing the Group's equity (Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC)) with the sum of risk-weighted credit exposures and the capital requirement multiplied by 12.5 for market and operational risks. They are expressed as a percentage of the risk-weighted assets and according to the split of own funds i.e.: Common Equity Tier 1 (CET1), Tier 1 (T1) or Total Capital (TC).

Every quarter, each ratio is calculated following the accounting closing and then compared to the supervisory requirements.

The regulatory minimum requirement is set at 4.5% for the CET1, 6% for the T1 and 8% for the TC. This minimum remains stable over time.

The minimum P2R requirement is set by the supervisor following the Supervisory Review and Evaluation Process (SREP). It has been standing at 1.75% since March 2019.

In addition comes the overall buffer requirement which is the sum of :

- the average countercyclical buffer rate for each country, adjusted to take into account the relevant credit risk exposures in these countries. The countercyclical buffer rate, in force as of 1 January 2020, is equal to 0.28%;
- the conservation buffer in force as of 1 January 2016 with a maximum level stands at 2.50% since 1 January 2019;
- the Groupe's G-SIB buffer imposed by the Financial Stability Board (FSB) is equal to 1%.

Taking into account the combined regulatory buffers, the phased-in CET1 ratio level that would trigger the Maximum Distributable Amount mechanism would be 10.03% as of 1 January 2020.

(1) The undated deeply subordinated notes's remuneration will be paid from the distributable profits for the purposes of the consolidated prudential regulation.

TABLE 5: BREAKDOWN OF PRUDENTIAL CAPITAL REQUIREMENT FOR SOCIETE GENERALE

	01.01.2020	01.03.2019	01.01.2019
Minimum requirement for Pillar 1	4.50%	4.50%	4.50%
Minimum requirement for Pillar 2 (P2R)	1.75%	1.75%	1.50%
Minimum requirement for countercyclical buffer	0.28%	0.12%	0.12%
Minimum requirement for conservation buffer	2.50%	2.50%	2.50%
Minimum requirement for systemic buffer	1.00%	1.00%	1.00%
Minimum requirement for CET1 ratio	10.03 %	9.87%	9.62%

TABLE 6: REGULATORY CAPITAL AND CRR/CRD4 SOLVENCY RATIOS

(In EURm)	31.12.2019	31.12.2018
Shareholders' equity (IFRS), Group share	63,527	61,026
Deeply subordinated notes	(9,500)	(9,329)
Perpetual subordinated notes	(282)	(278)
Group consolidated shareholders' equity net of deeply subordinated and perpetual subordinated notes	53,745	51,419
Non-controlling interests	3,928	3,600
Intangible assets	(2,214)	(2,095)
Goodwill	(4,302)	(4,643)
Dividends proposed (to the General Meeting) and interest expenses on deeply subordinated and perpetual subordinated notes	(1,971)	(1,871)
Deductions and regulatory adjustments	(5,356)	(5,256)
COMMON EQUITY TIER 1 CAPITAL	43,830	41,154
Deeply subordinated notes and preferred shares	8,165	9,424
Other additional Tier 1 capital	84	71
Additional Tier 1 deductions	(137)	(138)
TOTAL TIER 1 CAPITAL	51,942	50,511
Tier 2 instruments	13,032	13,389
Other Tier 2 capital	42	(63)
Tier 2 deductions	(1,915)	(1,781)
Total regulatory capital	63,101	62,056
TOTAL RISK-WEIGHTED ASSETS	345,010	376,049
Credit risk-weighted assets	282,536	302,727
Market risk-weighted assets	14,513	23,701
Operational risk-weighted assets	47,961	49,621
Solvency ratios		
Common Equity Tier 1 ratio	12.7%	10.9%
Tier 1 ratio	15.1%	13.4%
Total capital ratio	18.3%	16.5%

The solvency ratio as at 31 December 2019 stood at 12.7% in Common Equity Tier 1 (10.9% at 31 December 2018), and 15.1% in Tier 1 (13.4% at 31 December 2018) for a total ratio of 18.3% (16.5% at 31 December 2018).

Group shareholders' equity at 31 December 2019 totalled 63.5 billion EUR (compared to EUR 61.0 billion at 31 December 2018).

After taking into account non-controlling interests and regulatory adjustments, CET1 regulatory capital was EUR 43.8 billion at 31 December 2019, vs. EUR 41.2 billion at 31 December 2018. The Additional Tier One deductions mainly concern authorisations to buy back own Additional Tier 1 capital instruments as well as subordinated bank and insurance loans.

The table below shows the key factors in this change.

TABLE 7: CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS UNDER CRR/CRD4

<i>(In EURm)</i>	31.12.2019	31.12.2018
Unrecognised minority interests	(2,158)	(1,917)
Deferred tax assets	(1,903)	(2,079)
<i>Prudent Valuation Adjustment</i>	(935)	(844)
Adjustments related to changes in the value of own liabilities	217	107
Other	(577)	(523)
TOTAL CET1 REGULATORY DEDUCTIONS AND ADJUSTMENTS	(5,356)	(5,256)

CRR/CRD4 prudential deductions and restatements included in "Other" essentially involve the following:

- any positive difference between expected losses on customer loans and receivables, measured according to the internal ratings-based (IRB) approach, and the sum of related value adjustments and impairment losses;
- expected losses on equity portfolio exposures;
- unrealised gains and losses on cash flow hedges;
- assets from defined benefit pension funds, net of deferred taxes;
- securitisation exposures weighted at 1,250%, where these positions are not included in the calculation of total risk-weighted exposures.

4.4.4 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

The Basel 3 Accord established the rules for calculating minimum capital requirements in order to more accurately assess the risks to which banks are exposed taking into account the transaction risk

profile based on two approaches for determining risk-weighted assets: a standard method, and advanced methods based on internal models for rating counterparties.

Change in risk-weighted assets and capital requirements

TABLE 8: GROUP CAPITAL REQUIREMENTS AND RISK-WEIGHTED ASSETS

(In EURm)	RWA		Minimum capital requirements	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Credit risk (excluding counterparty credit risk)	251,113	264,787	20,089	21,183
o.w. standardised approach	93,302	102,225	7,464	8,178
o.w. Foundation IRB (F-IRB) approach	4,725	4,588	378	367
o.w. Advanced IRB (A-IRB) approach	133,026	142,795	10,642	11,424
o.w. equity IRB under the simple risk-weighted approach or IMA	20,061	15,178	1,605	1,214
Counterparty credit risk	19,567	26,834	1,565	2,147
o.w. risk exposure for contributions to the default fund of a CCP	1,077	1,103	86	88
o.w. CVA	2,586	4,904	207	392
Settlement risk	41	6	3	-
Securitisation exposures in the banking book (after cap)	3,762	2,199	301	176
o.w. IRB approach	70	95	6	8
o.w. IRB supervisory formula approach (SFA)	1,860	78	149	6
o.w. internal assessment approach (IAA)	1,766	1,842	141	147
o.w. standardised approach	66	184	5	15
Market risk	14,513	23,701	1,161	1,896
o.w. standardised approach	1,373	2,444	110	196
o.w. IMA	13,140	21,257	1,051	1,701
Large exposures	-	-	-	-
Operational risk	47,961	49,621	3,837	3,970
o.w. basic indicator approach	-	-	-	-
o.w. standardised approach	2,470	2,872	198	230
o.w. advanced measurement approach	45,491	46,749	3,639	3,740
Amounts below the thresholds for deduction (subject to 250% risk-weighting)	8,052	8,902	644	712
Floor adjustment	-	-	-	-
TOTAL	345,010	376,049	27,601	30,084

TABLE 9: RISK-WEIGHTED ASSETS (RWA) BY PILLAR AND RISK TYPE (IN EURBN)

(In EURbn)	Credit	Market	Operational	Total 2019	Total 2018
French Retail Banking	92.4	0.1	5.3	97.8	97.6
International Retail Banking and Financial Services	108.3	0.1	6.9	115.3	119.7
Global Banking and Investor Solutions	72	13.5	32.2	117.7	142.3
Corporate Centre	9.8	0.8	3.5	14.1	16.5
Group	282.5	14.5	48.0	345.0	376.0

As at 31 December 2019, RWA (EUR 345 billion) were distributed as follows:

- credit risk accounted for 82% of RWA (of which 38% for International Retail Banking and Financial Services);
- market risk accounted for 4% of RWA (of which 93% for Global Banking and Investor Solutions);
- operational risk accounted for 14% of RWA (of which 67% for Global Banking and Investor Solutions).

4.4.5 CAPITAL MANAGEMENT

Audited I As part of its capital management, the Group (under the supervision of the Finance Division) ensures that its solvency level is always compatible with the following objectives:

- maintaining its financial solidity and respecting the Risk Appetite targets;
- preserving its financial flexibility to finance organic growth and growth through acquisitions;
- allocating adequate capital to the various businesses, according to the Group's strategic objectives;
- maintaining the Group's resilience in the event of stress scenarios;
- meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders.

The Group determines its internal solvency targets in accordance with these objectives and regulatory thresholds.

The Group has an internal process for assessing the adequacy of its capital that measures the adequacy of the Group's capital ratios in light of regulatory constraints. ▲

In addition, the Group maintains a balanced capital allocation among its three strategic pillars:

- French Retail Banking;
- International Retail Banking and Financial Services;
- Global Banking and Investor Solutions.

Each of the Group's three pillars accounts for around a third of all risk-weighted assets (RWA), with French and International Retail Banking (more than 62% of total business loans and receivables) and credit risks (representing 82% of the Group's risk-weighted assets) accounting for the largest share.

As at 31 December 2019, the Group's risk-weighted assets were down by 8.3% to EUR 345 billion, compared to EUR 376 billion at end-December 2018.

4.4.6 TLAC AND MREL RATIOS

The Total Loss Absorbing Capacity (TLAC) requirement which applies to Société Générale is 16% of RWA until 1 January 2022, and 18% RWA thereafter, to which the conservation buffer of 2.5%, the G-SIB buffer of 1%, and the contracyclical buffer must be added. As at 31 December 2019, the global TLAC requirement was 19.78% of group RWA.

The TLAC rule also provides a minimum ratio of 6% of the leverage exposure in 2019 before reaching 6.75% of the leverage exposure starting from 1 January 2022. As at 31 December 2019, SG group had reached a TLAC ratio of 24.88% RWA and 7.87% of leverage exposure.

The Minimum Requirement for own funds and Eligible Liabilities (MREL) applies to credit institutions and investment firms of European Union since 2016.

Contrary to the TLAC ratio, the MREL requirement is tailored to each institution and revised regularly by the resolution authority.

Throughout the year 2019, SG group complied with its requirement of 8% of total own funds and liabilities, as required by its resolution authority the Single Resolution Board.

4.4.7 LEVERAGE RATIO MANAGEMENT

The Group calculates its leverage effect according to the CRR leverage ratio rules, as amended by the Delegated Act of 10 October 2014 and manages it according to the changes brought by CRR2 applicable from June 2021 (except those regarding G-SIBs expected to be applicable from January 2022).

Managing the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Group's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Group sets for itself. To this end, the "leverage" exposure of the different businesses is under the Finance Division's control.

The Group aims to maintain a consolidated leverage ratio that is significantly higher than the 3.5% minimum in the Basel Committee's recommendations. These recommendations are currently being transposed into CRR2, including a fraction of the systemic buffer which is applicable to the Group.

At the end of 2019, Societe Generale's leverage ratio was 4.3% compared to 4.2% at the end of 2018. As at 31 December 2019, the exposures taken into account for the purposes of the leverage ratio comprise the exemption relating to centralised exposures to the Caisse des Dépôts et Consignations for regulated savings.

TABLE 10: LEVERAGE RATIO SUMMARY AND RECONCILIATION OF PRUDENTIAL BALANCE SHEET AND LEVERAGE EXPOSURE

(In EURm)	31.12.2019	31.12.2018
Tier 1 capital⁽¹⁾	51,942	50,511
Total assets in prudential balance sheet ⁽²⁾	1,203,797	1,174,873
Adjustments for fiduciary assets recognised on the balance sheet but excluded from the leverage ratio exposure	-	-
Adjustments for derivative financial instruments	(80,869)	(45,520)
Adjustments for securities financing transactions ⁽³⁾	(3,037)	(11,146)
Off-balance sheet exposure (loan and guarantee commitments)	103,856	99,777
Technical and prudential adjustments (Tier 1 capital prudential deductions)	(10,217)	(10,320)
Technical and prudential adjustments (Regulated Saving exempted)	(13,268)	-
Leverage ratio exposure	1,200,262	1,207,664
Leverage ratio	4.3%	4.2%

(1) Capital overview is available in Table 6: Regulatory capital and CRR/CRD4 solvency ratios – fully loaded.

(2) Reconciliation of the consolidated balance sheet and the accounting balance sheet within the prudential scope is available in Table 2.

(3) Securities financing transactions: repurchase transactions, securities lending or borrowing transactions and other similar transactions.

4.4.8 RATIO OF LARGE EXPOSURES

The CRR incorporates the provisions regulating large exposures. As such, the Societe Generale Group must not have any exposure on a single beneficiary who exceeds 25% of the Group's capital.

The eligible capital used to calculate the large exposure ratio is the total regulatory capital, with a limit on the amount of Tier 2 capital. Tier 2 capital cannot exceed one-third of Tier 1 capital.

The final rules of the Basel Committee on large exposures will be transposed in Europe via CRR2. The main change compared with the current CRR is the calculation of the regulatory limit (25%), henceforth expressed as a proportion of Tier 1 (instead of total Tier 1 and Tier 2 additionnel), as well as the introduction of a cross-specific limit on systemic institutions (15%).

4.4.9 FINANCIAL CONGLOMERATE RATIO

The Societe Generale Group, also identified as a "Financial conglomerate", is subject to additional supervision by the French Prudential Supervisory and Resolution Authority (Autorité de contrôle prudentiel et de résolution – ACPR).

As at 31 December 2019, the Societe Generale Group's financial conglomerate equity covered the solvency requirements for both banking and insurance activities.

As at 30 June 2019, the financial conglomerate ratio was 133%, consisting of a numerator ("Own funds of the Financial

Conglomerate") of EUR 66.7 billion, and a denominator ("Regulatory requirement of the Financial Conglomerate") of EUR 50.3 billion.

The financial conglomerate ratio as at 31 December 2018 was corrected as follows: 135%, consisting of a numerator "Own funds of the Financial Conglomerate" of EUR 64.6 billion, and a denominator "Regulatory requirement of the Financial Conglomerate" of EUR 47.8 billion.

4.5 CREDIT AND COUNTERPARTY CREDIT RISK

Audited | Credit and counterparty risk corresponds to the risk of losses arising from the inability of the Group's customers, issuers or other counterparties to meet their financial commitments. Credit risk includes the counterparty risk linked to market transactions and securitization activities. In addition, credit risk may be further amplified by individual, country and sector concentration risk. ▲

4.5.1 CREDIT AND COUNTERPARTY CREDIT RISKS MONITORING AND SURVEILLANCE SYSTEM

General principles governing risk-taking

Audited | The risk approval process is based on three fundamental principles:

- the analysis and the validation of the files fall respectively to the sector of commercial follow-up of the client and to the dedicated risk units within the risk management function. In order to guarantee a consistent approach to Group risk-taking, this commercial monitoring sector and this risk unit examine all authorisation requests relating to a given client or category of clients. This commercial monitoring sector and this risk unit must be independent of each other;
- the internal rating of counterparties is a key criterion in the granting policy. These ratings are proposed by the commercial monitoring sector and validated by the dedicated risk unit;
- for retail customers, the granting process is based on risk analysis tools (score) controlled by the risk units. Credit decisions are subject to compliance with the granting criteria previously defined in credit policies whose effectiveness is regularly evaluated;
- a system of delegation of competence, largely based on the internal rating of the counterparties, confers decision-making capacities to the risk units on the one hand and the commercial monitoring sector on the other.

The business line assumes the burden of provisions and losses related to its credit decisions as the first line of defense. The Risk Department submits recommendations to CORISQ on the evolution of the granting policy, with limits on credit portfolios, for the countries, geographic areas, sectors, products or types of customers presenting high concentration risks.

The monthly risk monitoring report presented to CORISQ by the Risk Department comments on the evolution of the Group's credit portfolio and ensures compliance with the guidelines. Changes in the credit portfolio, changes in credit policy validated by CORISQ and respect for the Group's risk appetite are presented at least quarterly to the Risk Committee of the Board of Directors. ▲

Monitoring individual concentration

Societe Generale complies with regulations governing large exposures (major regulatory risks exposure cap of 25% of equity). Moreover, the Group has set a stricter internal limit at 10% of consolidated shareholders' equity applying to any concentrated exposure on linked clients. Since 1 July 2018, the High Council for Financial Stability has imposed an exposure limit on France's most indebted companies at a maximum level of 5% of eligible equity.

Due to the size of the Group and its diversification, compliance with this constraint remains compatible with the individual support of our customers.

An internal process is implemented to identify and manage the risks of individual concentrations. Concentration thresholds, depending on the internal rating, are set by the CORISQ and define the validation governance of limits on individual concentrations. Exposures on connected clients that are considered significant by the Group are reviewed by the Large Exposure Committee chaired by the General Management. In Business Units, concentration levels on related client groups are defined during Concentration Committees (Concentration Committee for Global Banking and Investor Solutions and French Retail Banking or Local Risk Committees, CORISQ Corporate Region and Regional Major Risk Committees for the former International Retail Banking and Financial Services division).

The Group uses credit derivatives to reduce some exposures considered to be overly significant. Furthermore, the Group systematically seeks to mutualise risks with other banking partners by avoiding keeping an excessive share in the banking pool of large-scale companies.

Monitoring country risk

Country risk arises when an exposure (loan, security, guarantee or derivative) becomes susceptible to negative impact from changing regulatory, political, economic, social and financial conditions.

Country risk breaks down into two major categories:

- political and non-transfer risk covers the risk of non-payment resulting from either actions or measures taken by local government authorities (decision to prohibit the debtor from meeting its commitments, nationalisation, expropriation, non-convertibility, etc.), domestic events (riots, civil war, etc.) or external events (war, terrorism, etc.);
- commercial risk occurs when the credit quality of all counterparties in a given country deteriorates due to a national economic or financial crisis, independently of each counterparty's individual financial situation. This could be a macroeconomic shock (sharp slowdown in activity, systemic banking crisis, etc.), currency depreciation, or sovereign default on external debt potentially entailing other defaults.

Overall limits and strengthened monitoring of exposures have been established for countries based on their internal ratings and governance indicators. Supervision is not limited to emerging countries.

Country limits are approved annually by General Management. They can be revised downward at any time if the country's situation deteriorates or is expected to deteriorate.

All Group exposures (securities, derivatives, loans and guarantees) are taken into account by this monitoring. The Country Risk methodology determines an initial risk country and a final risk country (after any guarantee-related effects), which is supervised using country limits.

The procedure for placing a country on a watch list is triggered when there is a deterioration in country risk, or such a deterioration can be anticipated. During 2019, only one country has been placed on a watch list due to difficulties encountered, some other countries have been removed from the list.

Sector monitoring

The Group regularly reviews its entire credit portfolio through analyses by business sector. To do this, it relies on industrial studies (including a one-year anticipation of sectoral risk) and on sectoral concentration analyses.

In addition, the Group regularly reviews its entire credit portfolio through analyses by business sector. To do this, it relies on industrial studies (including a one-year anticipation of sectoral risk) and on sectoral concentration analyses. These identified sectors or sub-portfolios are subject to a specific guidance through a portfolio limit and specific granting criteria validated by the Group CORISQ.

As a complement, more targeted sector-based research and business portfolio analyses, may be conducted by General Management, the Risk Division or bank divisions, depending on current issues.

Portfolios specifically monitored by the Group CORISQ are:

- individual and professional credit portfolio (retail) in metropolitan France on the first hand and in international retail banking in Europe on the other hand. Other retail perimeters are covered by the Business Unit CORISQ. The Group defines in particular a risk appetite target concerning the minimum share covered by Credit Logement guarantee for real estate loans granted to individuals;
- Oil and gas scope, on which the Group has defined a credit policy adapted to the different types of activity of sector players. This policy distinguishes financing guaranteed by oil reserves, project financing, short-term trade finance transactions, and takes into account regional characteristics;
- commercial real estate scope, on which the Group has defined a framework for origination and monitoring of exposures and limits

according to the different types of financing, geographical areas and/or activities;

- leveraged finance, on which the Group applies the ECB definition of perimeter and management approach ("Guidance on Leveraged Transactions"). The Group continues to pay a particular attention to the Leverage Buy-Out (LBO) sub-portfolio;
- exposures on hedge funds is subject to a specific attention. The Group incurs risk on hedge funds through derivative transactions and its financing activity guaranteed by shares in funds. Risks related to hedge funds are governed by individual limits and global limits on market risks and wrong way risks;
- exposures on shadow banking are managed and monitored in accordance with the EBA guidelines published in 2015 which specifies expectations regarding the internal framework for identifying, controlling and managing identified risks. CORISQ has set a global exposure threshold for shadow banking.

Credit stress tests

With the aim of identifying, monitoring and managing credit risk, the Risk Division works with the businesses to conduct a set of specific stress tests relating to a country, subsidiary or activity. These specific stress tests combine both recurring stress tests, conducted on those portfolios identified as structurally carrying risk, and *ad hoc* stress tests, designed to recognise emerging risks. Some of these stress tests are presented to the Risk Committee and used to determine how to frame the corresponding the activities concerned.

Like global stress tests, specific stress tests are based on a stressed scenario, which is defined by the Group's sector experts and economists. The stressed scenario describes triggering events and assumptions regarding the development of a crisis, in both quantitative terms (changes in a country's GDP, the unemployment rate, deterioration in a sector) and qualitative terms. The credit stress system also includes sensitivity analyses relating to the deterioration in credit quality of certain portfolios (expert rating transition matrix) or to exposure volatility at the time of default.

Structured around the portfolio analysis function, the Risk Division teams translate these economic scenarios or analyses into impacts on risk parameters (default exposure, default rate, provisioning rate at entry into default, etc.). Where relevant, models are applied based on historical link between the economic context and risk parameters. Stress tests take into account the possible effect of the default of counterparties in which the Group is mostly concentrated in a stressed environment.

4.5.2 CREDIT RISK HEDGING

Audited | Guarantees and collateral

The Group uses credit risk mitigation techniques for both market and commercial banking activities. These techniques provide partial or full protection against the risk of debtor insolvency.

There are two main categories:

- personal guarantees are commitments made by a third party to replace the primary debtor in the event of the latter's default. These guarantees encompass the protection commitments and mechanisms provided by banks and similar credit institutions, specialised institutions such as mortgage guarantors (e.g. Crédit Logement in France), monoline or multiline insurers, export credit agencies, etc. By extension, credit insurance and credit derivatives (purchase of protection) also belong to this category;
- collateral can consist of physical assets in the form of property, commodities or precious metals, as well as financial instruments such as cash, high-quality investments and securities, and also insurance policies.

Appropriate haircuts are applied to the value of collateral, reflecting its quality and liquidity.

In order to reduce its risk-taking, the Group is pursuing active management of its securities, in particular by diversifying them: physical collateral, personal guarantees and others (including CDS).

During the credit approval process, an assessment is performed on the value of guarantees and collateral, their legal enforceability and the guarantor's ability to meet its obligations. This process also ensures that the collateral or guarantee successfully meets the criteria set forth in the Capital Requirements Directive (CRD).

Guarantor ratings are reviewed internally at least once a year and collateral is subject to revaluation at least once a year. The Risk function is responsible for approving the operating procedures established by the core businesses for the regular valuation of guarantees and collateral, either automatically or based on an expert opinion, whether during the approval phase for a new loan or upon the annual renewal of the credit application.

In accordance with the requirements of European Regulation No. 575/2013 (CRR), the Group applies minimum collateralisation frequencies for all collateral held in the context of commitments granted (financial collateral, commercial real estate, residential real estate, other security interests, leasing guarantees).

Closer valuations must be carried out in the event of a significant change in the market concerned, the default or litigation of the counterparty or at the request of the risk management function.

In addition, the effectiveness of credit risk hedging policies is monitored as part of the LGD.

It is the responsibility of the risk management function to validate the operational procedures put in place by the business lines for the periodic valuation of collateral (guarantees and collateral), whether automatic valuations or on an expert opinion and whether during the credit decision for a new competition or during the annual renewal of the credit file.

The amount of guarantees and collateral is capped at the amount of outstanding loans less provisions, i.e. EUR 302.31 billion at 31 December 2019 (compared with EUR 290.17 billion at 31 December 2018), of which EUR 139.24 billion for retail customers and EUR 163.07 billion for other types of counterparty (compared with EUR 140.37 billion and EUR 149.80 billion at 31 December 2018, respectively).

The outstanding loans covered by these guarantees and collateral correspond mainly to loans and receivables amounted to EUR 238.27 billion at 31 December 2019, and to off-balance sheet commitments amounted to EUR 56.85 billion (compared with EUR 237.18 billion and EUR 50.46 billion at 31 December 2018 respectively).

The amounts of guarantees and collateral received for performing outstanding loans (Stage 1) and under-performing loans (Stage 2) with payments past due amounted to EUR 4.50 billion at 31 December 2019 (EUR 2.07 billion at 31 December 2018), including EUR 1.54 billion on retail customers and EUR 2.96 billion on other types of counterparties (versus EUR 1.05 billion and EUR 1.01 billion at 31 December 2018 respectively).

The amount of guarantees and collateral received for non-performing outstanding loans at 31 December 2019 amounted to EUR 3.92 billion (compared to EUR 4.77 billion at 31 December 2018), of which EUR 1.90 billion on retail customers and EUR 2.02 billion on other types of counterparties (compared to EUR 2.21 billion and EUR 2.57 billion respectively at 31 December 2018). These amounts are capped at the amount of outstanding individually impaired loans.

Use of credit derivatives to manage Corporate concentration risk

Within Corporate and Investment Banking, the Performance & Scarce Resources management (PSR) team is responsible for working in close cooperation with the Risk Division and the businesses to reduce excessive portfolio concentrations, react quickly to any deterioration in the creditworthiness of a particular counterparty and suggest actions improving the capital allocation. PSR is part of the department responsible for the definition and effective deployment of the strategy, performance and scarce resources management for the credit and loan portfolio.

The Group may use credit derivatives for in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentrations and to implement a proactive risk and capital management approach.

Total outstanding purchases of protection through Corporate credit derivatives increased to EUR 2.5 billion at end of December 2019 (compared to EUR 0.4 billion at end of December 2018). New operations have mainly been performed to approve capital allocation (+EUR 2 billion) and to a lower extent reduce concentration risk (EUR 71 million).

In 2019, the Credit Default Swap (CDS) spreads from European investment-grade issuances (iTraxx index) followed a downward trend (45bps at end of December 2019 versus 88bp at end of December 2018). The overall sensitivity of the portfolio to spread widening increased, since the outstanding purchases of protection increased and the average maturity of protection is now longer.

Protection purchases were mostly made from European clearing houses (96% of the outstanding amounts as at 31 December 2019). All operations have been performed with Investment Grade counterparties (rating at least equal to BBB-).

Moreover, the amounts recognized as assets (EUR 2.4 billion as at 31 December 2019 versus EUR 2.2 billion as at 31 December 2018) and liabilities (EUR 2.0 billion as at 31 December 2019 versus EUR 2.7 billion as at 31 December 2018) correspond to the fair value of credit derivatives held under transaction activities.

Credit insurance

The Group has been developing relationships with private insurers over the last several years in order to hedge some of its loans against commercial and political non-payment risks.

This activity is performed within a risk framework and monitoring system approved by the Group's General Management. The system is based on an overall limit for the activity, along with sub-limits by maturity, and individual limits for each insurance counterparty, the latter being furthermore required to meet strict eligibility criteria. There is also a limit for insured transactions in *Non Investment Grade* countries.

The implementation of such a policy contributes overall to the management of the Group's risk and RWA. ▲

TABLE 11: CREDIT RISK MITIGATION TECHNIQUES - OVERVIEW

(In EURm)	31.12.2019			
	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	380,896	250,974	116,495	134,479
Total debt securities	66,963	152	-	152
TOTAL EXPOSURES	447,859	251,126	116,495	134,631

(In EURm)	31.12.2018			
	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees
Total loans	387,962	239,880	115,925	123,954
Total debt securities	63,044	147	0	147
TOTAL EXPOSURES	451,006	240,027	115,925	124,101

4.5.3 IMPAIRMENT

Exposures classified in stages

Audited I Impairment includes impairments of performing loans (stages 1 and 2) and impairments of non-performing loans.

The applicable accounting principles are specified in Note 3.8 to the consolidated financial statements included in Chapter 6 of the Universal Registration Document (p.378).

CLASSIFIED AS PERFORMING LOANS (STAGE 1 AND 2)

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

To identify the exposures classified in Stage 2, the significant increase in credit risk compared to the date of initial recognition is assessed within the Group taking into account all the historical and prospective information available (behavioral scores, rating, indicators "loan to value" type, macroeconomic forecasting scenarios, etc.).

CLASSIFIED AS NON-PERFORMING LOANS (STAGE 3)

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is objective evidence of impairment (default events):

- payments more than 90 days past due (with the exception of restructured loans during the two-year probation period which are retransferred into Stage 3 as of payments more than 30 days past due), whether or not a collection procedure is instigated. To assess this criterion, the Group does not apply any threshold, except if such threshold is requested by a local authority. In addition, only missed payments related to business litigations, specific contractual features or IT failures cannot lead to a transfer into Stage 3.
- identification of other criteria indicating that the counterparty is unlikely to meet its financial obligations, even in the absence of missed payments,
 - a significant deterioration in the counterparty's financial situation creates a strong probability that it will be unable to meet all of its commitments and thus represents a risk of loss for the Group;
 - concessions are granted to the clauses of the loan agreement in light of the borrower's financial difficulties that would not have been granted in other circumstances (restructured loans);
 - the existence of probable credit risk or litigious proceedings (ad hoc mandate, bankruptcy, court-ordered settlement or compulsory liquidation or other similar proceedings in local jurisdictions).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the group's exposures.

NEW DEFINITION OF DEFAULT

The European Banking Authority (EBA) published Guidelines on the application of the default definition under Article 178 of Regulation (EU) N° 575/2013, applicable from 1 January 2021, and the European Central Bank (ECB) published Regulation (EU) 2018/1845 in relation to the threshold for assessing the materiality of credit obligations past

due, applicable on 31 December 2020 at the latest. Both the Guidelines and the ECB Regulation will harmonise the definition of default across the European Union, thus contributing to improve consistency and comparability of capital requirements.

In particular, they clarify all aspects related to the application of the definition of default including the conditions for the return to non-defaulted status (introduction of a probation period), specific conditions for default identification of restructured loans, and setting materiality thresholds (including an absolute and a relative component) for credit obligations that are past due.

Starting 6 April 2020, the Group will apply these provisions for default credit identification from the second quarter of 2020, whereas internal parameters for expected credit losses computation will be adjusted on 1 January 2021.

Following the Group's preliminary analysis, these clarifications are still consistent with criteria applied to identify Stage 3 exposures (doubtful exposures) according to IFRS 9 provisions regarding expected credit risks. The Group does not deem the future changes to default definition induced by these new regulatory provisions to have any material impact on the Group's consolidated financial statements.

Estimation of expected credit losses

The methodology for calculating Stage 1 and 2 expected credit losses is based on the Basel framework, which served as the basis for determining the methods for setting calculation inputs (probability of default and loss given default for exposures under the A-IRB and F-IRB approaches, and the provisioning rate for exposures under the standardised method).

The Group's portfolios have been segmented to ensure consistency in risk characteristics and a better correlation with both global and local macro-economic variables. This segmentation allows to deal with all the specifics of the Group. This segmentation is consistent or similar to that defined in the Basel framework in order to guarantee the uniqueness of default and credit loss.

IMPAIRMENT OF PERFORMING LOANS (STAGES 1 AND 2)

Impairment is recorded on performing loans based on estimates of 12-month expected credit losses (general case) or lifetime expected credit losses (contracts on which the credit risk has deteriorated since the loan was granted).

This impairment is calculated using assumptions on default rates and losses on default. It takes into account macro-economic forecasts or forecasts specific to the business sector or country. The assumptions are calibrated by homogenous groups of assets based on each group's specific characteristics, its sensitivity to the economic environment and historical data. The assumptions are reviewed periodically by the Risk Division.

IMPAIRMENT OF NON-PERFORMING LOANS (STAGE 3)

Impairment is recorded on the counterparties concerned when there is objective evidence of default. The amount of impairment depends on the probability of recovering the amounts due. The expected cash flows are based on the financial position of the counterparty, its economic prospects and the guarantees called up or which may be called up.

The variables and segmentations are described in the table below:

Scope		Macro-economic variables
Retail	France	French growth rate
		French inflation rate
		French unemployment rate
		10Y Yield France
	Romania	Romanian growth rate
Non retail		Exchange rate EUR/RON
		Romanian unemployment rate
	Italy	Italian unemployment rate
	Financial institutions	Spread EURIBOR - EONIA swap 3 months
		US growth rate
	Very large enterprises	Brazilian growth rate
		Indian growth rate
		Chinese growth rate
		Russian growth rate
		Japanese growth rate
		US growth rate
		Euro zone growth rate
	Middle-market companies France	Profit margins of companies France
	Local communities	French growth rate
		French growth rate
	SMEs France	Profit margins of French companies
		French growth rate
	SMEs (excluding France)	Romanian growth rate
		Romanian unemployment rate
		Euro zone growth rate
		Norwegian growth rate
		Swedish growth rate

The expected credit losses are calculated using the probabilised average of three macro-economic scenarios established by Group economists for all entities of the Group (base scenarios and current stress scenarios, plus an optimistic scenario). The base and stress scenarios correspond to those used by the Group in its budget plan and its stress test.

The probabilities used are based on past observations, spanning a 25-year period, of differences in outcome between the base scenario and the actual scenario (positive and negative differences) which corresponds at 31 December 2019 to: 74% for the central scenario, 16% for the stress scenario and 10% for the optimistic scenario. The method is quarterly updated according to the base scenario evolution

and annually updated according to the observations evolution. The method is supplemented with a sector adjustment that increases or decreases expected credit loss in an effort to better anticipate defaults or recoveries in certain cyclical sectors. These sector adjustments are quarterly reviewed and updated.

These adjustments concern cyclical economic sectors which have had default peaks in the past and whose Group exposure exceeds a threshold determined and reviewed every year by Risk Department. Lastly, on an ancillary basis, loss allowances based on expert opinion that increase or decrease expected credit loss have been retained to factor in future risks which cannot be modelled (mainly legislative or regulatory changes). These inputs are updated quarterly. ▲

4.5.4 COUNTERPARTY CREDIT RISK

Audited I Counterparty credit risk (CCR) is the risk of losses stemming from market operations should a counterparty fail to meet its payment obligations. The future market value of the exposure and the counterparty's credit quality are uncertain and may vary over time as underlying market parameters change.

CCR covers the replacement risk resulting from the default of a counterparty, the CVA (Credit Valuation Adjustment) risk related to the adjustment to the value of the Group portfolio, and the risk over the central counterparties (CCP) following clearing of market transactions.

CCR is also affected by the wrong-way risk, which occurs when the exposure to a counterparty is positively correlated with the probability of default of the counterparty, i.e. the risk of the Group's exposure to a counterparty increasing significantly, combined with a simultaneous increase in the probability of the counterparty defaulting.

Market transactions involving counterparty credit risk include among others repurchase agreement transactions, securities and lending transactions, and derivative contracts, cleared or not, whether they are processed in principal (house trades) or on behalf of third parties (agency activity). ▲

4.5.4.1 Limit setting and framework monitoring

Audited I Counterparty credit risks are framed through a set of limits which comply with the Group's risk appetite. The limits defined for each counterparty are proposed by the credit management team in charge of the counterparty and are validated by the dedicated risk units. Individual limits are supplemented by limits in stress tests or in nominal to capture the impact of certain risk factors which are more difficult to measure.

These limits are subject to annual or ad hoc reviews as often as necessary according to needs and changes in market conditions.

Dedicated Risk Department teams monitor consumption limits (most often on a daily basis, or on the metrics computation frequency). In addition, a specific monitoring and approval process is implemented for the most sensitive counterparties or the most complex categories of financial instruments.

In addition to the CORISQ, the Counterparty Credit Risk committee (CCRC) closely monitors counterparty credit risk and identifies emerging risk areas by conducting specific analyses. The Committee consists of representatives from the Market Activities Department and from the departments in charge of monitoring counterparty credit risks on market operations within the Risk Department. The CCRC can approve certain changes in the risk frameworks within its delegation.

REPLACEMENT RISK

The limits for monitoring replacement risk are:

- defined at the counterparty level, using the Potential Future Exposure (PFE) measure.
- calibrated according to the credit quality and the nature of the counterparty, the nature and the maturity of the financial instruments contemplated, the rationale for the trading activity entered into, and the contractual legal framework agreed.

CREDIT VALUATION ADJUSTMENT RISK

In addition to the replacement risk, the Credit Valuation Adjustment (CVA) risk measures the adjustment to the value of the Group derivatives and repos portfolio that is required to take into account the credit quality of the counterparties facing the Group (see dedicated section).

The positions taken to hedge the volatility of the CVA (credit, interest rate or equity instruments) are monitored through sensitivity limits or stress tests. Scenarios representative of the market risks impacting the CVA (interest rates, exchange rates and credit spreads) are applied to carry out the stress test on the CVA.

RISK ON CENTRAL COUNTERPARTIES (CCP)

The counterparty credit risk stemming from the clearing of derivatives and repurchase agreement transactions by central counterparties is framed by specific limits on initial margins, both for house or for third parties' activities, and on our contributions to the CCPs default funds.

In addition, a stress test limit is also defined to capture the impact of a scenario where a major CCP member should default.

The EMIR (European Market Infrastructure Regulation) in Europe, and the DFA (Dodd-Frank Act) in the United States have resulted in increased exposure to central counterparties from financial institutions by requiring that the most standardised over-the-counter (OTC) transactions be cleared through CCP, approved by competent authorities and subject to prudential regulation. ▲

See table "Exposures and RWA to Central Counterparties (CCP)" in section 4.5.6 "Quantitative information".

4.5.4.2 Mitigation of counterparty credit risk on market operations

Audited I Various mitigation techniques are used to reduce this risk, namely:

- the signing, where possible according to standard policy, of global close-out netting agreements for OTC transactions.
- collateralisation of market operations, either through central counterparties for eligible products (listed products and certain OTC products) or through a bilateral margin call exchange mechanism which covers both current exposure (variation margins) and future exposure (initial margins).

CLOSE-OUT NETTING AGREEMENTS

Societe Generale's standard policy is to conclude master agreements including provisions for close-out netting.

These provisions allow on the one hand the immediate close-out of all transactions governed by these agreements when the default of one of the parties occurs, and on the other hand the settlement of a net amount corresponding to the total value of the portfolio, after netting mutual debts and claims.

Societe Generale's preference – for the purpose of reducing any legal risk related to documentation – is to document these agreements under the main international standards as published by industry associations or national professional associations, such as International Swaps and Derivatives Association (ISDA), International Capital Market Association (ICMA), International Securities Lending Association (ISLA) and the French Banking Federation (*Fédération Bancaire Française* - FBF).

These agreements establish a set of contractual terms that are generally recognised as standard and allow for the modification or addition of more specific provisions between the parties in the final contract. This standardisation reduces implementation delays and makes operations safer. The enforceability of the provisions detailing these credit risk mitigation techniques is analysed and the conclusions are maintained by the legal department of the Group.

COLLATERALISATION

Most of OTC transactions are collateralised. There are two different types of collateral exchanges:

- the initial margin (IM), which is the initial amount of collateral, aiming at covering potential future exposure, i.e. the adverse variation of the mark-to-market in the interval between the last collection of margins and the liquidation of positions following the default of a counterparty. This initial deposit is retained by a third party⁽¹⁾ to ensure its immediate availability, even in the event of the counterparty's default;
- the variation margin (VM), which is the collateral collected to mitigate the current exposure arising from mark-to-market variations, used as a proxy for the actual loss arising from the default of one of the parties.

Bilateral variation and initial margin requirements

Historically, initial margins were very rare, except with hedge funds. They are now generalised by the EMIR and DFA regulations. It is now mandatory for the Group to exchange initial margins and variation margins for non-cleared OTC derivatives transactions with a large number of its counterparties (its financial counterparties and some non-financial counterparties above certain thresholds⁽²⁾).

Central Counterparties (CCP)

The EMIR and DFA regulations also require that the most standardised OTC derivatives transactions be cleared via CCP. The Group clears its house trades, but also operates a client clearing activity (agency business) which is subject to systematic margin calls to mitigate counterparty credit risk (customers sending daily variation margins and initial margins to Societe Generale to cover current and future exposure). ▲

See table "Breakdown of collateral for counterparty risk" in section 4.5.6 "Quantitative information".

4.5.4.3 Counterparty credit risk measurement

Replacement risk

Audited I The replacement risk measurement is based on an internal model which determines the Group's exposure profiles. ▲

PRINCIPLES OF THE MODEL

The future fair value of market transactions with each counterparty is forecast from Monte Carlo models based on historical analysis of market risk factors.

The principle of the model is to design the possible future financial market conditions by simulating the changes in the main risk factors to which the Group's portfolio is sensitive. For these simulations, the model uses different diffusion models to account for the inherent

characteristics of the risk factors considered and uses a 10-year history window for their calibration.

The portfolios of derivatives contracts and securities and lending transactions with the different counterparties are then revalued according to these different scenarios at the different future dates until the maturity of the transactions, taking into account the contracts' terms and conditions, notably in terms of netting and collateralisation.

The exposure distribution obtained makes it possible to calculate regulatory capital requirements for counterparty credit risk and to ensure the risk monitoring of positions.

REGULATORY INDICATOR

Audited I The ACPR (Prudential Supervisory and Resolution Authority) approved the use of the internal model described above in order to determine the EEPE indicator (Effective Expected Positive Exposure) used in the calculation of the CCR regulatory capital requirements.

For products not managed in the internal model as well as for the Group's entities that have not been authorised by the supervisor to use the internal model, the Group uses the marked-to-market valuation method for derivatives⁽³⁾ and the financial collateral comprehensive method for securities financing transactions (SFT).

The effects of netting agreements and collateralisation are taken into account either by their simulation in the internal model, or by applying the netting rules as defined in the marked-to-market valuation method or the financial collateral method, and by subtracting the collateral value.

These exposures are then weighted by rates depending on the counterparty's credit quality to calculate the Risk-Weighted Assets (RWA). These rates can be determined by the Standard Approach or Advanced Approach (IRBA). ▲

The RWA breakdown for each approach is available in the table "Analysis of counterparty credit risk" in section 4.5.6 "Quantitative information".

ECONOMIC INDICATOR

To monitor the risk of positions, the Group relies mainly on a maximum exposure metric determined from the Monte Carlo simulations, called internally Credit Value-at-Risk (CVaR) or PFE (Potential Future Exposure). This is the largest loss that could occur after eliminating 1% of the most adverse occurrences. This metric is calculated at different future dates, which are then aggregated into buckets, each of them being framed by limits.

The Group has also developed a set of stress test scenarios that are used to calculate the exposure that would result from changes in the fair value of transactions concluded with all its counterparties in the event of an extreme shock affecting the market parameters.

Credit valuation adjustment for counterparty credit risk

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) to take into account counterparty credit risk. The Group includes in this adjustment all clients that are not subject to a daily margin call or for which the collateral only partially covers the exposure. This adjustment also reflects the netting agreements existing for each counterparty. CVA is determined on the basis of the Group entity's positive expected exposure to the counterparty, the counterparty's probability of default, and the loss in the event of default.

(1) Except for repos and clearing activities.

(2) Progressive implementation for the IM which will pursue until 2020 depending on the type of counterparties and the size of the positions held.

(3) In this method, the EAD (Exposure At Default) relative to the Bank's counterparty credit risk is determined by aggregating the positive market values of all the transactions (replacement cost), and increasing the sum with an add-on.

Furthermore, since 1 January 2014, financial institutions have had to determine capital requirements related to CVA, covering its variation over ten days. The scope of counterparties is limited to financial counterparties as defined in the EMIR or certain corporates that may use derivatives beyond certain thresholds and for purposes other than hedging.

Societe Generale has implemented an internal model to calculate these capital requirements, covering a significant part of the scope. The method is similar to the one used for the market VaR computation (see the "Market Risk" Chapter): it consists of carrying out a historical simulation of the change in CVA due to the variations observed in the credit spreads of the portfolio counterparties, with a 99% confidence interval. The calculation is made on the credit spreads variation observed, on the one hand, over a one-year rolling period (VaR on CVA), and, on the other hand, over a fixed one-year historical window corresponding to the period of greatest tension in terms of credit spreads (stressed VaR on CVA). The associated capital requirements are equal to the sum of these two computations multiplied by a factor set by the regulator, specific to each bank. For the remaining part determined according to the standard method, Societe Generale applies the rules defined by the Capital Requirements Regulation: weighting by a normative factor of the EAD multiplied by a recomputed maturity (for the breakdown of the RWA related to CVA between standard method and internal model approach, refer to the table "Credit Valuation Adjustment" in section 4.5.6 "Quantitative information").

The management of this exposure and of the regulatory capital charge led the Group to buy protection (such as Credit Default Swaps) from major financial institutions. In addition to reducing the credit risk, it decreases the variability of the CVA and of the regulatory capital charge deriving from changes in the credit spreads of counterparties.

Wrong Way Risk

Wrong-way risk is the risk of the Group's exposure to a counterparty increasing significantly, combined with a simultaneous increase in the probability of the counterparty defaulting.

Two types of wrong-way risk exist:

- general wrong-way risk, where there is a significant correlation between certain market conditions and the creditworthiness of the counterparty;
- specific wrong-way risk, where the amount of exposure is directly related to the credit quality of the counterparty.

The specific wrong-way risk is subject to dedicated regulatory capital requirements, through an add-on applied when calculating the capital requirements. The EEP indicator for transactions identified as facing a specific wrong-way risk is reassessed based on the assumption of a default from the counterparty. This process leads to stricter capital requirements regarding counterparty credit risks on such transactions. The replacement risk calculated in these specific risk situations is also increased, thereby limiting the exposure on such transactions, as there is no change in the risk limit framework.

The general wrong-way risk is monitored through stress tests (stress tests based on mono- or multi-risk factors covering all transactions with a given counterparty, relying on the same scenarios as used in the market risk stress tests) based on:

- a quarterly analysis of the stress tests regarding all counterparties, making it possible to identify the most adverse scenarios linked to a joint deterioration in the quality of the counterparties and the associated positions;
- regarding Systemically Important Financial Institutions (SIFI), monthly monitoring of dedicated multi-risk factor stress test, subject to limits per counterparties;
- regarding hedge funds and proprietary trading groups, weekly monitoring of dedicated mono-risk factor stress test, subject to limits. This framework is supplemented by an adverse stress test which quantifies the potential loss on house transactions and agency business in case of change in market conditions, significant enough to trigger defaults on a such type of counterparties.

4.5.5 RISK MEASUREMENT AND INTERNAL RATINGS

Since 2007, Societe Generale has been authorised by its supervisory authorities to apply the internal ratings-based (IRB) approach to most of its exposures in order to calculate the capital requirements in respect of credit risk.

The system for monitoring rating models is operational, in accordance with applicable regulations and detailed in this section 4.5.5 "Risk measurement and internal ratings".

In accordance with the texts published by the EBA within the framework of the "IRB Repair" program and in view of the finalization of the Basel 3 agreements, the Group plans to develop its system of internal credit risk models so as to strictly comply with these new requirements.

This relates in particular to the roll-out plan towards the IRB approach and maintaining the Standard approach (Permanent Partial Use), in consultation with the supervisors and on the basis of materiality criteria (risk profile of the portfolios in question, commercial strategy, heterogeneity of customers...).

The exposures dealt with on Standard approach mainly concern the portfolios of retail customers and SME (Small and Medium Enterprises) of the international retail banking activity. For its exposures covered by the standard approach, Societe Generale mainly uses the external ratings assigned by Standard & Poor's, Moody's and Fitch Ratings and by Banque de France. If several ratings are available for a third party, the second-best rating is used.

General framework of the internal approach

Audited I To calculate its capital requirements under the IRB method, Societe Generale estimates the Risk-Weighted Assets (RWA) and the Expected Loss (EL) that may be incurred in light of the nature of the transaction, the quality of the counterparty (via internal rating) and all measures taken to mitigate risk.

The calculation of RWA is based on the parameters Basel parameters, which are estimated using its internal risk measurement system:

- the Exposure at Default (EAD) value is defined as the Group's exposure in the event that the counterparty should default. The EAD includes exposures recorded on the balance sheet (loans, receivables, accrued income, market transactions, etc.), and a proportion of off-balance sheet exposures calculated using internal or regulatory Credit Conversion Factors (CCF);
- the Probability of Default (PD): the probability that a counterparty of the Bank will default within one year;
- the Loss Given Default (LGD): the ratio between the loss incurred on an exposure in the event a counterparty defaults and the amount of the exposure at the time of the default.

The estimation of these parameters is based on a quantitative evaluation system which is sometimes supplemented by expert or business judgment.

In addition, a set of procedures sets out the rules relating to ratings (scope, frequency of review, grade approval procedure, etc.) as well as those for supervision, back-testing and the validation of models. These procedures allow, among other things, to facilitate critical human judgment, an essential complement to the models for these portfolios.

The Group also takes into account:

- the impact of guarantees and credit derivatives, by substituting the PD, the LGD and the risk-weighting calculation of the guarantor for that of the obligor (the exposure is considered to be a direct exposure to the guarantor) in the event that the guarantor's risk weighting is more favourable than that of the obligor;
- collateral used as guarantees (physical or financial). This impact is factored in either at the level of the LGD models for the pools concerned or on a line-by-line basis. ▲

To a very limited extent, Societe Generale also applies an IRB Foundation approach (where only the probability of default is estimated by the Bank, while the LGD and CCF parameters are determined directly by the supervisory authority) to a portfolio of specialised lending exposures, including those granted to the subsidiaries Franfinance Entreprises, Sogelease and Star Lease.

Moreover, the Group has authorisation from the regulator to use the IAA (internal assessment approach) method to calculate the regulatory capital requirement for ABCP (Asset-Backed Commercial Paper) securitisation.

In addition to the capital requirement calculation objectives under the IRBA method, the Group's credit risk measurement models contribute to the management of the Group's operational activities. They also constitute tools to structure, price and approve transactions and participate in the setting of approval limits granted to business lines and the Risk function.

TABLE 12: BREAKDOWN OF EAD USING THE BASEL METHOD

	31.12.2019	31.12.2018
IRB	81%	79%
Standard	19%	21%
TOTAL	100%	100%

TABLE 13: SCOPE OF APPLICATION OF THE IRB AND STANDARD APPROACHES FOR THE GROUP

	IRB approach	Standard approach
French Retail Banking	Majority of portfolios	Some retail customer portfolios, including those of the Sogelease subsidiary
International Retail Banking and Financial Services	The subsidiaries KB (Czech Republic), CGI, Fidelity, GEFA and SG Finans, SG Leasing SPA and Fraer Leasing SPA, SGEF Italy	The other subsidiaries
Global Banking and Investor Solutions	Majority of Corporate and Investment Banking portfolios Private Banking, Securities Services and Brokerage, mainly the retail portfolios of the following subsidiaries: SG Hambros, SGBT Luxembourg, SGBT Monaco, SG Private Banking Suisse	For Private Banking, Securities Services and Brokerage, exposures granted to banks and companies
Corporate Centre	Majority of portfolios	-

Credit risk measurement for wholesale clients

For Corporate, Banking and Sovereign portfolios, the Group has implemented the following system:

RATING SYSTEM AND ASSOCIATED PROBABILITY OF DEFAULT

The rating system consists in assigning a rating to each counterparty according to an internal scale, for which each grade corresponds to a probability of default determined using historical series observed by Standard & Poor's for over more than 20 years.

The following table presents the indicative corresponding scales of the main external credit assessment institutions, as well as the

corresponding mean probability of default and the Group's internal rating scale.

The rating assigned to a counterparty is generally proposed by a model, and possibly adjusted by a credit analyst, who then submits it for validation by the Risk Management.

The counterparty rating models are structured in particular according to the type of counterparty (companies, financial institutions, public entities, etc.), geographic region and size of the Company (usually assessed through its annual revenue).

The company rating models are underpinned by statistical models (regression methods) of client default. They combine quantitative parameters derived from financial data that evaluate the sustainability and solvency of companies and qualitative parameters that evaluate economic and strategic dimensions.

TABLE 14: SOCIETE GENERALE'S INTERNAL RATING SCALE AND INDICATIVE CORRESPONDING SCALES OF RATING AGENCIES

Counterparty internal rating	Indicative equivalent FitchRatings	Indicative equivalent Moody's	Indicative equivalent S&P	Probability of Default (one year)
1	AAA	AAA	AAA	0.01%
2	AA+ à AA-	AA1 à AA3	AA+ à AA-	[0.01% -0.03%]
3	A+ à A-	A1 à A3	A+ à A-	[0.03% -0.06%]
4	BBB+ à BBB-	BAA1 à BAA3	BBB+ à BBB-	[0.13% -0.50%]
5	BB+ à BB-	BA1 à BA3	BB+ à BB-	[1.10% -3.26%]
6	B+ à B-	B1 à B3	B+ à B-	[4.61% -11.42%]
7	CCC+ à CCC-	CAA1 à CAA3	CCC+ à CCC-	[14.33% -27.25%]
8,9 and 10	CC and below	CA and below	CC and below	100.00%

LGD MODELS

The Loss Given Default (LGD) is an economic loss that is measured by taking into account all parameters pertaining to the transaction, as well as the fees incurred for recovering the receivable in the event of a counterparty default.

The models used to estimate the Loss Given Default (LGD) excluding retail clients are applied by regulatory sub-portfolios, type of asset, size and location of the transaction or of the counterparty, depending on whether or not collateral has been posted, and the nature thereof if applicable. This makes it possible to define homogeneous risk pools, particularly in terms of recovery, procedures and the legal environment.

These estimates are founded on statistics when the number of loans in default is sufficient. In such circumstances, they are based on recovery data observed over a long period. When the number of defaults is insufficient, the estimate is revised or determined by an expert.

CREDIT CONVERSION FACTOR (CCF) MODELS

For its off-balance sheet exposures, the Group is authorised to use the internal approach for "Term loan with drawing period" products and revolving credit lines.

TABLE 15: MAIN CHARACTERISTICS OF MODELS AND METHODS - WHOLESALE CLIENTS

Parameter modelled	Portfolio/Category of Basel assets	Number of methods, models	Methodology Number of years default/loss
WHOLESALE CLIENTS			
Probability of Default (PD)	Sovereigns	1 method.	Econometric method, low default portfolio.
	Public sector entities	4 models according to geographic region.	Statistical (regression)/expert methods for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Low default portfolio.
	Financial institutions	11 models according to type of counterparty: banks, insurance, funds, financial intermediaries, funds of funds.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Specialised financing	3 models according to type of transaction.	Expert models based on a qualitative questionnaire. Low default portfolio.
	Large corporates	9 models according to geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire. Defaults observed over a period of 8 to 10 years.
	Small- and medium-sized companies	18 models according to the size of the Company and the geographic region.	Mainly statistical models (regression) for the rating process, based on the combination of financial ratios and a qualitative questionnaire, behavioural score. Defaults observed over a period of 8 to 10 years.
Loss Given Default (LGD)	Public sector entities – Sovereigns	6 models according to type of counterparty.	Calibration based on historical data and expert judgements. Losses observed over a period of more than 10 years.
	Large corporates – Flat-rate Approach	>20 models Flat-rate approach according to type of collateral.	Calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Large corporates – Discount Approach	16 models Discount approach according to type of recoverable collateral.	Statistical calibration based on historical market data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Small- and medium-sized companies	15 models Flat-rate approach according to type of collateral or unsecured.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Project financing	8 models Flat-rate approach according to project type.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Financial institutions	5 models Flat-rate approach according to type of counterparty: banks, insurance, funds, etc. and the nature of the collateral.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Other specific portfolios	6 models: factoring, leasing with option to purchase and other specific cases.	Statistical calibration based on historical data adjusted by expert judgements. Losses observed over a period of more than 10 years.
	Large corporates	5 models: term loans with drawing period, revolving credits, Czech Corporates.	Models calibrated by segment. Defaults observed over a period of more than 10 years.
Expected Loss (EL)	Real estate transactions	2 models by slotting.	Statistical model based on expert judgements and a qualitative questionnaire. Low default portfolio.

MONITORING THE PERFORMANCE OF INTERNAL MODELS

The performance level of the entire wholesale client credit system is measured by regular backtests that compare PD, LGD and CCF estimates with actual results by portfolio, thus making it possible to measure the prudence of the risk parameters used by the IRB approach.

The results of backtests and remedial plans are presented to the Expert Committee for discussion and approval (see Governance of the modelling of risks, p. 198). These results justify the implementation of remedial plans if the system is deemed to be insufficiently prudent.

The results presented above cover the entire Group portfolios including Private Banking since this year. Backtests compare the estimated probability of default (arithmetic mean weighted by

debtors) with the observed results (the historical annual default rate). The historical default rate was calculated on the basis of performing exposure over the period from 2007 to 2018.

The level of prudence is generally considered to be fairly satisfactory and remained broadly stable compared with the previous year. The historical default rate continued to fall even further from previous year in 2019. Probability of default estimates are higher than the historical default rates for all Basel portfolios and for most ratings (which is considered to be conservative). Levels of prudence seen in the Large and Small and Medium Enterprises Basel portfolios were (relatively) high. It should also be noted that new internal models are being developed for some sizeable portfolios in order to comply with new regulatory requirements and to address the weaknesses identified in existing models.

TABLE 16: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES - WHOLESALE CLIENTS

31.12.2019							
Basel Portfolio	Weighted average PD	Arithmetic average PD	Number of obligors				
			End of previous year	End of the year	Defaulted obligors over the year	o.w. new defaulted obligors over the year	Average historical annual default rate
Sovereigns	0.1%	0.6%	645	729	1	-	0.2%
Institutions	0.2%	0.7%	4,230	5,582	6	-	0.3%
Specialised financing	1.3%	2.3%	2,234	2,289	14	2	2.2%
Large corporates	1.0%	3.1%	36,637	37,285	407	35	1.6%
Small- and medium-sized enterprises	3.1%	5.5%	99,378	97,833	2,609	404	3.2%

TABLE 17: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD VALUES - WHOLESALE CLIENTS

31.12.2019		
Basel portfolio	A-IRB LGD ⁽¹⁾	Estimated losses excluding margin of prudence
Large corporates	34%	33%
Small- and medium-sized enterprises	39%	27%

(1) Senior unsecured LGD

The method for calculating the "Observed EAD / A-IRB EAD" ratio is being revised.

31.12.2018 ⁽²⁾		
Basel portfolio	A-IRB LGD ⁽¹⁾	Estimated losses excluding margin of prudence
Large corporates	34%	32%
Small- and medium-sized enterprises	40%	29%

(1) Senior unsecured LGD.

(2) A new segmentation of the Corporates' LGD was used: pro forma performed on 2018 data.

Credit risk measurements of retail clients

The Group has implemented the following system for the retail portfolio made up of individual customers, SCIs (real estate investment companies - *Sociétés civiles immobilières*) and professional customers:

RATING SYSTEM AND ASSOCIATED PROBABILITY OF DEFAULT

The modelling of the probability of default of retail client counterparties is carried out specifically by each of the Group's business lines recording its assets using the IRBA method. The models incorporate data on the payment behaviour of counterparties. They are segmented by type of customer and distinguish between retail customers, professional customers, very small businesses and real estate investment companies (*Sociétés civiles immobilières*).

The counterparties of each segment are classified automatically, using statistical models, into homogeneous risk pools, each of which is assigned a probability of default.

These estimates are adjusted by a safety margin to estimate as best as possible a complete default cycle, using a through-the-cycle (TTC) approach.

LGD MODELS

The models for estimating the Loss Given Default (LGD) of retail customers are specifically applied by business line portfolio and by product, according to the existence or not of collateral.

Consistent with operational recovery processes, estimate methods are generally based on a two-step modelling process that initially estimates the proportion of defaulted loans in loan termination, followed by the loss incurred in case of loan termination.

The expected losses are estimated using internal long-term historical recovery data for exposures that have defaulted. These estimates are adjusted by safety margins in order to reflect the possible impact of a downturn.

CCF MODELS

For its off-balance sheet exposures, Societe Generale applies its estimates for revolving loans and overdrafts on current accounts held by retail and professional customers.

TABLE 18: MAIN CHARACTERISTICS OF MODELS AND METHODS USED - RETAIL CLIENTS

Parameter modelled	Portfolio/Category of Basel assets	Number of models	Methodology Number of years of default/loss
RETAIL CLIENTS			
Probability of Default (PD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), type of counterparty: individuals or professionals/VSB, real-estate investment company (SCI).	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Other loans to individual customers	15 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Renewable exposures	5 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model (regression), behavioural score. Defaults observed over a period of more than 5 years.
	Professionals and very small businesses (VSB)	10 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real-estate investment company (SCI)).	Statistical model (regression or segmentation), behavioural score. Defaults observed over a period of more than 5 years.
Loss Given Default (LGD)	Residential real estate	8 models according to entity, type of guarantee (security, mortgage), and type of counterparty: individuals or professionals/VSB, real-estate investment company (SCI).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Other loans to individual customers	17 models according to entity and to the nature and object of the loan: personal loan, consumer loan, car loan, etc.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Renewable exposures	7 models according to entity and nature of the loan: overdraft on current account, revolving credit or consumer loan.	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.
	Professionals and very small businesses	12 models according to entity, nature of the loan (medium- and long-term investment credits, short-term credit, car loans), and type of counterparty (individual or real-estate investment company (SCI)).	Statistical model of expected recoverable flows based on the current flows. Model adjusted by expert opinions if necessary. Losses and recoverable flows observed over a period of more than 10 years.

Parameter modelled	Portfolio/Category of Basel assets	Number of models	Methodology Number of years of default/loss
Credit Conversion Factor (CCF)	Renewable exposures	12 calibrations by entity for revolving products and personal overdrafts.	Models calibrated by segment over a period of observation of defaults of more than 5 years.

MONITORING THE PERFORMANCE OF INTERNAL MODELS

The performance level of the entire retail client credit system is measured by regular backtests, which check the performance of PD, LGD and CCF models and compare estimated figures with actual figures.

Each year, the average long-term default rate observed for each homogeneous risk pool is compared with the PD. If necessary, the calibrations of PD are adjusted to preserve a satisfactory safety margin. The discrimination level of the models and changes in the portfolio's composition are also measured.

Regarding the LGD, the backtest consists of comparing the last estimation of the LGD obtained by computing the average level of payments observed.

The difference should in this case reflect a sufficient safety margin to take into account a potential economic slowdown, uncertainties as to the estimation, and changes in the performance of recovery processes.

The adequacy of this safety margin is assessed at an Expert Committee Meeting.

The results presented above cover the entire Group portfolios including Private Banking since this year. Backtests compare the estimated probability of default (arithmetic mean weighted by debtors) with the observed results (the historical annual default rate). The historical default rate has been calculated on the basis of performing exposure over the period from 2010 to 2018. Credit customers are included in accordance with the revised instructions of the EBA publication of 14 December, 2016 (EBA/GL/2016/11).

The level of prudence is generally considered to be fairly satisfactory and remained broadly stable compared with the previous year. The historical default rate continued to fall even further from previous year in 2019. Probability of default estimates are higher than the historical default rates for all Basel portfolios and for most ratings (which is considered to be conservative). It should also be noted that new internal models are being developed for some sizeable portfolios in order to comply with new regulatory requirements and to address the weaknesses identified in existing models.

TABLE 19: COMPARISON OF ESTIMATED RISK PARAMETERS: ESTIMATED AND ACTUAL PD VALUES – RETAIL CLIENTS⁽¹⁾

31.12.2019						
Basel Portfolio	Weighted average PD	Arithmetic average PD	Number of obligors		Defaulted obligors in the year	Average historical annual default rate
			End of previous year	End of the year		
Other loans to individual customers	2.4%	3.6%	2,244,707	2,251,637	47,721	3.4%
Real estate loans	1.2%	1.1%	850,310	879,422	7,461	1.1%
Revolving credits	5.0%	2.3%	7,552,793	7,886,771	154,816	2.1%
VSB and professionals	3.9%	4.0%	828,042	823,464	37,021	3.8%

(1) Data presented on the basis of the latest figures available at 30 September 2019.

TABLE 20: COMPARISON OF RISK PARAMETERS: ESTIMATED AND ACTUAL LGD AND EAD VALUES – RETAIL CLIENTS

31.12.2019			
Basel portfolio	A-IRB LGD	Estimated losses excluding margin of prudence	Observed EAD / A-IRB EAD
Real estate loans (excl. guaranteed exposures)	18%	12%	-
Revolving credits	46%	39%	73%
Other loans to individual customers	26%	21%	-
VSB and professionals	28%	22%	76%
TOTAL GROUP RETAIL CLIENTS	25%	19%	74%

The changes in the portfolio "Other loans to individual customers" and "VSB and professionals" are explained by a change in scope.

31.12.2018			
Basel portfolio	A-IRB LGD	Estimated losses excluding margin of prudence	Observed EAD / A-IRB EAD
Real estate loans (excl. guaranteed exposures)	18%	12%	-
Revolving credits	45%	39%	73%
Other loans to individual customers	28%	22%	-
VSB and professionals	26%	21%	77%
TOTAL GROUP RETAIL CLIENTS	25%	19%	74%

Governance of the modelling of risks

Credit own funds estimation models are subject to the global model risk management framework (see Chapter 4.11 "Model risk").

The first line of defense is responsible for designing, putting into production, using and monitoring models, in compliance with model risk management governance rules throughout the model lifecycle, which include for credit risk internal models traceability of development and implementation stages and annual backtesting.

The Model Risk Division, reporting directly to the Chief Risk Officer, acts as a second line of defense for all credit risk models. Independent model review teams rely, for the conduct of their missions, on principles of control of the theoretical robustness (assessment of the quality of the design and development) of the models, the conformity of the implementation and the use, the continuous follow-up of model relevance over time. The independent review process concludes with (i) a report summarizing the scope of the review, the tests performed, the results of the review, the conclusions or recommendations and with (ii) Reviewing and Approval Committees (respectively "Comité Modèles" and "Comité Experts" in the case of credit risk models); and the model risk control framework results in recurring reports to the Senior Management. The Model Risk Division reviews, amongst others, new models, backtesting results and any change to the credit own funds estimation models. In accordance with the Delegated Regulation

(EU) No. 529/2014 of 20 May 2014 relating to the follow-up of internal models used for own funds computation, any model change to the Group's credit risk measurement system is then subjected to two main types of notification to the competent supervisor, depending on the significant nature of the change laid down by this Regulation itself:

- significant changes which are subject to a request for approval prior to their implementation;
- other changes which should be notified to the competent authorities:
 - prior to their implementation: non-material changes, according to the criteria defined by the Regulation, are notified to the Supervisor (ex-ante notification). Barring a negative response, these may be implemented within a two months period,
 - after their implementation: these changes are notified to the competent authorities after their implementation at least once a year, through a specific report (ex-post notification).

The Internal Audit Division, as a third line of defense, is responsible for periodically assessing the overall effectiveness of the model risk management framework (relevance of the model risk governance and efficiency of second line of defense activities) and performing the independent model audit.

Climate risk - Measuring sensitivity to transition risk

Transition risk's impact on Societe Generale Corporate clients' credit risk has been identified as the main climate change-related risk for the Group.

In order to measure this impact, the Group is gradually implementing a Vulnerability Indicator which aims to reinforce the credit analysis on the most exposed counterparties.

This climate vulnerability indicator:

- corresponds to the marginal impact on the counterparty internal rating over a 20-year time horizon of a selected transition scenario (for 2019 the International Energy Agency (IEA) sustainable development scenario was chosen). The assumption here is that the counterparty does not take any adaptation measure. The vulnerability is evaluated in parallel of the internal rating (which is associated to a 1 year probability of default);

- is applicable to the sectors identified as sensitive to transition risks. Those sectors include in 2019: oil & gas, power generation, transport (automotive, air and shipping), metals and mining and commercial real estate;

- is represented through a 7-level scale, from high negative to high positive impacts.

This assessment, proposed by the first line of defense, is validated by the Risk Department as a second line of defense and relies on a methodology defined by the Risk Department. It enables the Group to engage a dialog with the most exposed clients. Indeed, for clients having a long-term exposure and for which the vulnerability indicator is moderate negative or high negative, a discussion has to be initiated to formalize an opinion on the adaptation strategy of the counterparty to the transition risk.

The climate risk management system is further detailed in section "Climate risk management" of the chapter 5.2.3 "Positive climate action: supporting a fair, environmental and inclusive transition" of this Universal Registration Document.

4.5.6 QUANTITATIVE INFORMATION

Audited | The measurement used for credit exposures in this section is EAD – Exposure At Default (on- and off-balance sheet). Under the Standard Approach, EAD is calculated net of collateral and provisions.

EAD is broken down according to the guarantor's characteristics, after taking into account the substitution effect (unless otherwise indicated).

The presentation of the data, applied since last year, is in line with the guidelines on prudential disclosure requirements published by the

European Banking Authority (EBA) in December 2016 (document EBA/GL/2016/11).

This presentation highlights the exposure categories as defined in the portfolios of the COREP regulatory financial statements, in relation to EBA requirements on Pillar 3.

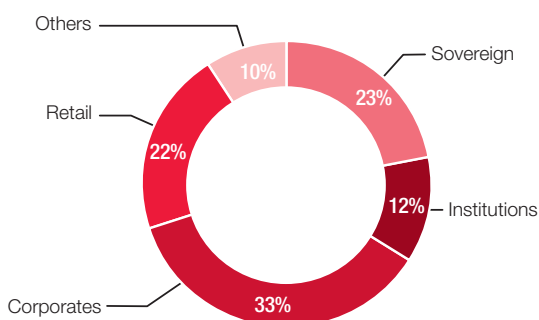
More information available in sections 6.8 *Additional quantitative information on global credit risk (credit and counterparty risk)*, 6.9 *Credit risk detail* and 6.10 *Counterparty risk detail* in the Risk Report Pillar 3 document.

Audited | Credit risk exposure

At 31 December 2019, the Group's Exposure at Default (EAD) amounted to EUR 918 billion.

CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2019

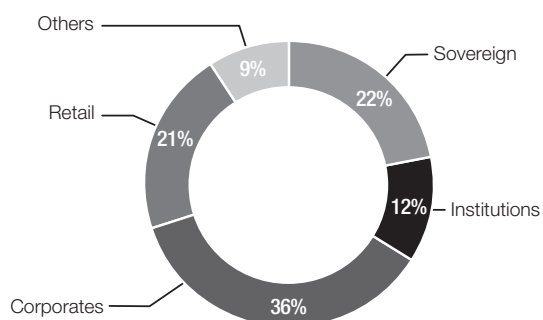
On- and off-balance sheet exposures (EUR 918 billion in EAD)



* Institutions: Basel classification bank and public sector portfolios.

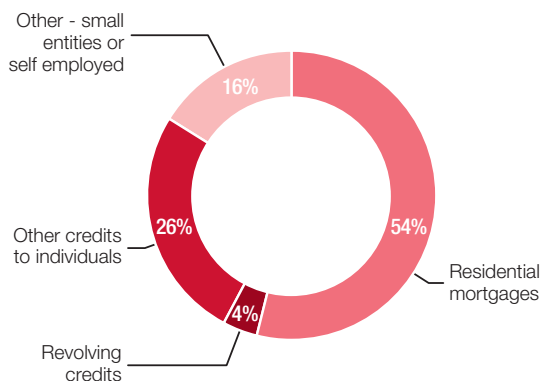
CREDIT RISK EXPOSURE BY EXPOSURE CLASS (EAD) AT 31 DECEMBER 2018

On- and off-balance sheet exposures (EUR 920 billion in EAD).

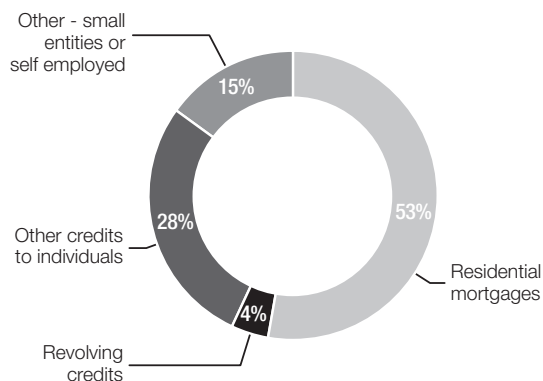
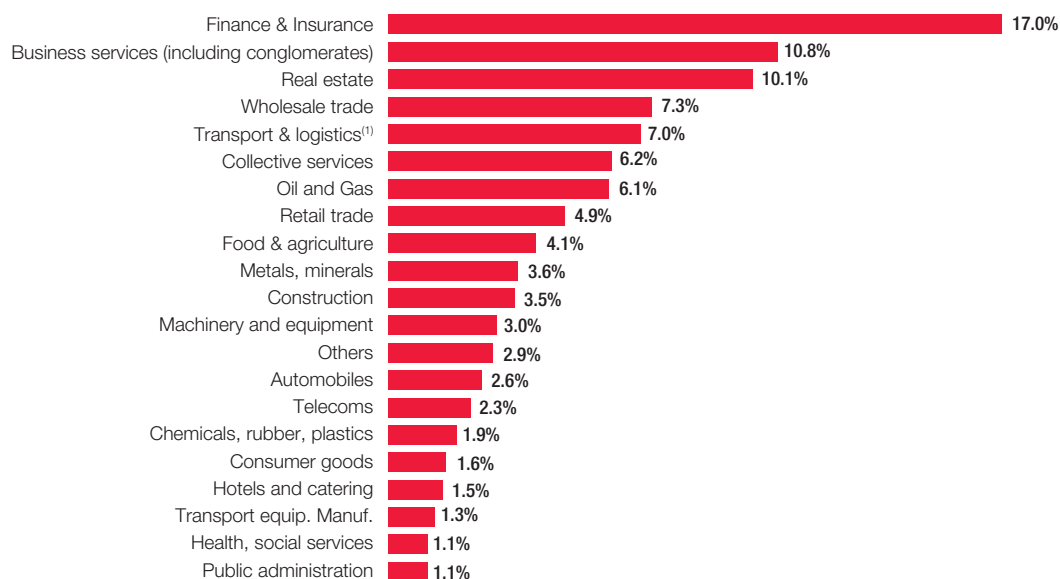


RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AT 31 DECEMBER 2019

On- and off-balance sheet exposures (EUR 203 billion in EAD)

**RETAIL CREDIT RISK EXPOSURE BY EXPOSURE SUBCLASS (EAD) AT 31 DECEMBER 2018**

On- and off-balance sheet exposures (EUR 189 billion in EAD)

**SECTOR BREAKDOWN OF GROUP CORPORATE EXPOSURE (BASEL PORTFOLIO)**⁽¹⁾ Of which 1.0% of the Group's total maritime transport Corporate exposures.

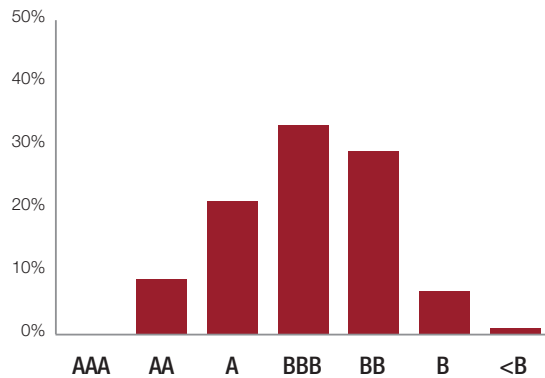
EAD of the Corporate portfolio is presented in accordance with the Basel rules (large corporates, including insurance companies, funds and hedge funds, SMEs, specialized financing, factoring businesses), based on the obligor's characteristics, before taking into account the substitution effect (credit risk scope: debtor, issuer and replacement risk).

At 31 December 2019, the Corporate portfolio amounted to EUR 326 billion (on- and off-balance sheet exposures measured in EAD). Three sectors account for more than 10% of the portfolio each (Finance and Insurance, Business services, Real Estate). The Group's exposure to its ten largest Corporate counterparties accounts for 5% of this portfolio.



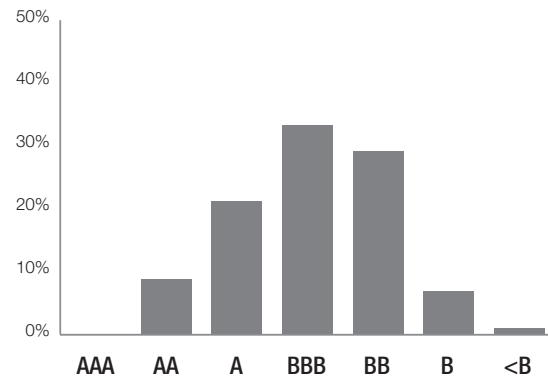
Corporate and bank counterparty exposure

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2019 (AS % OF EAD)



Audited I Regarding corporate clients, the scope consists of performing loans recorded under the IRB method (excluding prudential classification criteria, by weight, of specialized financing) over the entire corporate clients portfolio, all divisions combined, and represents a EUR 259 billion EAD (out of a EUR 296 billion total EAD for the Corporate Basel portfolio, Standardized method included). The rating breakdown of Societe Generale Group's corporate counterparty exposure reveals the sound quality of the portfolio. It is based on an

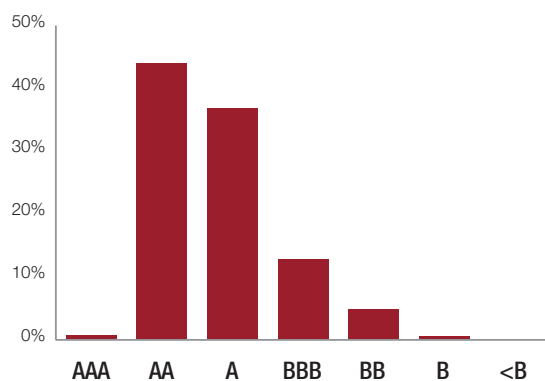
BREAKDOWN OF RISK BY INTERNAL RATING FOR CORPORATE CLIENTS AT 31 DECEMBER 2018 (AS % OF EAD)



internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

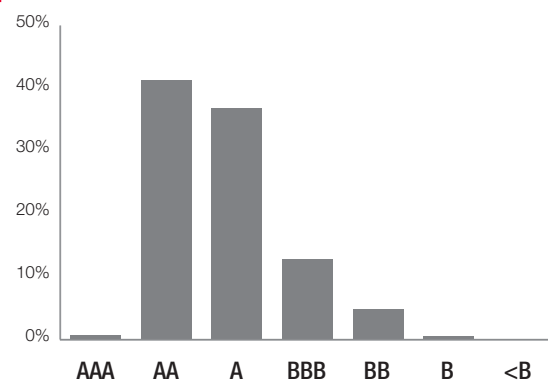
As at 31 December 2019, the majority of the portfolio had an Investment Grade rating, i.e. counterparties with an S&P-equivalent internal rating higher than BBB- (63% of Corporate clients). Transactions with non-Investment Grade counterparties were very often backed by guarantees and collaterals in order to mitigate the risk incurred. ▲

AUDITED I BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2019 (AS % OF EAD)



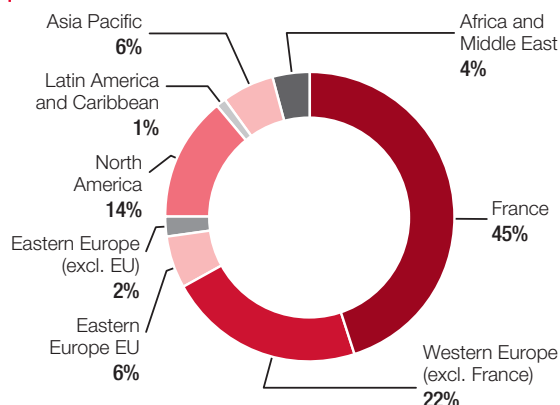
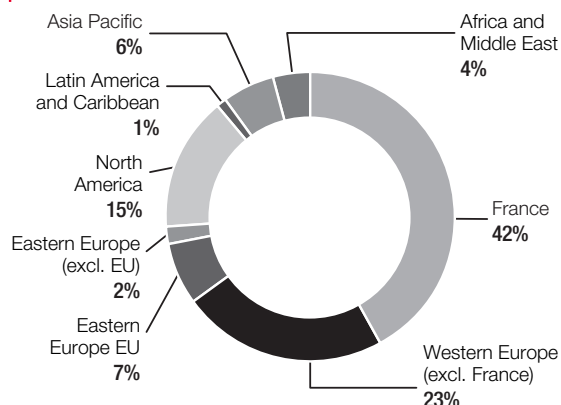
Audited I Regarding banking clients, the scope consists of performing loans recorded under the IRB method over the entire banking clients portfolio, all divisions combined, and represents a EUR 62 billion EAD (out of a EUR 107 billion total EAD for the Bank Basel portfolio, Standardized method included). The rating breakdown of Societe Generale Group's banking counterparty exposure reveals the sound

BREAKDOWN OF RISK BY INTERNAL RATING FOR BANKING CLIENTS AT 31 DECEMBER 2018 (AS % OF EAD)

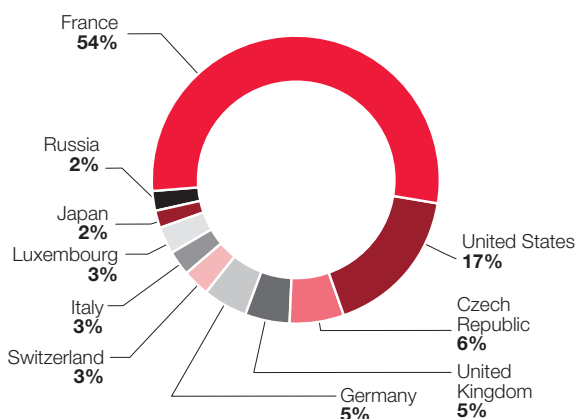
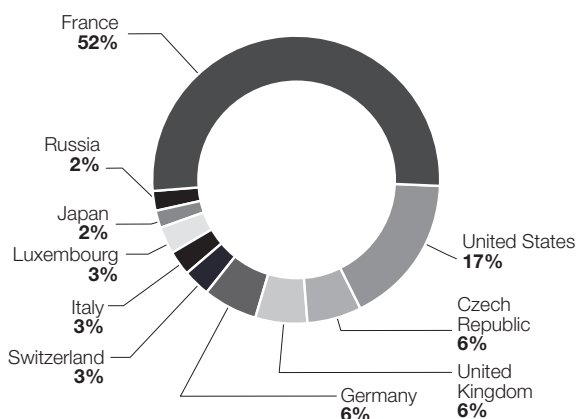


quality of the portfolio. It is based on an internal counterparty rating system, displayed above as its Standard & Poor's equivalent.

As at 31 December 2019, exposure on banking clients was concentrated on Investment Grade counterparties (94% of the exposure) and in developed countries (89%). ▲

Audited | Geographic breakdown of Group credit risk exposure**GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31 DECEMBER 2019 (ALL CLIENT TYPES INCLUDED): EUR 918 BN****GEOGRAPHIC BREAKDOWN OF GROUP CREDIT RISK EXPOSURE AT 31 DECEMBER 2018 (ALL CLIENT TYPES INCLUDED): EUR 920 BN**

As at 31 December 2019, 89% of the Group's on- and off-balance sheet exposure was concentrated in the major industrialised countries⁽¹⁾. Almost half of the overall amount of outstanding loans was towards French clients (28% exposure to the non-retail portfolio and 17% to the retail one). ▲

GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31 DECEMBER 2019: EUR 761 BN**GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP TEN COUNTRIES AT 31 DECEMBER 2018: EUR 748 BN**

The Group's exposure to its top ten countries represented 83% of total exposure (i.e. EUR 761 billion of EAD) at 31 December 2019 (versus 81% and EUR 748 billion of EAD at 31 December 2018).

(1) As defined by the IMF in its World Economic Outlook document of October 2019.

TABLE 21: GEOGRAPHIC BREAKDOWN OF GROUP CREDIT EXPOSURE ON TOP FIVE COUNTRIES BY EXPOSURE CLASS (IN %)

	France		United States		United Kingdom		Germany		Czech Republic	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Sovereign	19%	18%	33%	33%	14%	10%	17%	15%	29%	30%
Institutions	9%	8%	16%	18%	27%	29%	18%	21%	4%	3%
Corporates	27%	31%	38%	38%	37%	45%	27%	31%	30%	32%
Retail	37%	36%	0%	0%	10%	6%	22%	21%	35%	33%
Other	8%	7%	13%	11%	12%	10%	16%	12%	2%	2%

Counterparty risk

TABLE 22: COUNTERPARTY RISK, EAD AND RWA BY METHOD AND EXPOSURE CLASS (IN EURM)

Counterparty risk is broken down as follows:

31.12.2019									
Exposure class	IRB			Standard			Total		
	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	22,843	22,954	302	3	3	-	22,845	22,956	302
Institutions	20,006	20,005	2,901	29,209	29,209	1,035	49,215	49,215	3,936
Corporates	44,030	43,919	10,639	1,042	1,042	826	45,072	44,961	11,465
Retail	189	189	9	1	1	1	190	190	11
Other	9	9	-	189	189	189	199	199	189
TOTAL	87,077	87,077	13,852	30,444	30,444	2,052	117,521	117,521	15,904

31.12.2018									
Exposure class	IRB			Standard			Total		
	Exposure	EAD	RWA	Exposure	EAD	RWA	Exposure	EAD	RWA
Sovereign	17,455	17,532	662	1	1	1	17,456	17,533	662
Institutions	19,974	19,974	3,826	31,139	31,139	1,113	51,113	51,113	4,940
Corporates	47,873	47,796	12,526	2,283	2,283	2,189	50,156	50,079	14,715
Retail	388	388	61	287	1	1	675	389	62
Other	7	7	0	436	436	448	443	443	448
TOTAL	85,696	85,696	17,074	34,146	33,861	3,752	119,843	119,557	20,827

TABLE 23: ANALYSIS OF COUNTERPARTY CREDIT RISK (CCR) EXPOSURE BY APPROACH

Subject to supervisor approval, the Internal Model Method (IMM) enables the use of an internal model to calculate the Effective Expected Positive Exposure (EEPE), multiplied by a regulatory factor

called "alpha" as defined in Article 284-4 of Regulation (EU) 575/2013. For Societe Generale Group, it is 1.5. The aim of the internal model is to determine exposure profiles.

	31.12.2019					
(In EURm)	Notional	Replacement cost / current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM
Mark to market		5,831	19,340			23,618
Original exposure						
Standardised approach						
IMM (for derivatives and SFTs)				42,765	1.5	64,148
Of which securities financing transactions				19,356	1.5	29,033
Of which derivatives and long settlement transactions				23,410	1.5	35,114
Of which from contractual cross - product netting						
Financial collateral simple method (for SFTs)						
Financial collateral comprehensive method (for SFTs)						4,292
VaR for SFTs						
TOTAL						15,519

TABLE 24: EXPOSURES AND RWA TO CENTRAL COUNTERPARTIES (CCP)

	31.12.2019		31.12.2018	
(In EURm)	EAD	RWA	EAD	RWA
Exposures to QCCPs	32,252	1,454	40,233	1,702
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	16,225	326	20,325	413
■ OTC derivatives	1,108	23	2,493	50
■ Exchange-traded derivatives	13,551	271	16,362	334
■ Securities financing transactions	1,323	26	964	19
■ Netting sets where cross-product netting has been approved	243	6	505	10
Segregated initial margin	9,731	-	7,007	-
Non-segregated initial margin	2,525	51	9,273	185
Pre-funded default fund contributions	3,771	1,077	3,628	1,103
Alternative calculation of own funds requirements for exposures	-	-	-	13
Exposures to non-QCCPs	-	-	-	-
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	-	-	-	-
■ OTC derivatives	-	-	-	-
■ Exchange-traded derivatives	-	-	-	-
■ Securities financing transactions	-	-	-	-
■ Netting sets where cross-product netting has been approved	-	-	-	-
Segregated initial margin	-	-	-	-
Non-segregated initial margin	-	-	-	-
Pre-funded default fund contributions	-	-	-	-
Unfunded default fund contributions	-	-	-	-

TABLE 25: BREAKDOWN OF COLLATERAL FOR COUNTERPARTY RISK

(In EURm)	31.12.2019			
	Collateral used in derivative transactions		Collateral used in SFTs	
	Fair value of collateral received	Fair value of posted collateral	Fair value of collateral received	Fair value of posted collateral
Cash	24,186	22,125	14,418	22,569
Banks/Broker-dealers	27	576	58,188	64,052
Central Counterparties	-	8,238	8,262	5,620
Government-sponsored entities/ Government Agencies	-	-	-	-
Hedge funds	0	-	3	107
Insurance and Financial Guaranty Firms	4	10	864	2,647
Mutual funds	179	-	823	2,444
Nonfinancial corporations	464	1,437	25,488	60,671
Pension Plans	0	-	2	-
Sovereign national governments	4,391	2,393	230,186	241,977
SPVs, SPCs, and SPEs	-	-	-	186
Supranationals	-	-	1,561	1,557

TABLE 26: CREDIT VALUATION ADJUSTMENT (CVA)

(In EURm)	31.12.2019		31.12.2018	
	Exposure value	RWA	Exposure value	RWA
Total portfolios subject to the Advanced Method	33,457	2,276	35,461	4,074
(i) VaR component (including the 3×multiplier)	-	318	-	602
(ii) Stressed VaR component (including the 3×multiplier)	-	1,959	-	3,471
All portfolios subject to the Standardised Method	5,611	310	8,759	830
Based on Original Exposure Method	-	-	-	-
TOTAL SUBJECT TO THE CVA CAPITAL CHARGE	39,068	2,586	44,220	4,904

Change in risk-weighted assets (RWA) and capital requirements for credit and counterparty risks

TABLE 27: CHANGE IN RISK-WEIGHTED ASSETS (RWA) BY METHOD ON OVERALL CREDIT RISK (CREDIT AND COUNTERPARTY)

(In EURm)	RWA - IRB	RWA - Standard	RWA - Total	Capital requirements - IRB	Capital requirements - Standard	Capital requirements - total
RWA as at end of previous reporting period (31.12.2018)	181,651	116,167	297,818	14,532	9,293	23,825
Asset size	(3,375)	740	(2,636)	(270)	59	(211)
Asset quality	(242)	132	(110)	(19)	11	(9)
Model updates	22	-	22	2	-	2
Methodology and policy	(4,091)	(1,588)	(5,679)	(327)	(127)	(454)
Acquisitions and disposals	(432)	(12,197)	(12,628)	(35)	(976)	(1,010)
Foreign exchange movements	1,074	1,348	2,421	86	108	194
Other	752	(52)	700	60	(4)	56
RWA AS AT END OF REPORTING PERIOD (31.12.2019)	175,359	104,549	279,908	14,029	8,364	22,393

The table above presents the data without CVA (Credit Value Adjustment).

The main effects explaining the EUR 17.9 billion decrease in RWA (excluding CVA) in 2019 are as follows:

- a decrease of EUR -2.6 billion related to the activity: decreasing Global Banking activity (EUR -4.5 billion), partially offset by an increase of EUR +2.3 billion in the French network;
- a change in the prudential scope of EUR -12.6 billion related to the several disposals of entities operated in 2019;
- a foreign exchange effect (EUR +2.4 billion), mainly related to the appreciation of the US dollar against the euro (EUR +0.9 billion) as well as that of the Russian rouble against the euro (EUR +0.7 billion).

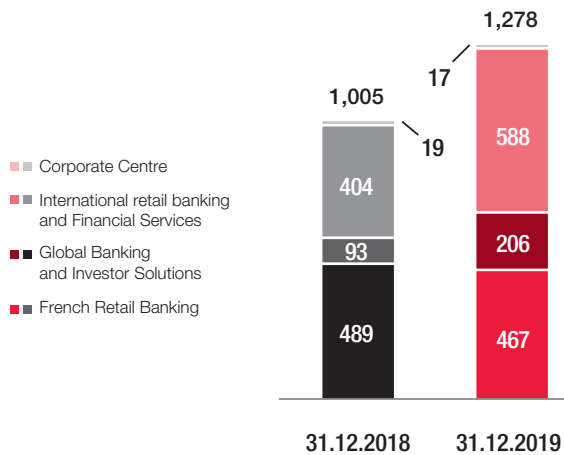
The effects are defined as follows:

- Asset size: organic changes in book size and composition (including the creation of new business lines and maturing loans) but excluding changes due to acquisitions and disposals of entities;

- Asset quality: changes in the quality of the Bank's assets due to changes in borrower risk, such as rating grade migration or similar effects;
- Model updates: changes due to model implementation, changes in model scope or any changes intended to address model weaknesses;
- Methodology and policy: changes due to methodological changes in calculations driven by regulatory changes, including both revisions to existing regulations and new regulations;
- Acquisitions and disposals: changes in book size due to acquisitions and disposals of entities;
- Foreign exchange movements: changes arising from market fluctuations, such as foreign currency translation movements;
- Other: this category is used to capture changes that cannot be attributed to any other categories.

Net cost of risk

CHANGE IN GROUP NET COST OF RISK (IN EURM)



The **Group's net cost of risk** in 2019 amounted to EUR -1,278 million, up to + 27.1% compared to 2018. Normalization thus remains very gradual compared to the level in 2018.

Measured in basis points on average outstandings at the start of the period of the four quarters preceding the closing, including operating leases, the cost of risk remains low. It stood at 25 basis points in 2019 compared to 21 basis points in 2018.

- In **French Retail Banking**, the commercial cost of risk fell to 24 basis points in 2019 compared to 26 basis points in 2018, illustrating the quality of the credit policy.
- At 43 basis points in 2019 (versus 30 basis points in 2018), the cost of risk of the **Retail Banking and International Financial Services** division is increasing but remains low, demonstrating the effectiveness of the policies implemented to improve loan portfolio quality.

More specifically, the cost of risk in the Czech Republic and Romania is a net recovery (- 9 and - 56 basis points, respectively, in 2019).

- **Global Banking and Investor Solutions'** cost of risk stood at 13 basis points (versus 6 basis points in 2018).

Audited I ANALYSIS OF GROSS OUTSTANDINGS AND PROVISIONS FOR CREDIT RISK

The following tables detail the provisionable outstandings (balance sheet and off-balance sheet) subject to impairment and provisions in accordance with the new model for estimating expected credit losses introduced by IFRS 9 and the impairments and provisions by stage.

The scope of these tables includes :

- securities (excluding securities received under repurchased agreements) and loans to customers and credit institutions and similar measured at amortised cost or at fair value through equity;
- lease and finance lease;
- financing and guarantee commitments.

Provisionable outstanding represented EUR 840 billions at 31 December 2019. Outstandings of ex-Newedge brokerage outside France are excluded from the outstandings presented in tables 28, 29 and 30. There is no scope exclusion regarding provisions and impairments.

To be homogeneous, all of the British Overseas Territories are now presented separately from the United Kingdom. The 2018 tables have been adjusted with this new presentation.

Credit risk exposures increased by EUR 24 billion, rising from EUR 816 billion to EUR 840 billion, mainly due to the following situations:

- The increase in exposures to retail customers (EUR +19 billion) was largely driven by the increase in mortgage lending activity in France and reclassifications from the Corporate portfolio;
- The increase in exposure to sovereigns (EUR +19 billion) is linked to an increase in our deposits towards Central Banks in Asia, Western Europe and France;
- The decrease in exposure to corporates (EUR -17 billion) was chiefly due to the disposal of entities, the implementation of securitisation programs and reclassifications in the Retail portfolio.

Impairments and provisions decreased by EUR 0.7 billion, from EUR 12.3 billion to EUR 11.6 billion. The decrease concerns Stage 3 and is mostly distributed between corporate (accordingly to the decrease on exposure) and retail customers.

Despite an overall increase in provisioned outstandings over the financial year, the amount of impairments and provisions remains close to the level posted on 31 December, 2018. The stability can be chiefly explained by the nature, the geographic area and the quality of the counterparties ratings for the new exposures (mainly sovereigns and retail customers in France) and by the time effect (the credit losses from these new exposures being calculated on the basis of a 12-month period). ▲

AUDITED I TABLE 28 : BASEL PORTFOLIO BREAKDOWN OF PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

31.12.19								
(In EURm)	Provisioned outstandings				Impairment and Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	165,237	183	109	165,529	5	6	67	78
Institutions	48,200	506	36	48,742	9	42	12	63
Corporates	342,066	12,536	8,683	363,285	542	626	4,717	5,885
Retail	204,232	16,673	8,558	229,463	465	549	4,560	5,574
Others	32,880	247	5	33,132	18	4	3	25
TOTAL	792,615	30,145	17,391	840,151	1,039	1,227	9,359	11,625

31.12.18								
(In EURm)	Provisioned outstandings				Impairment and Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Sovereign	145,759	733	218	146,710	10	1	69	80
Institutions	55,034	361	82	55,477	9	6	16	31
Corporates	357,221	13,949	9,410	380,580	589	648	5,098	6,335
Retail	184,958	16,017	9,289	210,264	427	570	4,870	5,867
Others	23,111	67	54	23,232	-	-	9	9
TOTAL	766,083	31,127	19,053	816,263	1,035	1,225	10,062	12,322

AUDITED | TABLE 29 : GEOGRAPHICAL BREAKDOWN OF PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK

31.12.2019								
<i>(In EURm)</i>	Provisioned outstandings				Impairment and Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	358,931	19,606	9,927	388,464	421	703	4,834	5,958
Western European countries (excluding France)	153,418	3,680	1,911	159,009	186	119	821	1,126
Eastern European countries EU	48,747	3,358	1,012	53,117	93	184	639	916
Eastern Europe excluding EU	25,879	518	516	26,913	85	25	437	547
North America	108,578	411	348	109,337	37	28	49	114
Latin America and Caribbean	10,198	344	206	10,748	9	5	103	117
Asia-Pacific	43,174	391	230	43,795	16	5	191	212
Africa and Middle East	43,690	1,837	3,241	48,768	192	158	2,285	2,635
TOTAL	792,615	30,145	17,391	840,151	1,039	1,227	9,359	11,625

31.12.2018								
<i>(In EURm)</i>	Provisioned outstandings				Impairment and Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
France	339,663	19,298	10,806	369,767	427	735	5,292	6,454
Western European countries (excluding France)	156,177	3,602	1,996	161,775	178	119	906	1,203
Eastern European countries EU	49,423	3,612	1,279	54,314	118	170	842	1,130
Eastern Europe excluding EU	22,423	905	844	24,172	76	18	655	749
North America	107,433	361	606	108,400	32	27	52	111
Latin America and Caribbean	10,603	985	237	11,825	7	6	73	86
Asia-Pacific	39,343	165	225	39,733	14	2	153	169
Africa and Middle East	41,018	2,199	3,060	46,277	184	148	2,088	2,420
TOTAL	766,083	31,127	19,053	816,263	1,035	1,225	10,062	12,322

AUDITED | TABLE 30: PROVISIONED OUTSTANDINGS, PROVISIONS AND IMPAIRMENT FOR CREDIT RISK BY RATING OF COUNTERPARTY

31.12.2019								
(In EURm)	Provisioned outstandings				Impairment and Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	68,702	-	-	68,702	0	-	-	0
2	106,537	1	-	106,538	1	0	-	1
3	75,750	8	-	75,758	5	0	-	5
4	127,321	372	-	127,693	34	2	-	36
5	105,472	2,252	-	107,724	153	59	-	212
6	22,731	5,503	-	28,234	146	221	-	367
7	812	2,174	-	2,986	7	137	-	144
Default (8, 9, 10)	-	-	8,133	8,133	-	-	4,316	4,316
Other method	285,290	19,835	9,258	314,383	693	808	5,043	6,544
TOTAL	792,615	30,145	17,391	840,151	1,039	1,227	9,359	11,625

31.12.2018								
(In EURm)	Provisioned outstandings				Impairment and Provisions			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
1	65,767	-	-	65,767	0	-	-	0
2	97,899	-	-	97,899	1	0	-	1
3	74,741	2	-	74,743	4	0	-	4
4	127,159	647	-	127,806	42	1	-	43
5	99,575	2,976	-	102,551	172	29	-	201
6	25,459	5,668	-	31,127	145	225	-	370
7	2,472	2,780	-	5,252	26	190	-	216
Default (8, 9, 10)	-	-	8,589	8,589	-	-	4,404	4,404
Other method	273,011	19,054	10,464	302,529	645	780	5,658	7,083
TOTAL	766,083	31,127	19,053	816,263	1,035	1,225	10,062	12,322

Provisioning of doubtful loans

TABLE 31: PROVISIONING OF DOUBTFUL LOANS

(In EURbn)	31.12.2019	31.12.2018
Gross book outstandings	507.1	501.2
Doubtful loans	16.2	18.0
GROSS DOUBTFUL LOANS RATIO	3.2 %	3.6%
Stage 1 provisions	0.9	0.9
Stage 2 provisions	1.0	1.0
Stage 3 provisions	9.0	9.7
GROUP GROSS DOUBTFUL LOANS COVERAGE RATIO (STAGE 3 PROVISIONS / DOUBTFUL LOANS)	55 %	54%

Scope: customer loans, amounts due from banks, operating leases, lease financing and similar agreements.

Detail regarding guarantees and collateral is available on p. 185.

Restructured debt

Audited | For the Societe Generale Group, “restructured” debt refers to loans whose amount, term or financial conditions have been contractually modified due to the borrower’s insolvency (whether insolvency has already occurred or will definitely occur unless the debt is restructured). Societe Generale aligns its definition of restructured loans with the EBA definition.

Restructured debt does not include commercial renegotiations involving customers for which the Bank has agreed to renegotiate the debt in order to maintain or develop a business relationship, in

accordance with credit approval rules in force and without relinquishing any of the principal or accrued interest.

Any situation leading to debt restructuring entails placing the customer in question in the Basel default category and classifying the loans themselves as impaired.

Customers whose loans have been restructured are kept in the default category until uncertainty is lifted over their ability to meet their future commitments and for at least one year.

Restructured debt totalled EUR 4.02 billion at 31 December 2019. ▲

TABLE 32: RESTRUCTURED DEBT

(In EURm)	31.12.2019	31.12.2018
Non-performing restructured debt	3,139	4,187
Performing restructured debt	882	919
TOTAL	4,021	5,106

The decrease in non-performing restructured loans mainly results from the return to performing status of significant restructured loans. Note also the exit from restructured status of performing loans reaching the end of the two-year probation period with no credit event.

4.6 MARKET RISK

Audited I Market risk is the risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters, and the correlations between them. These parameters include, but are not limited to, exchange rates, interest rates, the price of securities (equities or bonds), commodities, derivatives and other assets.▲

4.6.1 ORGANISATION OF THE MARKET RISK MANAGEMENT

Audited I Although primary responsibility for managing risk exposure lies with the front office managers, the supervision system comes under the Market Risk Department of the Risk Division, which is independent from the businesses.

This department:

- checks the existence of an effective market risk monitoring framework based on suitable limits;
- assesses the limit requests submitted by the different businesses within the framework of the overall limits authorized by the Board of Directors and General Management, and based on the use of these limits;
- proposes appropriate market risk limits by Group activity to the Group Risk Committee;
- defines methods for assessing market risk;
- approves the valuation models used to calculate risk and results;
- defines methodologies for calculating provisions for market risk (reserves and adjustments to earnings) and additional valuation adjustments (AVA);
- calculates and certifies on a daily basis, market risk indicators and P&L resulting from market activities, based on formal and secure procedures, then reports and analyses these indicators;
- monitors on a daily basis the limits set for each activity;
- defines the methods for determining the parameters used for the calculation of risks and results, validates sources to be used for these parameters.

In order to perform its tasks, the department also defines the architecture and the functionalities of the information system used to produce the risk and P&L indicators for market transactions, and ensures it meets the needs of the different businesses and of the Market Risk Department. ▲

In addition, this department also contributes to the detection of possible rogue trading operations through a monitoring mechanism based on alert levels (on gross nominal value of positions for example) applied to all instruments and desks.

In terms of governance, within the Market Risk Department, the main functional and transversal subjects are dealt with during Committees organised by value chains (market risk, P&L and valuation, etc.). These Committees are decision-making bodies, composed of senior

representatives from each relevant Department teams and regions. Beyond the Department, market risks oversight is provided by various Committees at different levels of the Group:

- the market risk related to the Global Markets Division are reviewed during the Market Risk Committee (MRC) led by the Market Risk Department and co-chaired by the Risk Division and by the Global Markets Division. This committee provides information on risk levels for the main risk indicators as well as for some specific activities pointed out depending on market or business driven events. It also provides an opinion on the market risk framework changes falling under the remit of the Risk Division and Global Markets Division;
- the Risk Committee (CORISQ), chaired by the Chief Executive Officer of the Group, is regularly informed of Group-level market risk. Moreover, upon a proposal from the Market Risk Division, it validates the main choices with regard to market risk measurement, as well as the key developments on the architecture and implementation of the market risk framework at Group level;
- the Risk Committee of the Board of Directors is informed of the Group's major market risks; in addition, it issues a recommendation on the most substantial proposed changes in terms of market risk measurement and framework (after prior approval by the CORISQ); this recommendation is then referred to the Board of Directors for a decision;
- accounting valuation matters are addressed in two valuation committees, both chaired by the Finance Division and both attended by representatives of the Global Markets Division and the Market Risk department: the Global Valuation Committee which discusses and approves financial instrument valuation methodologies (model refinements, reserve methodologies, etc.) and the Global Valuation Review Committee, which reviews changes in reserves, valuation adjustment figures, and related accounting impacts;
- the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, organised quarterly, and both chaired by the Finance Division and both attended by representatives of the Global Markets Division and the Market Risk department.

In addition to these Committees, detailed and summary market risk reports, produced on a daily, weekly, monthly or quarterly basis, either related to various Group levels or geographic areas, are sent to the relevant business line and risk function managers.

4.6.2 MARKET RISK MONITORING PROCESS

Methods for measuring market risk and defining limits

Audited I The Group's market risk assessment is based on several types of indicators, which are monitored through limits:

- the 99% Value-at-Risks (VaR) and stressed Value-at-Risks (sVaR): in accordance with the regulatory internal model, these global indicator are used for the day-to-day monitoring of the market risks incurred by the Group within the scope of its trading activities;
- stress test measurements, based on decennial shock-type indicators, which make it possible to restrict the Group's exposure to systemic risk and exceptional market shocks. These measurements can be global, multi-risk factor (based on historic or hypothetical scenarios), by activity or risk factor in order to take into account extreme risks on a specific market, or event-driven, to temporarily monitor a particular situation;
- sensitivity and nominal indicators used to manage the size of positions:
 - sensitivities are used to monitor the risk incurred locally on a given type of position (e.g. sensitivity of an option to changes in the underlying asset);
 - while nominal indicators are used for significant positions in terms of risk;
- additional metrics such as concentration risk or holding period, maximum maturity, etc.

The following indicators are also calculated: IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure) on a weekly basis. The capital charges arising from these internal models complement those calculated due to the VaR / sVaR models by taking into account the rating migration risks and the default risks. ▲

Allocation of market risk appetite within the Group

Risk appetite is defined as the level of risk that the Group is prepared to assume to achieve its strategic goals.

The business development strategy of the Group for market activities is primarily focused on meeting client needs⁽¹⁾, with a full range of products and solutions. The risk resulting from these market activities

is strictly managed through a set of limits for several indicators (stress tests, VaR/sVaR, sensitivity and nominal indicators, etc.).

The Market Risk Department is responsible for the assessment and validation of the limit requests submitted by the different business lines. These limits ensure that the Group complies with the market risk appetite approved by the Board of Directors, further to a proposal from General Management⁽²⁾.

The choice and calibration of these limits ensure the operational transposition of the Group's market risk appetite through its organisation:

- these limits are allocated at various levels of the Group's structure and/or by risk factor;
- their calibration is determined using a detailed analysis of the risks related to the portfolio managed. This analysis may include various elements such as market conditions, specifically liquidity, position maneuverability, income generated in view of risks taken, etc.;
- regular reviews make it possible to manage risks according to the prevailing market conditions;
- specific limits, or even bans, may be put in place to manage risks for which the Group has little or no risk appetite.

The desk mandates and Group policies stipulate that traders must have a sound and prudent management of positions and must respect the defined frameworks. The limits set for each activity are monitored daily by the Market Risk Department. This continuous monitoring of the market risk profile is the object of regular discussions between the risk and business teams, further to which various risk hedging or mitigation initiatives may be taken by the Front Office in order to remain within the defined limits. In the event of a breach of limit, the Front Office must immediately state the reasons, and take the necessary measures to return within the defined framework, or otherwise request a temporary or permanent increase of limit if the clients requests and if market conditions justify such a course of action.

In addition to the governance structure in place between the various departments of the Risk function, Finance Division and business lines, the monitoring of limits usage, due to the products/solutions provided to clients and the market-making activities, also contributes to ensuring that market risk to which the Group is exposed are properly managed and understood.

4.6.3 VALUATION OF FINANCIAL INSTRUMENTS

In terms of valuation, market products are marked to market, when such market prices exist; otherwise, they are valued using parameter-based models.

On the one hand, each model designed by the front office is subject to independent validation by the Market Risks Department as second line of defence that especially checks the theoretical aspects of the model (relevance of the hypotheses, analytical calculations, numerical methods), its performance (for instance in case of stressed conditions) and its implementation in systems. Following this review, the validation status of the model, its scope of use and the

recommendations which will have to be dealt with are formalized in a report.

On the other hand, the parameters used in the valuation models – whether or not they come from observable data – are subject to controls by the Market Risks Department and the Finance Division (Independent Pricing Verification). If necessary, the valuations are supplemented by reserves or adjustments (for example, bid-ask spreads or liquidity) using calculation methods approved by the Market Risk Department.

(1) Market transactions not related to client activities are confined in a dedicated subsidiary, Descartes Trading, and are subject to a specific and limited risk appetite. The Group decided that this type of activity would stop by the end of the first quarter of 2020.

(2) See "Risk Appetite" section for the detailed description of the governance and implementation of the risk appetite, as well as the role the Risk Division plays in defining it.

Accounting valuation governance is enforced through two valuation committees, both attended by representatives of the Global Markets Division, the Market Risk department and the Finance Division:

- the Global Valuation Committee is convened whenever necessary, and at least every quarter, to discuss and approve financial instrument valuation methodologies (model refinements, reserve methodologies, etc.). This committee, chaired by the Finance Division and organised by its valuation expert team (Valuation Group) has worldwide accountability with respect to the approval of the valuation policies concerning financial instruments on market activities;
- on a quarterly basis, the Global Valuation Review Committee, chaired by the Finance Division, reviews changes in reserves, valuation adjustment figures, and related accounting impacts. This analytical review is performed by the Valuation Group.

Lastly, a Valuation Policy guide describes the valuation framework and its governance, specifying the breakdown of responsibilities between the stakeholders.

Furthermore, regarding the prudential component, Additional Valuation Adjustments (AVAs) are computed on fair value assets, in compliance with the Regulatory Technical Standards (RTS) published

by the European Banking Authority (EBA), which lay out the requirements related to Prudent Valuation, in addition to the principles already specified in the CRD3 (Capital Requirements Directive). These Regulatory Technical Standards define the various uncertainties which have to be taken into account in the Prudent Valuation and set a target level of confidence to reach.

Within this framework, in order to take into account the various factors which could generate additional exit costs compared to the expected valuation (model risk, concentration risk, liquidation cost, uncertainty on market prices, etc.), Prudent Valuation Adjustments (PVAs) are computed for each exposure. The Additional Valuation Adjustments (AVAs) are defined as the difference between the Prudent Valuation obtained and the accounting fair value of the positions, in order to comply with the target level of confidence to reach (the confidence interval is equal to 90%). These amounts of AVA are deducted from the Common Equity Tier 1 capital.

In terms of governance, the topics related to Prudent Valuation are dealt with during methodological committees and validation committees, chaired by the Finance Division and organised quarterly, and both attended by representatives of the Global Markets Division and the Market Risk department.

4.6.4 MARKET RISK MAIN MEASURES

99% Value-at-Risk (VaR)

Audited | The Internal VaR Model was introduced at the end of 1996 and has been approved by the French regulator within the scope of the regulatory capital requirements.

The Value-at-Risk (VaR) assesses the potential losses on positions over a defined time horizon and for a given confidence interval (99% for Societe Generale). The method used is the “historical simulation” method, which implicitly takes into account the correlation between

the various markets, as well as general and specific risk. It is based on the following principles:

- storage in a database of the risk factors that are representative of Societe Generale's positions (i.e. interest rates, share prices, exchange rates, commodity prices, volatility, credit spreads, etc.). Controls are regularly performed in order to check that all major risk factors for the trading portfolio of the Group are taken into account by the internal VaR model;

Main risk factors	Description
Interest rates	Risk resulting from changes in interest rates and their volatility on the value of a financial instrument sensitive to interest rates, such as bonds, interest rate swaps, etc.
Share prices	Risk resulting from variations in prices and volatility of shares and equity indices, in the level of dividends, etc.
Exchange rates	Risk resulting from the variation of exchange rates between currencies and of their volatility.
Commodity prices	Risk resulting from changes in prices and volatility of commodities and commodity indices.
Credit Spreads	Risk resulting from an improvement or a deterioration in the credit quality of an issuer on the value of a financial instrument sensitive to this risk factor such as bonds, credit derivatives (credit default swaps for example).

- definition of 260 scenarios corresponding to one-day variations in these market parameters over a rolling one-year period; these scenarios are updated daily with the inclusion of a new scenario and the removal of the oldest scenario. There are three coexisting methods for modelling scenarios (relative shocks, absolute shocks and hybrid shocks), the choice between these methods for a given risk factor is determined by its nature and its historical trend;
- the application of these 260 scenarios to the market parameters of the day;

- revaluation of daily positions, on the basis of the 260 sets of adjusted market parameters: in most cases this calculation involves a full re-pricing. Nonetheless, for certain risk factors, a sensitivity-based approach may be used.

Within the framework described above, the one-day 99% VaR, calculated according to the 260 scenarios, corresponds to the mean of the second and third largest losses computed, without applying any weighting to the scenarios.

The day-to-day follow-up of market risk is performed via the one-day VaR, which is calculated on a daily basis at various granularity levels. Regulatory capital requirements, however, oblige us to take into account a ten-day horizon, thus we also calculate a ten-day VaR, which is obtained by multiplying the one-day VaR aggregated at Groupe level by the square root of 10. This methodology complies with regulatory requirements and has been reviewed and validated by the regulator.

The VaR assessment is based on a model and a certain number of conventional assumptions, the main limitations of which are as follows:

- by definition, the use of a 99% confidence interval does not take into account losses arising beyond this point; VaR is therefore an indicator of the risk of loss under normal market conditions and does not take into account exceptionally significant fluctuations;
- VaR is computed using closing prices, meaning that intra-day fluctuations are not taken into account;
- the use of a historical model is based on the assumption that past events are representative of future events and may not capture all potential events.

The Market Risk Department mitigates the limitations of the VaR model by performing stress tests and other additional measurements.

The same model is used for the VaR computation for almost all of Global Banking & Investor Solution's activities (including those related to the most complex products) and the main market activities of Retail Banking and Private Banking. The few activities not covered by the VaR method, either for technical reasons or because the stakes are too low, are monitored using stress tests, and capital charges are calculated using the standard method or through alternative in-house methods. The main market risk not covered by an internal model is the exchange risk of the banking book, which is not subject to a daily revaluation by construction and therefore cannot be taken into account in a VaR calculation.

The relevance of the model is checked through continuous backtesting in order to verify whether the number of days for which the negative result exceeds the VaR complies with the 99% confidence interval. The results of the backtesting are audited by the Risk Department in charge of the validation of internal models, which, as second line of defense, also assesses the theoretical robustness (from a design and development standpoint), the correctness of the implementation and the adequacy of the model use. The independent review process ends with (i) review and approval committees and (ii) an audit report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to reporting to the appropriate authorities.

In compliance with regulations, backtesting compares the VaR to the (i) actual and (ii) hypothetical change in the portfolio's value:

- in the first case (backtesting against "actual P&L"), the daily P&L⁽¹⁾ includes the change in book value, the impact of new transactions and of transactions modified during the day (including their sales margins), refinancing costs, the various related commissions (brokerage fees, custody fees, etc.), as well as provisions and parameter adjustments made for market risk;
- in the second case (backtesting against "hypothetical P&L"), the daily P&L⁽²⁾ includes only the change in book value related to changes in market parameters and excludes all other factors. ▲

In 2019, daily losses on market activities were observed on 22 occasions⁽³⁾, and one backtesting breach occurred, on 8 February, against hypothetical P&L, explained by losses on equity activities in Europe following a significant increase in the volatility of the Eurostoxx and on interest rate activities in Europe to a lesser extent.

TABLE 33: REGULATORY TEN-DAY 99% VAR AND ONE-DAY 99% VAR

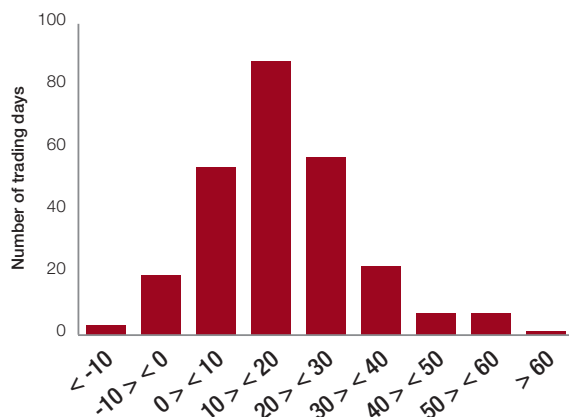
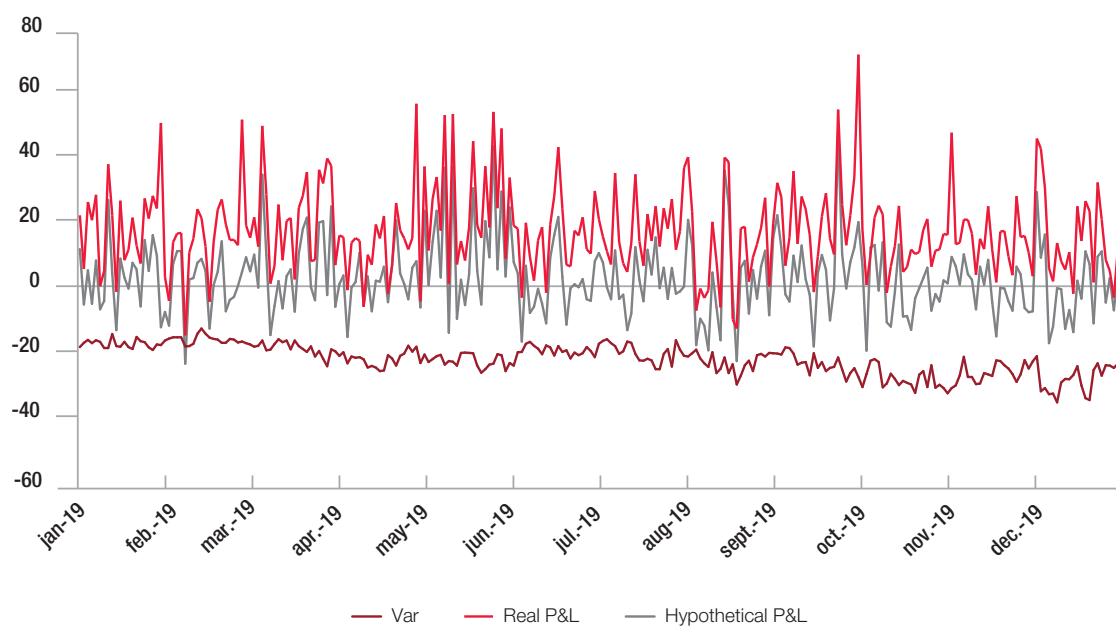
(In EURm)	31.12.2019		31.12.2018	
	VaR (10 days, 99%) ⁽¹⁾	VaR (1 day, 99%) ⁽¹⁾	VaR (10 days, 99%) ⁽¹⁾	VaR (1 day, 99%) ⁽¹⁾
Period start	49	16	54	17
Maximum value	113	36	86	27
Average value	71	23	56	18
Minimum value	40	13	33	10
Period end	85	27	59	19

(1) Over the scope for which capital requirements are assessed by internal model.

(1) "Actual P&L" by agreement hereinafter.

(2) "Hypothetical P&L" by agreement hereinafter.

(3) Based on actual P&L.

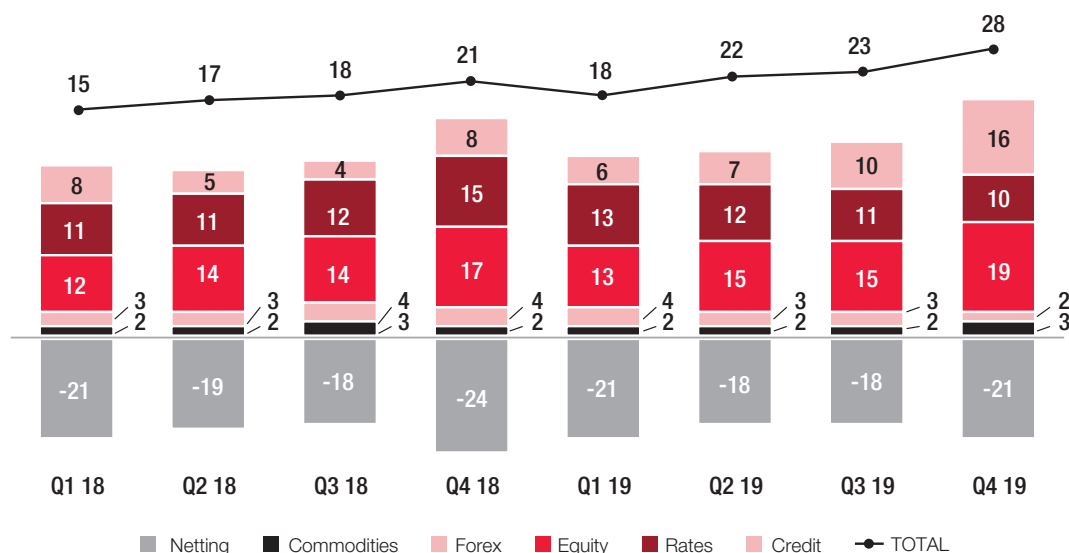
BREAKDOWN OF THE DAILY P&L⁽¹⁾ OF MARKET ACTIVITIES (2019, IN EURM)**TRADING VAR (ONE-DAY, 99%), DAILY ACTUAL P&L⁽²⁾ AND DAILY HYPOTHETICAL P&L⁽³⁾ OF THE TRADING PORTFOLIO (2019, IN EURM)**

(1) Actual P&L.

(2) Daily profit or loss used for the VaR backtesting against actual P&L, as defined in the "99% Value-at-Risk (VaR)"

(3) Daily profit or loss used for the VaR backtesting against hypothetical P&L, as defined in the "99% Value-at-Risk (VaR)"

AUDITED I BREAKDOWN BY RISK FACTOR OF TRADING VAR (ONE-DAY, 99%) - CHANGES IN QUARTERLY AVERAGE OVER THE 2018-2019 PERIOD (IN EURM)



Audited I VaR was riskier in 2019 (EUR 23 million vs. EUR 18 million in 2018) with an upward trend over the whole year. This gradual increase comes from the natural renewal of the scenarios used in the VaR computation window, in particular those added during the summer, applying market rebound shocks (i.e. price increases and fall in volatility) and sharp rates hikes on long term maturities. ▲

Stressed VaR (SVaR)

Audited I At end-2011, Societe Generale was authorised by the French Prudential and Resolution Supervisory Authority (*Autorité de Contrôle Prudentiel et de Résolution* – ACPR) to supplement its internal models with the CRD3 requirements, in particular Stressed VaR, for the same scope as VaR.

The calculation method used for the 99% one-day SVaR is the same as as the one for the VaR. It consists in carrying out a historical simulation with one-day shocks and a 99% confidence interval. Contrary to VaR, which uses 260 scenarios for one-day fluctuations over a rolling one-year period, SVaR uses a fixed one-year historical window corresponding to a period of significant financial tension.

The method for determining the fixed historical stress window, which has been approved by the regulator⁽¹⁾, is based on a review of the historic shocks on the risk factors representative of the Societe Generale portfolio (related to equity, fixed income, foreign exchange, credit and commodity risks): historical shocks are aggregated to determine the period of highest stress for the entire portfolio. Each risk

factor is assigned a weighting to account for the weight of each risk factor within its asset class and the weight of the asset class in the Group's VaR. The historical window used is reviewed annually. In 2019, this window was "September 2008-September 2009".

The ten-day SVaR used for the computation of the regulatory capital is obtained, as for VaR, by multiplying the one-day SVaR by the square root of ten.

The continuous backtesting performed on VaR model cannot be replicated to the SVaR model as, by definition, it is not sensitive to the current market conditions. However, as the VaR and the SVaR models rely on the same approach, they have the same advantages and limitations.

The relevance of the SVaR is regularly monitored and reviewed by the Risk Department in charge of the validation of internal models, as second line of defense. The independent review process ends with (i) review and approval committees and (ii) an audit report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

The SVaR remained stable on average in 2019 (EUR 38 million vs. EUR 40 million in 2018). The main contributing factors remain the same as in 2018, namely, the Fixed Income activities, the volatility being due to equity derivatives. ▲

(1) A complementary method has been submitted to the regulator for approval in Q2 2018: the purpose is to ensure the relevance of the period obtained following the method based on the weighting of historical shocks by computing an approached VaR on the same selection of risk factors representative of Societe Generale portfolio.

TABLE 34: REGULATORY TEN-DAY 99% SVAR AND ONE-DAY 99% SVAR

	31.12.2019		31.12.2018	
(In EURm)	Stressed VaR (10 days, 99%) ⁽¹⁾	Stressed VaR (1 day, 99%) ⁽¹⁾	Stressed VaR (10 days, 99%) ⁽¹⁾	Stressed VaR (1 day, 99%) ⁽¹⁾
Period start	108	34	65	21
Maximum value	213	67	395	125
Average value	119	38	128	40
Minimum value	49	15	50	16
Period end	112	35	156	49

(1) Over the scope for which capital requirements are assessed by internal model.

Stress test assessment

Audited I Alongside the internal VaR model, Societe Generale monitors its exposure using stress test simulations to take into account exceptional market disruptions.

A stress test estimates the loss resulting from an extreme change in market parameters over a period corresponding to the time required to unwind or hedge the positions affected.

Two major metrics are defined and used:

- the Global Stress Test on market activities, which covers all the trading risks that could arise simultaneously in the event of a severe but plausible systemic crisis. This stress test is modelled on five scenarios;
- the Market Stress Test, which uses the same scenarios as the Global Stress Test and additional scenarios corresponding to different market conditions, focusing solely on market risk.

The various scenarios for those stress tests are reviewed by the Risk Division on a regular basis. These reviews are presented during dedicated biannual committee meetings, chaired by Market Risk Department and attended by economists and representatives of Societe Generale's trading activities. These committee meetings cover the following topics: changes in scenarios (introduction, removal, shock review), appropriate coverage of the risk factors by the scenarios, review of the approximations made in terms of calculation, correct documentation of the whole process. The delegation level needed to validate the changes in stress test scenarios depends on the impact of the change in question.

These stress test risk assessments are applied throughout all the Bank's market activities. Stress test limits are established for Societe Generale's activity as a whole (and then for the Group's various business lines for the Market Stress Test). Together with the VaR model, these stress test risk assessments are one of the main pillars of the risk management framework.

THE GLOBAL STRESS TEST ON MARKET ACTIVITIES

The Global Stress Test on market activities has been the main risk indicator used on this scope since 2018. It covers all the trading risks that would occur simultaneously in case of a severe, but plausible, market crisis. The impact is measured over a short period of time with

an expected occurrence of once per decade. The Global Stress Test uses five market scenarios and has three parts, each of which are considered in each of the five scenarios in order to ensure consistency within the same scenario:

- market risk;
- dislocation and carry risk on exotic activities related to concentration effects and crowded trades;
- market/counterparty cross-risk arising in structured products and collateralised financing transactions as well as in transactions with weak counterparties (hedge funds and proprietary trading groups).

The Global Stress Test corresponds to the least favourable results arising from the five scenarios and their respective components.

The market risk component

It corresponds to:

- the results of the Market Stress Test⁽¹⁾ restricted to scenarios that could cause dislocation effects on market positions and default by weak counterparties. These scenarios all simulate a sharp fall in the equity markets and a widening in credit spreads which could trigger dislocation effects. At present, these scenarios include four hypothetical scenarios (terrorist attack, generalised scenario (financial crisis scenario), euro zone crisis, a generalised fall in the value of risky assets) and one historical scenario focused on early October 2008, and;
- the impact of the stress test scenario on CVA (Credit Value Adjustment) and FVA (Funding Value Adjustment) reserves, as their variations affect trading results.

The dislocation and carry risk component

Additional market risks to those assessed in the Market Stress Test can occur in market situation in which one or more participants – generally structured products sellers – have concentrated or crowded trades. Dynamic risk hedging strategies can cause larger market dislocations than those calibrated in the Market Stress Test, and these dislocations can extend beyond the shock timeline used due to an imbalance between supply and demand.

(1) Measurement of the impact in the Net Banking Product in case of shocks on all risk factors (refer to below description).

Equity, credit, fixed income, currency and commodity trading activities are regularly reviewed to identify these areas of risk and to define a scenario that takes into account the specific features of each activity and position. Each scenario associated with an identified area of risk is added to the market risk component if – and only if – it is compatible with the market scenario in question.

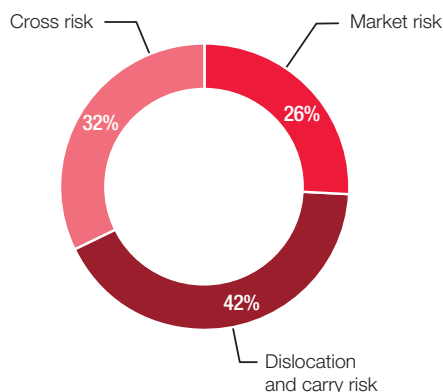
Market/counterparty cross-risk component on weak counterparties

Some counterparties may be significantly affected by a major crisis on the financial markets and their probability of default may increase. The third component of the Global Stress Test therefore aims to take into account this increased risk on certain types of weak counterparties (hedge funds and proprietary trading groups).

Three measurements are used:

- **the collateralised financing stress test:** this stress test focuses on collateralized financing activities and more specifically on weak counterparties. It applies a dislocation shock to several asset classes with the assumption of extremely tight liquidity conditions. Collateral and counterparty default rates are stressed concomitantly, taking into account any consanguinity with the collateral posted;
- **the hedge fund financing stress test:** this indicator measures the expected loss generated by products incurring gap risk (leveraged certificates, credit facilities, etc.) with hedge funds as underlying assets in extreme scenarios (expected occurrence of once per decade);
- **the adverse stress test on hedge funds and proprietary trading groups (PTG):** this stress test applies two stress scenarios to all market transactions qualifying for replacement risk with this type of counterparties. A stressed probability of default – based on the counterparty's ratings – is taken into account.▲

AVERAGE CONTRIBUTION OF THE COMPONENTS IN 2019 GLOBAL STRESS TEST ON MARKET ACTIVITIES



THE MARKET STRESS TEST

Audited I This metric focuses on market risk and estimates the loss resulting from shocks on the set of risk factors. This stress test is based on 18 scenarios⁽¹⁾ (3 historical and 15 hypothetical). Main principles are as follows:

- the scenario considered in the market stress test is the worst of these 18 scenarios;
- the shocks applied are calibrated on time horizons specific to each risk factor (the time horizon can range from five days for the most liquid risk factors to three months for the least liquid);
- risks are calculated every day for each of the Bank's market activities (all products together), using each of the historical and hypothetical scenarios.

Historical scenarios

This method consists of an analysis of the major economic crises that have affected the financial markets: changes in the prices of financial assets (equities, interest rates, exchange rates, credit spreads, etc.) during each of these crises have been analyzed in order to define scenarios for potential variations in these main risk factors which, when applied to the Bank's trading positions, could generate significant losses. Accordingly, Societe Generale define three significant historical scenarios related to the period from October to December 2008. This scenario selection is subject to regular review.

Hypothetical scenarios

The hypothetical scenarios are defined with the Group's economists and are designed to identify possible sequences of events that could lead to a major crisis in the financial markets (e.g. a major terrorist attack, political instability in the main oil-producing countries, etc.). The Group's aim is to select extreme but plausible events which would have major repercussions on all international markets.▲

Accordingly, Societe Generale has adopted the 15 hypothetical scenarios.

(1) including the ones used in the global stress tests on market activities.

4.6.5 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

Allocation of exposures in the trading book

The on- and off-balance sheet items must be allocated to one of the two portfolios defined by prudential regulations: the banking book or the trading book.

The banking book is defined by elimination: all on- and off-balance sheet items not included in the trading book are included by default in the banking book.

The trading book consists of all positions in financial instruments and commodities held by an institution either for trading purposes or in order to hedge other positions in the trading book. The trading interest is documented as part of the traders' mandates.

The prudential classification of instruments and positions is governed as follows:

- the Finance Division's prudential regulation experts are responsible for translating the regulations into procedures, together with the Risk Division for procedures related to holding period and liquidity. They also analyse specific cases and exceptions. They disseminate these procedures to the business lines;
- the business lines comply with these procedures. In particular, they document the trading interest of the positions taken by traders;
- the Finance and Risk Departments are in charge of the control framework.

The following controls are implemented in order to ensure that activities are managed in accordance with their prudential classification:

- new product process: any new product or activity is subject to an approval process that covers its prudential classification and regulatory capital treatment for transactions subject to validation;
- holding period: the Market Risk Department has designed a control framework for the holding period for certain instruments;
- liquidity: on a case-by-case basis or on demand, the Market Risk Department performs liquidity controls based on certain criteria (negotiability/transferability, bid/ask size, market volumes, etc.);
- strict process for any change in prudential classification, involving the business line and the Finance and Risk Divisions;
- Internal Audit: through its various periodic assignments, Internal Audit verifies or questions the consistency of the prudential classification with policies/procedures as well as the suitability of the prudential treatment in light of existing regulations.

Regulatory measures

At end-2011, Societe Generale received approval from the French Prudential Supervisory and Resolution Authority (*Autorité de contrôle prudentiel et de résolution* – ACPR) to expand its internal market risk modelling system, in particular to include stressed VaR (VaR over a one-year historical window corresponding to a period of significant financial tensions), IRC (Incremental Risk Charge) and CRM (Comprehensive Risk Measure), for the same scope as for VaR.

VAR AND SVAR

These metrics are detailed in the previous section.

IRC AND CRM

They estimate the capital charge on debt instruments that is related to rating migration and issuer default risks. These capital charges are incremental, meaning they are added to the charges calculated based on VaR and SVaR.

In terms of scope, in compliance with regulatory requirements:

- IRC is applied to debt instruments, other than securitisations and the credit correlation portfolio. In particular, this includes bonds, CDS and related derivatives;
- CRM exclusively covers the correlation portfolio, i.e. CDO tranches and First-to-Default products (FtD), as well as their hedging using CDS and indices.

Societe Generale estimates these capital charges using internal models⁽¹⁾. These models determine the loss that would be incurred following especially adverse scenarios in terms of rating changes or issuer defaults for the year that follows the calculation date, without ageing the positions. IRC and CRM are calculated with a confidence interval of 99.9%: they represent the highest risk of loss obtained after eliminating 0.1% of the most unfavorable scenarios simulated.

The internal IRC model simulates rating transitions (including default) for each issuer in the portfolio, over a one-year horizon⁽²⁾. Issuers are classified into five categories: US-based companies, European companies, companies from other regions, financial institutions and sovereigns. The behaviours of the issuers in each category are correlated with each other through a systemic factor specific to each category. In addition, a correlation between these five systemic factors is integrated to the model. These correlations, along with the rating transition probabilities, are calibrated from historical data observed over the course of a full economic cycle. In case of change in an issuer's rating, the decline or improvement in its financial health is modelled by a shock in its credit spread: negative if the rating improves and positive in the opposite case. The price variation associated with each IRC scenario is determined after revaluation of positions via a sensitivity approach, using the delta, the gamma as well as the level of loss in the event of default (Jump to Default), calculated with the market recovery rate for each position.

(1) The same internal model is used for all portfolios for which an IRC calculation is required. The same is true for the portfolios on which a CRM calculation is performed. Note that the scope covered with internal models (IRC and CRM) is included in the VaR scope: only entities authorised for a VaR calculation via an internal model can use an internal model for IRC and CRM calculation.

(2) The use of a constant one-year liquidity horizon means that shocks that are applied to the positions to calculate IRC and CRM, are instantaneous one-year shocks. This hypothesis appears to be the most prudent choice in terms of models and capital, rather than shorter liquidity horizons.

The CRM model simulates issuer's rating transitions in the same way as the internal IRC model. In addition, the dissemination of the following risk factors are taken into account by the model:

- credit spreads;
- basis correlations;
- recovery rate excluding default (uncertainty about the value of this rate if the issuer has not defaulted);
- recovery rate in the event of default (uncertainty about the value of this rate in case of issuer default);
- First-to-Default valuation correlation (correlation of the times of default used for the valuation of the First-to-Default basket).

These dissemination models are calibrated from historical data, over a maximum period of ten years. The price variation associated with each CRM scenario is determined thanks to a full repricing of the positions. In addition, the capital charge computed with the CRM model cannot be less than a minimum of 8% of the capital charge determined with the standard method for securitization positions.

The internal IRC and CRM models are subject to similar governance to that of other internal models meeting the Pillar 1 regulatory requirements. More specifically:

- an ongoing monitoring allows to follow the adequacy of IRC and CRM models and of their calibration. This monitoring is based at least on a yearly review of the modelling hypotheses. As these metrics are estimated via a 99.9% quantile over a one-year horizon, the low frequency of breaches means that a backtesting as the one performed on VaR model is not possible. In particular, this review includes:
 - a check of the adequacy of the structure of the rating transition matrices used for IRC and CRM models,
 - a backtesting of the probabilities of default used for these two models,
 - a check of the adequacy of the recovery rate dissemination model in the event of default used in the calculation of CRM.

Regarding the checks on the accuracy of these metrics:

- the IRC calculation being based on the sensitivities of each instrument - delta, gamma - as well as on the level of loss in the event of default (Jump to Default) calculated with the market recovery rate, the accuracy of this approach is checked against a full repricing every six months,
- such a check on CRM is not necessary as its computation is performed following a full repricing;
- these metrics are compared to normative stress tests defined by the regulator. In particular, the EBA stress test and the risk appetite exercise are performed regularly on the IRC metric. These stress tests consist of applying unfavorable rating migrations to issuers, shocking credit spreads and shocking rating transition matrices. Other stress tests are also carried out on an ad hoc basis to justify the correlation hypotheses between issuers and those made on the rating transition matrix;
- a weekly analysis of these metrics is carried out by the production and certification team for market risk metrics;
- the methodology and its implementation have been initially validated by the French Prudential and resolution Supervisory (Autorité de Contrôle Prudentiel et de Résolution - ACPR). Thereafter, a review of the IRC and the CRM is regularly carried out by the Risk Department in charge of the validation of internal models as second line of defense. This independent review process ends with (i) review and approval committees and (ii) an audit report detailing the scope of the review, the tests performed and their outcomes, the recommendations and the conclusion of the review. The model control mechanism gives rise to recurrent reporting to the appropriate authorities.

Moreover, regular operational checks are performed on the completeness of the scope's coverage as well as the quality of the data describing the positions.

TABLE 35: IRC (99.9%) AND CRM (99.9%)

(In EURm)	31.12.2019	31.12.2018
Incremental Risk Charge (99.9%)		
Period start	317	263
Maximum value	352	316
Average value	192	211
Minimum value	58	116
Period end	83	266
Comprehensive Risk Measure (99.9%)		
Period start	164	213
Maximum value	211	310
Average value	144	237
Minimum value	73	165
Period end	95	221

Quantitative information

TABLE 36: MARKET RISK CAPITAL REQUIREMENTS AND RWA BY RISK FACTOR

(In EURm)	Risk-weighted assets			Capital requirement		
	31.12.2019	31.12.2018	Change	31.12.2019	31.12.2018	Change
VaR	3,881	3,365	516	310	269	41
Stressed VaR	6,678	11,771	(5,093)	534	942	(408)
Incremental Risk Charge (IRC)	1,361	3,322	(1,961)	109	266	(157)
Correlation portfolio (CRM)	1,220	2,799	(1,579)	98	224	(126)
Total market risk assessed by internal model	13,140	21,257	(8,117)	1,051	1,701	(650)
Specific risk related to securitization positions in the trading portfolio	277	71	206	22	6	16
Risk assessed for currency positions	865	1,790	(925)	69	143	(74)
Risks assessed for interest rates (excl. securitization)	231	413	(182)	18	33	(15)
Risk assessed for ownership positions	-	136	(136)	-	11	(11)
Risk assessed for commodities	0	34	(34)	0	3	(3)
Total market risk assessed by standard approach	1,373	2,444	(1,071)	110	196	(86)
TOTAL	14,513	23,701	(9,188)	1,161	1,897	(736)

Ninety-one per cent of Societe Generale's capital requirements related to market risk are determined using an internal model approach. The standard approach is mainly used for the positions presenting a foreign exchange risk, which are not part of the trading book, as well as for the Group's subsidiaries that do not have access to the core IT tools developed internally, and for subsidiaries for which the Group is awaiting approval from the regulator to use the internal models. The main entities concerned are Societe Generale International Limited, and some International Retail Banking and Financial Services entities such as Rosbank, SG Maroc, Crédit du Nord, BRD, SG Brésil, etc. The

decrease in capital requirements related to market risk is mainly due to:

- a fall in SVaR mainly due to a higher levels of compensation between equity and fixed income positions compared to end 2018;
- a drop in RWA for IRC resulting from less exposure on the scope covered by IRC;
- a reduction in RWA for CRM as a consequence of methodological improvements made in the last quarter.

TABLE 37: CAPITAL REQUIREMENTS AND RWA BY TYPE OF MARKET RISK

(In EURm)	Risk-weighted assets		Capital requirement	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Risk assessed for currency positions	1,173	2,820	94	226
Risk assessed for credit (excl. deductions)	4,768	8,373	381	670
Risk assessed for commodities	792	272	63	22
Risk assessed for ownership positions	3,904	5,454	312	436
Risk assessed for interest rates	3,876	6,782	310	543
TOTAL	14,513	23,701	1,161	1,897

4.7 OPERATIONAL RISK

Operational risk is the risk of losses resulting from inadequacies or failures in processes, personnel or information systems, or from external events.

Included in the eight risk categories outlined in Chapter 4.7.2, operational risk encompasses the following risks:

- IT and Information Systems Security risks (cybercrime, IT systems failures, etc.);
- Risks related to outsourcing of services and business continuity;
- non-compliance risk (including legal and tax risks): risk of court-ordered, administrative or disciplinary sanctions, or of material financial loss, due to failure to comply with the provisions governing the Group's activities. The risk management framework for operational risk is described in section 4.10 "Compliance risk";

- reputational risk: risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Group's ability to maintain or engage in business relationships and to sustain access to sources of financing;

- misconduct risk: risk resulting from actions (or inactions) or behaviour of the Bank or its employees inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for our stakeholders, or place the Bank's sustainability or reputation at risk;

The framework relating to the risks of non-compliance, reputation and inappropriate conduct is detailed in chapter 4.10 "Risk of non-compliance".

4.7.1 ORGANISATION OF OPERATIONAL RISK MANAGEMENT

The Group operational risk management framework, other than non-compliance risks detailed in chapter 4.10 "Risk of non-compliance", is structured around a two-level system with the following participants:

- a first line of defence in each core business/activity, responsible for applying the framework and putting in place controls that ensure risks are identified, analysed, measured, monitored, managed, reported and contained with the limits set by the Group-defined risk appetite;
- a second line of defence: the Operational Risk Department within the Group's Risk Division.

In particular, the Operational Risk Department:

- conducts a critical examination of the BU/SUs management of operational risks (including fraud risk, risks related to information systems and information security, and risks related to business continuity and crisis management);
- sets regulations and procedures for operational risk systems and production of cross Group analyses;
- produces risk and oversight indicators for operational risk frameworks.

To cover the whole Group, the Operational Risk Department has a central team supported by regional hubs. The regional hubs report back to central, providing all information necessary for a consolidated overview of the Bank's risk profile that is holistic, prospective and valid for both internal oversight purposes and regulatory reporting.

The regional hubs are responsible for implementing the Operational Risk Division's briefs in accordance with the demands of their local regulators.

The Operational Risk Department communicates with the first line of defence through a network of operational risk correspondents in each core business/activity of the BU/SUs.

Concerning risks specifically linked to business continuity, crisis management and information security, the Operational Risk

Department carries out the critical review of the management of these risks in connection with the Group Security Division. Specifically, regarding IT risks, the Operational Risk Department carries out the critical review of the management of these risks in connection with the Resources and Digital Transformation Department.

Second-level control

The second line of defence against operational risk consist in the verification of the definition and efficient conduct of first-level controls, particularly examining the results of first-level controls in terms of quantitative and qualitative aspects, notably as regards the rates of realisation, level of anomaly, etc. This review also makes it possible to check the effectiveness and relevance of control implementation based on key controls and risk type, remedial action plans.

In accordance with the internal control framework, the level 2 risk permanent control teams exercise second-level control for operational risk, encompassing the risks specific to each business (including the operational risk associated with credit and market risks) as well as those related to sourcing, communications, property, human resources and IT systems.

Risk related to security of property and people

The Group Security Division (SEGL/DSG) is in charge of establishing a forward-looking overview of security, allowing to assess threats and identify weak signals, forewarning and protecting persons, Group's physical and intangible assets. Also coordinate the planning of actions to maintain the Bank's critical activities under all circumstances, and assist crisis management if necessary. SEGL/DSG acts as first line of defence (LoD1 expertise) on issues of security.

To this end, the Division's main roles are as follows:

- defining a Group-level overview of security issues;

- identifying existing and future security threats and risks for the Group as well as its weaknesses to confront them;
- developing and disseminating Group mechanisms and policies to better protect its activities and ensure it is capable of withstanding security crises;
- implementing the Group's security oversight mechanism;
- organising the Group's crisis management system;
- coordinating relations with national, European and international security agencies in respect of security issues;
- developing and coordinating economic intelligence;
- assisting in combating fraud;
- strengthening the security culture within the Group (training, communication campaigns, etc.).

The management of all these risks is based on operational risk systems and the second line of defence is provided by the Risk Department.

Risks related to information security

Information is a strategic asset for Societe Generale. Whether on paper, digital or exchanged orally, the use and access to information must be in compliance with regulations and laws.

To this end, the Group Security Department, housed at the level of the General Secretariat, published in April 2019 a new Group Information Security Policy (PGSIN). The PGSIN provides a holistic view of the subject by strengthening the consideration of human aspects (e.g. vigilance inside and outside our premises, and in social networks) and by capitalising on IT security policies (e.g. information encryption). The PGSIN also recalls the importance of spreading the security culture in the Group.

Following the publication of the PGSIN in the SG Code, the Group Security Department, in co-construction with the Teams of the Resources and Digital Transformation Division, has launched or supported initiatives to strengthen materialisation of this policy (e.g. the construction of information security awareness modules for Group employees and also external providers; information protection). These actions are linked to the IT security master plan described below.

With regard to IT systems, the Head of IT Security and IT Operational Risk is housed at the Corporate Resources and Digital Transformation Division. Under the functional authority of the Director of Group Security, he proposes the strategy to protect digital information and animates the community of IT security. The IT security framework is aligned with the market standards (NIST, ISO 27002), and implemented in each BU/SU.

At the operational level, the Group relies on a CERT (Computer Emergency Response Team) unit in charge of incident management, security watch and the fight against cybercrime. This team uses multiple sources of information and monitoring, both internal and external. Since 2018, this unit has also been strengthened by the establishment of an internal Red Team whose main tasks are to assess the effectiveness of the security systems deployed and to test the detection and reaction capabilities of the defence teams (Blue Teams)

during an exercise simulating a real attack. The services of the Red Team enable the Group to gain a better understanding of the weaknesses in the security of the Societe Generale information system, to help in the implementation of global improvement strategies, and also to train cybersecurity defence teams.

Given the increasing number and sophistication of digital attacks, the risk of cybercrime is becoming increasingly significant for players in the banking industry. The Societe Generale focuses strongly on data and information systems to protect its customers. It is addressed in a cooperative way by the IT security and operational risks teams and is monitored by the General Management within the framework of an IT security master plan. A budget of EUR 650 million was allotted over three years to address cybercrime risk.

Consequently, to support the "Transform to Grow" Group strategic plan, the IT security master plan has been structured around five major pillars to steer actions out to 2020 that addresses:

- security for the Bank's customers: enhancing the secure digital experience and strengthening our customers' cyber security culture;
- protection of key assets: continue security actions closer to the data and securing the most sensitive applications;
- continued reinforcement of the Group's detection and reaction capabilities;
- developing the agility and trust zones of our IT systems and processes to facilitate internal and partner exchanges;
- developing the expertise of the IT security sector by creating a Cyber Institute, raising awareness and assisting employees.

A central team at the Resources and Digital Transformation Department is responsible for managing and monitoring IT operational risks. The main missions of the team are:

- identifying and evaluating the major IT risks for the Group, including extreme risk scenarios (eg. cyber-attack, failure of a provider), to enable the Bank to improve its knowledge of its risks, be better prepared for extreme risk scenarios and better align their investments with their IT risks;
- providing elements enabling the Bank's management to steer risks, in particular via Key Risk Indicators (KRIs). These are communicated to Societe Generale's Risk Committee and to the Risk Committee of the Board of Directors. They are reviewed regularly to stay aligned with the IT and security strategy and their objectives;
- more generally, ensuring the quality and reliability of all devices addressing IT operational risks. Particular attention is paid to the permanent control system for its IT risks, which is based on the definition of normative IT and security controls and the support of the Group in the deployment of managerial supervision on this subject. In 2019, as part of the "PCT" permanent control transformation program, a new version of the IT risk/IT security normative controls was developed and must be deployed across the Group by Q3 2020.

The management of all these risks is based on operational risk systems and the second line of defence is provided by the Risk Department.

4.7.2 OPERATIONAL RISK MONITORING PROCESS

The Group's main frameworks for controlling operational risks are as follows:

- collection of internal losses and significant incidents and analysis of external losses;
- self-assessment of risks and controls;
- oversight of risk indicators;
- development of scenario analyses;
- framing new products;
- management of outsourced services;
- crisis management and business continuity;
- information systems security management;

Societe Generale's classification of operational risks in eight event categories and 58 risk categories forms the cornerstone of its risk modelling, ensuring consistency throughout the system and enabling cross-business analyses throughout the Group.

The eight event categories are as follows:

- commercial litigation;
- disputes with authorities;
- errors in pricing or risk evaluation including model risk;
- execution errors;
- fraud and other criminal activities;
- rogue trading;
- loss of operating resources;
- IT system interruptions.

Collection of internal loss and significant incident data

Internal losses have been compiled throughout the Group since 2003, in addition to significant incident data since 2019. The process:

- defines and implements the appropriate corrective actions;
- achieves a deeper understanding of risk areas;
- enhances awareness and vigilance with respect to operational risks in the Group.

Losses (or gains or near-misses) are reported from a minimum threshold of EUR 10,000 throughout the Group, except for global market activities, where the threshold is EUR 20,000.

Incidents without financial impact are also reported when they are deemed significant according to their impact, in particular on contractual commitments, reputation, day-to-day operations, risk appetite or the level of regulatory compliance of the Group.

Analysis of external losses

External losses correspond to the data on operational losses suffered by the banking and financial sector, provided by databases managed by external providers, as well as the data shared by the banking industry as part of consortiums.

These data are used to enhance the identification and assessment of the Group's exposure to operational risks.

Risk and control self-assessment

Under the Risk and Control Self-Assessment (RCSA), each manager assesses the exposure to operational risks to which each entity within the relevant scope is exposed through the activities in order to improve their management.

The method defined by the Group consists of taking a homogeneous approach to identifying and evaluating operational risks and frameworks to control these risks, in order to guarantee consistency of results at Group level. It is based notably on a repository of activities.

The objectives are as follows:

- identifying and assessing the major operational risks (in average amount and frequency of potential loss) to which each activity is exposed (the intrinsic risks, i.e. those inherent in the nature of an activity, while disregarding prevention and control systems). Where necessary, risk mapping established by the functions (e.g. Compliance, Information Systems Security, etc.) contributes to this assessment of intrinsic risks;
- assessing the quality of major risk prevention and mitigation measures;
- assessing the risk exposure of each activity that remains once the risk prevention and mitigation measures are taken into account (the "residual risk"), while disregarding insurance coverage;
- remedying any shortcomings in the prevention and control systems, by implementing corrective action plans and defining key risk indicators; if necessary, in the absence of an action plan, risk acceptance will be formally validated by the appropriate hierarchical level;
- adapting the risk insurance strategy, if necessary.

Key risk indicators

Key risk indicators (KRIs) supplement the overall operational risk management system by providing a dynamic view (warning system) of changes in business risk profiles.

Their follow-up provides managers of entities with a regular measure of improvements or deteriorations in the risk and the environment of prevention and control.

A cross analysis of Group-level KRIs and losses is presented to the Group's Executive Committee on a quarterly basis via a specific dashboard.

Analyses of scenarios

The analyses of scenarios serve two purposes: informing the Group of potential significant areas of risk and contributing to the calculation of the capital required to cover operational risks.

These analyses make it possible to build an expert opinion on a distribution of losses for each risk category and thus to measure the exposure to potential losses in scenarios of very severe severity, which can be included in the calculation of the prudential capital requirements.

In practice, various scenarios are reviewed by experts who gauge the severity and frequency of the potential impacts for the Group by factoring in internal and external loss data as well as the internal framework (controls and prevention systems) and the external environment (regulatory, business, etc.).

Governance is established in particular, to:

- allow the approval of the annual scenarios update programme by the Risk Committee (CORISQ);
- allow the approval of the scenarios by the senior management of the Business and Corporate Divisions, through the Internal Control Coordination Committees of the departments involved or through ad hoc meetings;
- conduct an overall review of the Group's risk hierarchy and of the suitability of the scenarios through CORISQ.

New product committees

Each division submits their new product proposals to a New Product Committee (commercial products only).

The committee, jointly coordinated by the Risk Division and the relevant businesses, is a decision-making body which decides the production and marketing conditions of new products to customers.

The committee aims to ensure that, before any product launch, all types of induced risks (credit, market, liquidity and refinancing, country, operational, legal, accounting, tax, financial, information systems risks as well as the risks of compliance, reputation, protection of personal data and corporate social responsibility risks, etc.) have been identified, assessed and, if necessary, subjected to mitigation measures allowing the acceptance of residual risks.

The definition of "new product" extends from the creation of a new product or service to the development of an existing product or service as soon as this development is likely to generate different or higher risks. The development may be linked to matters such as a new regulatory environment, to marketing on a new scope or to a new type of clientele.

Outsourcing of services

Some banking services are outsourced outside the Group or within the Group (e.g. in our shared service centres). These two subcontracting channels are supervised in a manner adapted to the risks.

A framework with standards and a tool helps ensure that the operational risk linked to outsourcing is controlled, and that the conditions set by the Group's approval are respected.

It helps to map the Group's outsourcing with an identification of the activities and BU/SU concerned, and to put outsourcing under control with knowledge of risks and with suitable supervision.

During the study phase, the businesses decide on the outsourcing of services within the framework of standards set by the Group. Outsourcing projects are led by a project manager and validated by the

sponsor who accepts the residual risk level after a risk analysis based on expert opinions. This ensures the consistency of the assessments and the consistency of decisions across the Group.

The analysis includes, at a minimum, operational risks (including fraud, execution risk, etc.), legal, tax, non-compliance, reputation, supplier, human resources, social and environmental responsibility, business continuity risks, risks related to data quality, and risks related to information security and data protection.

Legal experts use the same definition of essential outsourcing of services as that defined in the Decree of 3 November 2014.

All outsourced services are then monitored at a frequency defined by their level of risk.

Services at Group level are subject to reinforced monitoring through very regular contractual monitoring. These services are identified using criteria such as the concept of "core business activity", financial impact and reputation risk. These services are validated by a dedicated committee, chaired by the Operational Risk Department.

A closing phase is used to manage the outflow of services.

Crisis management and business continuity

The crisis management and business continuity systems aim to mitigate as far as possible the impacts of potential incidents on customers, staff, activities and infrastructure, thus protecting the Group's reputation, the image of its brands, and its financial resilience. These systems also satisfy regulatory requirements.

The approach used to implement and track the business continuity systems of each Group entity is based on a methodology that meets international standards.

2018-2020 IT security master plan

With investments amounting to EUR 650 million in the last three years, the IT security master plan places cybersecurity at the centre of the trusted digital relationship between Societe Generale and its customers.

The assessment of cyber risks and measures to strengthen our IT security are managed using a dashboard shared quarterly with the Group's management. Structured around a set of key risk indicators (KRI) covering the eight standard categories of IT security risks recommended by the regulatory authorities and standards bodies (ACPR, EBA, NIST, etc.), the dashboard is a means of verifying compliance with the Group's risk appetite and the effectiveness of action plans.

In terms of awareness, a multi-language e-learning module on information security is mandatory for all internal Group staff and for all service providers who use or access our information system. At the end of 2019, 97% of Societe Generale Group employees had validated the training.

A specific e-learning module for the executive assistants of the Group Executive Committee was introduced at the end of 2019. Owing to their close working relationship with members of the Group's Executive Committee, executive assistants can represent a target of choice for fraudsters and other cyber pirates. The purpose of the e-learning module is to develop their awareness of the risks of social engineering and attempts at fraud.

Societe Generale also offers traineeships to more than 2,500 trainees every year. A letter of confidentiality is now systematically sent to

them to be signed before they take up their post. The Group organises dedicated onboarding sessions for them, in particular to remind them of the information protection rules in force in the Group; for example, they are required to have the content of their traineeship report validated by their manager before it is circulated externally.

In addition, specific awareness-raising actions, not only for employees but also for customers, are carried out throughout the year (conferences, demonstrations, workshops, etc.). For example, fake phishing emails are sent to all employees, at least twice a year, to teach them to detect a suspicious email and send them the right reflexes. Since the first campaigns in 2015, the number of link clicks or attachment openings has halved, and the rate of reporting suspicious messages to security teams has almost tripled.

4.7.3 OPERATIONAL RISK MEASUREMENT

Since 2004, Societe Generale has used the Advanced Measurement Approach (AMA) allowed by the Capital Requirements Directive to measure operational risk. This approach, implemented across the main Group entities, notably makes it possible to:

- identify the businesses that have the greatest risk exposures;
- identify the types of risk that have the greatest impact on the Group's risk profile and overall capital requirements;
- enhance the Group's management of operational risks.

Operational risk modelling

The statistical method used by the Group for operational risk modelling is based on the Loss Distribution Approach (LDA) for AMA internal model.

Under this approach, operational risks are modelled using segments, each segment representing a type of risk and a Group core business. The frequency and severity of operational risks, based on past internal losses, external losses, the internal and external environment, and scenario analyses, are estimated and the distribution of annual losses is calculated for each segment. This approach is supplemented by cross-business scenario analyses that measure cross-business risks for core businesses, such as cybercriminality and the flooding of the river Seine.

Aside from the individual risks associated with each segment or cross-business scenario analysis, the model takes into account the diversification between the various types of risk and the core businesses, as well as the effect of insurance policies taken out by the Group.

The Group's regulatory capital requirements for operational risks within the scope covered by the (AMA) internal model are then defined as the 99.9% quantile of the Group's annual loss distribution.

For some Group entities, notably in retail banking activities abroad, the standard method is applied: the calculation of capital requirements is defined as the average over the last three years of a financial aggregate based on the Product Net Banking multiplied by factors defined by the regulator and corresponding to each category of activity. To make the calculation, all of the Group's business lines are broken down into the eight regulatory activities.

Societe Generale's total capital requirements for operational risks were EUR 3.8 billion at the end of 2019, representing EUR 47.9 billion in risk-weighted assets. This assessment includes the capital requirement of AMA and Standard perimeters.

Insurance cover in risk modelling

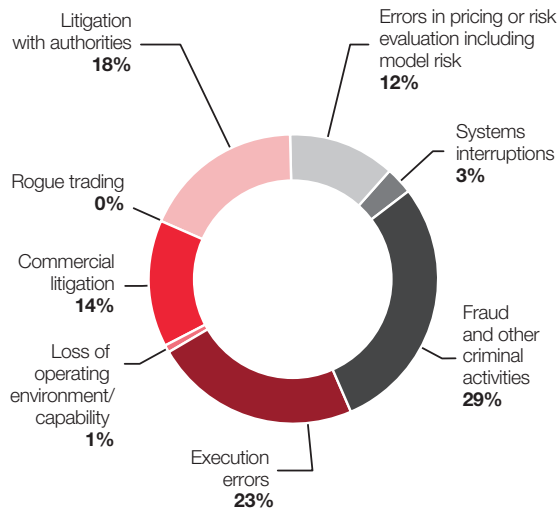
In accordance with regulations, Societe Generale incorporates risk cover provided by insurance policies when calculating regulatory capital requirements for operational risks, within the limit of 20% of said requirements. These insurance policies cover part of the Group's major risks, i.e. civil liability, fraud, fire and theft, as well as systems interruptions.

Risk reduction through insurance policies resulted in a 5.9% decrease in total capital requirements for operational risks.

Quantitative data

The following charts break down operating losses by risk category for the 2015-2019 period.

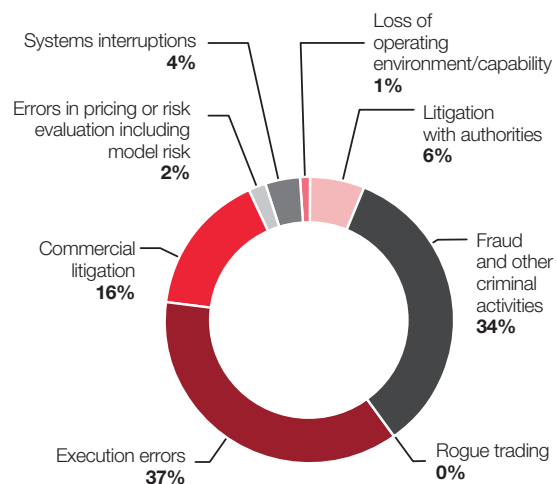
OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE - AMOUNTS



Over the past five years, Societe Generale's operational risks were concentrated on average on four types, accounting for 96% of the Group's total operating losses:

- fraud and other criminal activities represented 29% of the amount of operating losses over the period. They are mainly composed of external frauds on financing files (falsified financial statements by the client, theft or misappropriation of collateral/guarantees, etc.), fraud on manual means of payment (cash, transfer and cheque) and supplier fraud on financed equipment;
- execution errors represented 23% of total operational losses, thereby constituting the second leading cause of loss for the Group. The amount of losses on this category is stable over the period;
- disputes with authorities, the third largest category, represented 18% of the Group's operational losses over the period. The amount

OPERATIONAL RISK LOSSES: BREAKDOWN BY SOCIETE GENERALE RISK EVENT TYPE - NUMBER OF EVENTS



of losses in this category fell significantly in 2019 following the settlement of the Group's main disputes in 2018;

- commercial disputes represented 14% of total Group operating losses. The trend is down for this category over the period considered;
- pricing or risk assessment errors, including model risk, represent 12% of the total amount of losses. The main cases concern the pricing and ALM models.

The other categories of Group operational risk (activities not authorised on the markets, system interruptions, loss of operating environment/capability) were still relatively insignificant, representing barely 4% of the Group's losses on average over the 2015 to 2019 period.

4.7.4 RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS

Societe Generale's capital requirements for operational risk are mainly calculated using the Advanced Measurement Approach (AMA) via its internal model (95% in 2019 and 94% in 2018). The amount of risk-weighted assets on the AMA scope has decreased slightly (EUR

-1,258 million, i.e. -2.7%) reflecting the change in the group's operational risk profile. The decrease on risk-weighted assets using the standard approach was chiefly driven by a slowdown in activity and the various disposals of Eastern European entities during 2019

The following table breaks down the Group's risk-weighted assets and the corresponding capital requirements at 31 December 2019.

TABLE 38: RISK-WEIGHTED ASSETS AND CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

	31.12.2019				31.12.2018			
	RWA under Standardised approach	RWA under Advanced Measurement Approach (AMA)	Total RWA	Capital requirements	RWA under Standardised approach	RWA under Advanced Measurement Approach (AMA)	Total RWA	Capital requirements
(In EURm)								
Global Banking and Investor Solutions	189	32,007	32,196	2,576	289	32,804	33,093	2,647
Corporate Centre	364	3,141	3,505	280	275	3,138	3,413	273
International Retail Banking and Financial Services	1,884	5,029	6,913	553	2,284	5,376	7,659	613
French Retail Banking	33	5,313	5,346	428	23	5,432	5,455	436
TOTAL	2,470	45,491	47,961	3,837	2,872	46,749	49,621	3,970

4.7.5 OPERATIONAL RISK INSURANCE

Policies of the insurance subscription

GENERAL POLICY

Since 1993, Societe Generale has implemented a global policy of hedging Group operational risks through insurance.

This consists in searching the market for the most extensive cover available for the risks incurred and enabling all entities to benefit from such cover wherever possible. Policies are taken out with leading insurers. Where required by local legislation, local policies are taken out, which are then reinsured by insurers that are part of the global programme.

In addition, special insurance policies may be taken out by entities that perform specific activities.

A Group internal reinsurance company intervenes in several policies in order to pool high-frequency, low-level risks between entities. This approach contributes to the improvement of the Group's knowledge and management of its risks.

Description of main coverage

GENERAL RISKS

Buildings and their contents, including IT equipment, are insured at their replacement value. The guarantee covering acts of terrorism abroad has been renewed.

Liability other than professional liability (i.e. relating to operations, Chief Executive Officers and Directors, vehicles, etc.) is covered by insurance policies on a worldwide basis. The amounts insured vary from country to country, according to operating requirements.

RISKS ARISING FROM OPERATIONS

Insurance is only one of the measures used to offset the consequences of the risks inherent in the Group's activity. It complements the Group's risk management policy.

THEFT/FRAUD

These risks are included in the "Banker's Blanket Bond" policy that insures all the Group's financial activities around the world.

Internal fraud (committed by an employee or by a third party acting with the aid of an employee) and external fraud (committed by a third party acting alone), with the intent to obtain illicit personal gain or to harm the Group, are covered.

PROFESSIONAL LIABILITY

The consequences of any legal on staff or managers in the Group's professional activities are insured under a global policy.

CYBER ATTACKS

A cyber risk insurance policy has been taken out amid an environment not specific to the banking sector which is seeing a rapid development of new forms of crime mainly involving data theft or the compromise or destruction of computer systems.

4.8 STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

Audited I Structural exposure to interest rate and exchange rate risks results from commercial transactions, their associated hedging transactions and Corporate Centre transactions.

The interest rate and exchange rate risks linked to trading book activities are excluded from the structural risk measurement scope as they belong to the category of market risks. Structural and market exposures constitute the Group's total interest rate and exchange rate exposure.

The general principle is to reduce structural interest rate and exchange rate risks to the greatest possible extent within the consolidated entities. Within the entities, commercial and corporate center operations must therefore be matched in terms of interest rates and exchange rates as much as possible. At consolidated level, a structural foreign exchange position is maintained in order to minimise the sensitivity of the Group's Common Equity Tier 1 (CET1) ratio to exchange fluctuations.

4.8.1 ORGANISATION OF THE MANAGEMENT OF STRUCTURAL INTEREST RATE AND EXCHANGE RATE RISKS

The principles and standards for managing these risks are defined at the Group level. The entities are first and foremost responsible for managing these risks. The ALM (Asset and Liability Management) Department within the Group's Finance Division supplements the control framework.

The Group Finance Committee, a General Management Body

The purpose of the Group Finance Committee is to:

- validate and ensure the adequacy of the system for monitoring, managing and supervising structural risks;
- review changes in the Group's structural risks through consolidated reporting;
- review and validate the measures proposed by the Group's Finance Department.

The ALM Department, within the Group's Finance Department

The ALM (Asset and Liability Management) Department is responsible for:

- defining the structural risk policies for the Group and formalising risk appetite to structural risks;
- defining the steering indicators and overall stress test scenarios of the different types of structural risks and setting the main limits for the business divisions and the entities and Business Units (BU) et Service Units (SU);
- analysing the Group's structural risk exposure and defining hedging strategies;
- monitoring the regulatory environment concerning structural risk;
- defining the ALM principles for the Group;
- defining the normative environment of the structural risk metrics, modelling and framing methods;
- defining the models used by the Group's entities regarding structural risks;
- identifying, consolidating and reporting on Group structural risks;

- monitoring compliance with structural risk limits.

The ALM Risk Control Department within the Risk division

The second-level supervision of the ALM models used within the Group and of associated frameworks is provided by a dedicated service within the Risk Department. Accordingly, the department:

- validates the methodological principles, feeding parameters and back tests of ALM models;
- requests and analyses proposals from the Group Finance Division regarding the risk indicators definition, stress test scenarios and structural risk frameworks;
- ensures at the second level that the entities' frameworks and BU/SU and Group frameworks are respected, and conducts a regular review in coordination with the first-level control teams.

The Risk Department also organises and chairs the Group Model Validation Committee and the Group ALM Standards Validation Committee.

The entities and BU/SUs are responsible for ALM risk management

Each entity and each BU/SU carries out first-level controls on structural risks and is responsible for regularly assessing risks incurred. It drafts the risk report and develops and implements hedging options.

Each entity and each BU/SU is required to comply with the Group's standards and to adhere to the limits assigned to it.

As such, the entities and the BUs/SUs apply the standards defined at Group level and develop the models, with the support of the Finance Department's central modeling teams.

An ALM manager reporting to the Finance Department in each entity is responsible for monitoring these risks (level 1 control). He is responsible for reporting ALM risks to the Group Finance Department. All entities have an ALM Committee which is tasked with implementing validated models, managing exposure to interest rate and exchange rate risks and implementing hedging programmes in accordance with the principles set out by the Group and the limits validated by the Finance Committee and the BU/SU ALM Committees.

4.8.2 STRUCTURAL INTEREST RATE RISK

Structural interest rate risk is generated by commercial transactions and their hedging, as well as the management operations specific to each of the consolidated entities.

This interest rate risk arises mainly from residual fixed-rate positions with future maturities.

The Group's objective

The objective of managing structural interest rate risk is to reduce the degree of exposure of each Group entity as much as possible.

To this end, the Board of Directors, the Finance Committee and the ALM Committees set sensitivity limits (in terms of value and income) for the Group, the BU/SUs and the entities, respectively.

Measuring and monitoring structural interest rate risk

Société Générale uses several indicators to measure the Group's overall interest rate risk. The three most important indicators are:

- the sensitivity of the net present value (NPV) to the risk of interest rate mismatch. It is measured as the sensitivity of the net present value of the static balance sheet to a change in interest rates. This measure is calculated for all currencies to which the Group is exposed;
- the sensitivity of the interest margin to changes in interest rates in various interest rate scenarios. It takes into account the sensitivity generated by future commercial production over a three-year period and is calculated on a dynamic basis;
- the sensitivity of NPV to basis risk (risk associated with decorrelation between different variable rate indices).

Limits on these indicators apply to the Group, the BUs/SUs and the various entities.

Assets and liabilities are analysed without prior allocation of resources to uses. Maturities of outstandings are determined by taking into account the contractual characteristics of the transactions, adjusted for the results of customer behaviour modeling (in particular for demand deposits, savings and early loan repayments), as well as a certain number of disposal agreements, in particular on equity items.

Where possible, hedging transactions are documented from an accounting view point: this can be carried out either as micro-hedging (individual hedging of commercial transactions) or as macro-hedging under the IAS 39 carve-out arrangement (global backing of portfolios of similar commercial transactions within a treasury department; macro-hedging concerns essentially French retail network entities).

Macro-hedging derivatives are essentially Interest Rate Swaps in order to maintain networks net asset value and result sensitivity within limit frameworks considering hypothesis applied. For macro-hedging documentation, the hedged item is an identified portion of a portfolio of commercial client or interbank operations. Conditions to respect in order to document hedging relationships are reminded in note 3.2.

Macro-hedging derivatives are allocated to separate portfolios according to whether they are used to hedge fixed-rate assets or liabilities in the accounting books. The hedging instrument portfolios allocated to liability elements are net fixed-rate receiver/variable-rate payer whereas the hedging instrument portfolios allocated to asset elements are net fixed-rate payer/variable-rate receiver.

The non-over hedging tests and hedged items non-disappearing tests make the link between the balance sheet available assets or liabilities outstandings and the amount of assets and liabilities outstandings designated as hedged. The prospective non-over hedging test is satisfied when the net outstanding amount of the swaps is lower for each maturity band and on each measurement date than the determined outstanding amount of items eligible to fair value hedge. The estimated outstandings may be defined as the outstanding amount resulting from ALM projections. The non-over hedging a posteriori test is performed in two stages. The first stage is the same as the a priori test but on the outstanding amount eligible for a fair value hedge on closing date, new production excluded. The second stage is called the non-disappearance of the hedged item test and consists of verifying that the hedgeable position is always at least as significant as the maximum position that had initially been hedged.

The effectiveness of the hedge is then determined using the dollar off-set method. The sources of ineffectiveness result from the last fixing of the variable leg of the hedging swaps, the bi-curve valorisation of the collateralised hedging instruments, possible mismatches in the cash flows payment dates and counterparty risk on hedging instruments valorisation.

The Group's sensitivity to changes in interest rates at 31 December 2019 stood at EUR -54 million (for an instantaneous and parallel increase in interest rates of 0.1%). ▲

AUDITED I TABLE 39: SENSITIVITY OF THE GROUP'S VALUE TO A +10 BP INTEREST RATE VARIATION

(In EURm)	Total
Amount of sensitivity (31.12. 2019)	(54)
Amount of sensitivity (31.12.2018)	29

The Group analyses the sensitivity of the net interest margin to changes in market interest rates through stress tests on the Group's net interest margin under constant balance sheet and under forward balance sheet assumptions.

The measurement of the sensitivity of the net interest margin to a three-year horizon in different configurations of the yield curve is used by the Group to monitor the interest rate risk on a perimeter of significant entities.

The balance sheet in a dynamic approach evolves according to the amortisation of the stock and the renewals of operations on the basis of the outstanding amounts booked at the closing date .

The sensitivity of the Group's net interest margin over the next three following full years is low. In the event of a parallel rise in the yield curve of +10 bp, it is positive and represents less than 1% of net banking income.

The sensitivity of the net interest margin is mainly due to the impact on:

- Customer deposits: generally low or non-interest-bearing, with customer rates only partially impacted by interest rate changes, their margin is mainly the result of the replacement rate;
- new credit loan production

The sensitivity of the margin on the stock of customer transactions results from the renewal of matured tranches of deposit replacements and the residual sensitivity of the balance sheet to interest rate changes.

French Retail Banking's activities in France and abroad are favorably exposed by a rise in interest rates over the first three years enabling them to replace their deposits at higher rates, with the margin on loans in stock remaining stable. However, this increase in margin is partially offset by higher refinancing costs.

Retail Banking activities are unfavourably exposed to the decrease in rates as their deposits are then replaced at lower rates and the margin on loans in stock decreases due to early repayments. This decline in margin was partially offset by higher production margins on new loans (the decline in customer lending rates is not as rapid as the decrease in interest rate curves) and by lower refinancing costs.

Calculations are based on the aggregate estimates as at 31 December of consolidated entities of the Group.

TABLE 40: SENSITIVITY OF THE GROUP'S INTEREST MARGIN

(In EURm)	31.12.2019	31.03.2019
Parallel increase in interest rates of 10 bp		
Year 1	9	60
Year 2	48	60
Year 3	115	64
Parallel decrease in interest rates of 10 bp		
Year 1	(15)	(21)
Year 2	(56)	(104)
Year 3	(122)	(132)

4.8.3 STRUCTURAL EXCHANGE RATE RISK

Audited I This structural exchange rate risk results mainly from:

- exposures related to net investments abroad, i.e. in subsidiaries and branches;
- exposures related to other banking book transactions.

The Group's policy is to make the CET1 ratio insensitive to fluctuations in exchange rates against the euro.

As such, Group entities are only allowed to maintain residual positions against their local reference currency.

At central Finance Department level, Societe Generale maintains a target exposure in each RWA currency equivalent to the level of the target Group CET1 ratio.

For each currency, the difference between actual and target exposure is governed by limits validated by the Finance Committee and the Board of Directors. ▲

TABLE 41: SENSITIVITY OF THE GROUP'S COMMON EQUITY TIER 1 RATIO TO A 10% CHANGE IN THE CURRENCY (IN BASIS POINTS)

Currency	Impact of a 10% currency depreciation on the Common Equity Tier 1 ratio		Impact of a 10% currency appreciation on the Common Equity Tier 1 ratio	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
DZD	-	-	-	-
USD	-	(1)	-	1
JPY	-	-	-	-
CZK	-	-	-	-
GBP	-	-	-	-
CNY	-	-	-	-
DKK	-	-	-	-
MAD	-	-	-	-
XAF	-	-	-	-
Other	-	(2)	-	2

4.9 LIQUIDITY RISK

Audited | Liquidity risk is defined as the risk of not being able to meet cash flow or collateral requirements when they fall due and at a reasonable price.

4.9.1 GOVERNANCE AND ORGANISATION

The principles and standards that are applicable to the management of liquidity risk are defined by the Group's governing bodies, whose duties in the area of liquidity are listed below:

- the Board of Directors:
 - establishes the level of liquidity risk tolerance as part of the Group's Risk Appetite exercise, including the time period during which the Group can operate under conditions of stress ("survival horizon"),
 - meets regularly (at least quarterly) to examine the Group's liquidity risk situation;
- the Group Executive Committee:
 - sets budget targets in terms of liquidity based on proposals from the Group Finance Division,
 - allocates liquidity to the businesses and Group Treasury based on proposals from the Group Finance Division;
- the Finance Committee is responsible for monitoring structural risks and managing scarce resources. As such, it:
 - meets every six weeks, under the chairmanship of the Chief Executive Officer or of a Deputy Chief Executive Officer, with the representatives of the Risk Division, Finance Division and of the businesses,
 - oversees and validates the limits set for structural liquidity risk,
 - regularly monitors compliance with the budget and liquidity trajectory,
 - takes decisions, if necessary, on the implementation of corrective measures,
 - takes decisions, if necessary, on methodology issues regarding liquidity risk management,
 - examines regulatory changes and their impacts.

The businesses are responsible for managing liquidity risk within their scope and are directly supervised by the Group Finance Division. They must ensure compliance with the regulatory requirements applicable to the entities falling within their scope of supervision.

The Group Finance Division manages and monitors liquidity risk through three separate departments, in compliance with the principle of separation between risk steering, execution and control functions:

- the Strategic and Financial Steering Department, responsible for:

- establishing the Group's financial trajectory, in line with its strategic targets, regulatory requirements and market expectations,
- proposing and monitoring the businesses' budget trajectories,
- monitoring the regulatory environment and developing liquidity steering standards for the businesses;
- the Balance Sheet and Global Treasury Management Department, responsible for:
 - implementing the Group's short-term and long-term funding plans (including the management of intraday liquidity risk),
 - supervising and coordinating the Group's Treasury functions,
 - monitoring the market and bringing its operational expertise when it comes to establishing Group liquidity steering objectives and allocating liquidity to businesses,
 - managing the collateral used in refinancing operations (central banks, covered bonds, securitisation, secured funding), and monitoring the liquidity reserve,
 - managing the Group's central funding department (management of liquidity and equity within the Group), including the internal liquidity charts,
 - developing and implementing the Contingency Funding Plan in the event of Group liquidity shortage;
- the ALM Department (Asset and Liability Management) is in particular charged with:
 - supervising and controlling structural risks (interest rate, exchange rate and liquidity) to which the Group is exposed,
 - controlling the structural risk models and their compliance with the Group's rules and methodologies, as well as monitoring compliance with risk limits and management practices within the Group's Business Units and entities.

Second-level supervision of the ALM models used within the Group and of the associated risk framework is conducted by a dedicated team within the Market Risk Department of the Risk Division. Accordingly, this team validates the methodological principles, parameters and backtests of liquidity models. It analyses proposals from the Finance Division and from the Business Units regarding risk indicators, stress test scenarios as well as liquidity and funding risk frameworks. It also conducts second-level controls of compliance with the risk limits defined under such a framework.

4.9.2 THE GROUP'S PRINCIPLES AND APPROACH TO LIQUIDITY RISK MANAGEMENT

The Group's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity steering system provides a balance sheet framework based on an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors:

- the assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the targeted liabilities structure. This development must comply with the liquidity gaps defined at Group level (under static and stress scenarios) as well as regulatory requirements;
- the liabilities structure is based on the ability of the businesses to collect financial resources from customers and the ability of the Group to raise sustainably financial resources on the markets, in accordance with its risk appetite.

This steering system is based on measurement and supervision of the businesses' liquidity gaps under reference and stress scenarios, their Group funding needs, the funds raised by the Group on the market, the assets that are eligible to liquidity buffers and the businesses' contributions to regulatory ratios. Accordingly, the principles of liquidity management are as follows:

1. The businesses must maintain low to nil static liquidity gaps within the operating limits of their activities by using the Group's Central Treasury, which can, if necessary, run an (anti-)transformation position and manage it within the framework of the established risk limits.
2. Internal liquidity stress tests, established on the basis of a scenario combining a market and a specific stress, are steered and controlled at Group level. They are used to ensure compliance with the survival horizon established by the Board of Directors and to calibrate liquidity reserves. They are accompanied by a Contingency Funding Plan that sets out measures to be taken in the event of a liquidity crisis.
3. The set of businesses' funding needs (short-term and long-term) are determined on the basis of the development objectives for

the franchises and in line with the Group's fund-raising targets and capabilities.

4. A plan for long-term funding, which complements the resources raised by the businesses, is designed to cover upcoming repayments and finance the growth of the businesses. It takes into account the Group's investment capabilities and aims to optimise the cost of fund-raising while complying with limits in terms of market concentration. Diversification in terms of issuers and investor pools is also sought and managed.
5. The Group's short-term resources are adapted to the financing of the businesses' short-term needs over periods that are appropriate to their management and in line with market concentration limits. As outlined above, they are adjusted in light of the liquidity reserve on the asset side, based on the established stress survival horizon as well as on the Group's LCR target (Liquidity Coverage Ratio).
6. The Group's liquidity steering ensures compliance with the target regulatory ratios (LCR, NSFR, leverages), the BU contributions to these ratios being subject to supervision.

Lastly, liquidity cost is passed on to businesses via the Group's internal transfer pricing scheme. Funding allocated to the businesses is charged to the latter on the basis of scales that must reflect the liquidity cost for the Group. This system is designed to optimise the use of external financing sources by businesses and is used to monitor the equilibrium of balance sheet funding. The management of intra-group liquidity relies on a principle of centralisation of liquidity flows. The corporate central treasury is responsible for raising funding externally and providing liquidity to businesses on short term and long term maturities. There are only marginal flows between subsidiaries. In parallel, local excess cash is upstreamed to the central treasury, unless it triggers a breach of local constraints. Excess liquidity that cannot be transferred to the Group is subject to Group investment guidelines.

Societe Generale has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. ▲

4.9.3 LIQUIDITY RESERVE

The Group's liquidity reserve encompasses cash at central banks and assets that can be used to cover liquidity outflows under a stress scenario. The reserve assets are available, i.e. not used in guarantee or as collateral on any transaction. They are included in the reserve after applying a haircut to reflect their expected valuation under stress. The Group's liquidity reserve contains assets that can be freely transferred within the Group or used to cover subsidiaries' liquidity outflows in the event of a crisis: non-transferable excess cash (according to the regulatory ratio definition) in subsidiaries is therefore not included in the Group's liquidity reserve.

The liquidity reserve includes:

- central bank deposits, excluding mandatory reserves;
- High-Quality Liquid Assets (HQLAs), which are securities that can be quickly monetised on the market via sale or repurchase

transactions; these include government bonds, corporate bonds and equities listed on major indices (after haircuts). These HQLAs meet the eligibility criteria for the LCR, according to the most recent standards known and published by regulators. The haircuts applied to HQLA securities are in line with those indicated in the most recent known texts on determining the numerator of the LCR;

- non-HQLA Group assets that are central bank-eligible, including receivables as well as covered bonds and securitisations of Group receivables held by the Group.

The composition of the liquidity reserve is reviewed regularly by a special committee comprising the Finance Division, the Risk Division and the Management of the MARK Business Unit, and is adjusted by authorisation of the Finance Committee.

TABLE 42: LIQUIDITY RESERVE

(In EURbn)	31.12.2019	31.12.2018
Central bank deposits (excluding mandatory reserves)	88	82
HQLA securities available and transferable on the market (after haircut)	81	73
Other available central bank-eligible assets (after haircut)	21	17
TOTAL	190	172

4.9.4 REGULATORY RATIOS

The Basel Committee recommends the international implementation of two standard ratios with harmonised parameters to regulate bank liquidity risk profiles:

- the Liquidity Coverage Ratio (LCR) aims to ensure that banks hold sufficient liquid assets or cash to survive a significant stress scenario combining a market crisis and a specific crisis and lasting for one month;
- the Net Stable Funding Ratio (NSFR) is a transformation ratio which compares funding needs with stable resources over a one-year period.

The transposition of Basel 3 into European Union law under CRD4 and CRR1 was published on 27 June 2013. The French transposition was published in the French Official Journal (*Journal officiel*) on 5 November 2014.

The LCR definition was finalised, on the basis of technical standards issued by the EBA, through a Delegated Act of the European

Commission on 10 October 2014. The LCR entered into force at European level on 1 October 2015. The text has been updated by a Delegated Act which will enter into force on 30 April 2020. The corresponding minimum requirement was set at 100% from 1 January 2018.

The NSFR requirement is included in the CRR2 as published in June 2019. It will enter into force in June 2021. The required level will stand at 100%.

Societe Generale is actively continuing its work on transposing the European prudential legislation (or the Basel text when the European transposition has not yet been finalised) and on translating it into management standards within the Group.

Since the implementation of the European regulatory LCR requirement in October 2015, Societe Generale's LCR has consistently stood at over 100%. The LCR was 119% at end-2019 (vs. 129% at end-2018).

4.9.5 BALANCE SHEET SCHEDULE

The main lines of the Group's financial liabilities and assets are presented in Note 3.13 to the consolidated financial statements.

TABLE 43: BALANCE SHEET SCHEDULE

FINANCIAL LIABILITIES

31.12.2019						
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Due to central banks		4,097	-	-	-	4,097
Financial liabilities at fair value through profit or loss, excluding derivatives	Notes 3.1 and 3.4	155,032	17,815	23,584	29,578	226,009
Due to banks	Note 3.6	69,155	20,306	17,268	1,200	107,929
Customer deposits	Note 3.6	372,574	20,385	16,318	9,335	418,612
Securitised debt payables	Note 3.6	28,143	24,947	56,099	15,979	125,168
Subordinated debt	Note 3.9	5	2	2,746	11,712	14,465

NB: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives.

The table at 31 December 2018 has been modified as follows:

31.12.2018						
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Due to central banks		5,721	-	-	-	5,721
Financial liabilities at fair value through profit or loss, excluding derivatives	Note 3.1 and 3.4	186,075	11,231	16,891	21,940	236,137
Due to banks	Note 3.6	60,020	7,788	25,283	1,615	94,706
Customer deposits	Note 3.6	366,934	18,246	20,691	10,947	416,818
Securitised debt payables	Note 3.6	29,579	23,703	48,660	14,397	116,339
Subordinated debt	Note 3.9	301	255	1,581	11,177	13,314

NB: The scheduling assumptions for these liabilities are presented in Note 3.13 to the consolidated financial statements. In particular, the data are shown without provisional interest and excluding derivatives.

FINANCIAL ASSETS

31.12.2019						
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Cash, due from central banks		98,967	735	1,609	1,000	102,311
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	242,879	7,011	-	-	249,890
Financial assets at fair value through other comprehensive income	Note 3.4	51,730	1,282	-	244	53,256
Securities at amortised cost	Note 3.5	11,012	200	973	304	12,489
Due from banks at amortised cost	Note 3.5	47,260	1,957	6,257	892	56,366
Customer loans at amortised cost	Note 3.5	87,877	58,318	162,795	111,234	420,224
Lease financing agreements ^(*)	Note 3.5	2,487	6,050	16,727	4,756	30,020

^(*) Amounts are featured net of impairments

The table at 31 December 2018 has been modified as follows:

31.12.2018						
(In EURm)	Note to the consolidated financial statements	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Cash, due from central banks		93,309	733	1,597	946	96,585
Financial assets at fair value through profit or loss, excluding derivatives	Note 3.4	240,543	2,024	-	-	242,567
Financial assets at fair value through other comprehensive income	Note 3.4	48,738	998	-	290	50,026
Securities at amortised cost	Note 3.5	6,360	1,717	3,566	383	12,026
Due from banks at amortised cost	Note 3.5	48,248	2,618	4,614	5,108	60,588
Customer loans at amortised cost	Note 3.5	98,379	63,874	178,414	74,983	415,650
Lease financing agreements ^(*)	Note 3.5	2,605	6,355	17,760	4,859	31,579

^(*) Amounts are featured net of impairments

Due to the nature of its activities, Société Générale holds derivative products and securities whose residual contractual maturities are not representative of its activities or risks.

By convention, the following residual maturities were used for the classification of financial assets:

- Assets measured at fair value through profit or loss, excluding derivatives (customer-related trading assets):
 - Positions measured using prices quoted on active markets (L1 accounting classification): maturity of less than 3 months,
 - Positions measured using observable data other than quoted prices (L2 accounting classification): maturity of less than 3 months,

- Positions measured mainly using unobservable market data (L3): maturity of 3 months to 1 year;

- Financial assets at fair value through other comprehensive income:
 - Available-for-sale assets measured using prices quoted on active markets: maturity of less than 3 months,
 - Bonds measured using observable data other than quoted prices (L2): maturity of 3 months to 1 year,
 - Finally, other securities (shares held long-term in particular): maturity of more than 5 years.

As regards the other lines of the balance sheet, other assets and liabilities and their associated conventions can be broken down as follows:

OTHER LIABILITIES

31.12.2019							
(In EURm)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Tax liabilities	Note 6.3	-	-	939	-	470	1,409
Revaluation difference on portfolios hedged against interest rate risk		6,671	-	-	-	-	6,671
Other liabilities	Note 4.4	-	85,062	-	-	-	85,062
Non-current liabilities held for sale	Note 2.5	-	-	1,333	-	-	1,333
Insurance contracts related liabilities	Note 4.3	-	19,392	9,291	37,018	78,558	144,259
Provisions	Note 8.3	4,387	-	-	-	-	4,387
Shareholders' equity		68,570	-	-	-	-	68,570

31.12.2018							
(In EURm)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Tax liabilities	Note 6.3	-	-	771	-	386	1,157
Revaluation difference on portfolios hedged against interest rate risk		5,257	-	-	-	-	5,257
Other liabilities	Note 4.4	-	76,629	-	-	-	76,629
Non-current liabilities held for sale	Note 2.5	-	-	10,454	-	-	10,454
Insurance contracts related liabilities	Note 4.3	-	12,317	8,891	35,102	73,233	129,543
Provisions	Note 8.3	4,605	-	-	-	-	4,605
Shareholders' equity		65,809	-	-	-	-	65,809

OTHER ASSETS

31.12.2019							
(In EURm)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Revaluation differences on portfolios hedged against interest rate risk		401	-	-	-	-	401
Other assets	Note 4.4	-	68,045	-	-	-	68,045
Tax assets	Note 6	5,779	-	-	-	-	5,779
Investments accounted for using the equity method		-	-	-	-	112	112
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	30,652	30,652
Goodwill	Note 2.2	-	-	-	-	4,627	4,627
Non-current assets held for sale	Note 2.5	-	6	4,501	-	-	4,507
Investments of insurance companies	Note 4.3	-	39,514	8,289	33,193	83,942	164,938

31.12.2018							
(In EURm)	Note to the consolidated financial statements	Not scheduled	0-3 m	3 m-1 yr	1-5 yrs	> 5 yrs	Total
Revaluation differences on portfolios hedged against interest rate risk		338	-	-	-	-	338
Other assets	Note 4.4	-	67,446	-	-	-	67,446
Tax assets	Note 6	5,819	-	-	-	-	5,819
Investments accounted for using the equity method		-	-	-	-	249	249
Tangible and intangible fixed assets	Note 8.4	-	-	-	-	26,751	26,751
Goodwill	Note 2.2	-	-	-	-	4,652	4,652
Non-current assets held for sale	Note 2.5	-	1	13,496	2	3	13,502
Investments of insurance companies	Note 4.3	-	29,743	6,569	31,189	79,267	146,768

1. Revaluation differences on portfolios hedged against interest rate risk are not scheduled, as they comprise transactions backed by the portfolios in question. Similarly, the schedule of tax assets whose schedule would result in the early disclosure of income flows is not made public.
2. Other assets and other liabilities (guarantee deposits and settlement accounts, miscellaneous receivables) are considered as current assets and liabilities.
3. The notional maturities of commitments in derivative instruments are presented in Note 3.13 to the consolidated financial statements.
4. Investments in subsidiaries and affiliates accounted for by the equity method and Tangible and intangible fixed assets have a maturity of more than 5 years.
5. Provisions and shareholders' equity are not scheduled.

4.10 COMPLIANCE RISK, LITIGATION

Acting in compliance means understanding and observing the external and internal rules that govern our activities. These rules aim to ensure a transparent and balanced relationship between the Bank and all of its stakeholders. Compliance is the cornerstone of trust between the Bank, its customers, its supervisors and its staff.

Compliance with rules is the responsibility of all Group employees, who must demonstrate compliance and integrity on a daily basis. The rules must be clearly expressed, and staff must be informed and/or trained to understand them properly.

The compliance risk prevention system is based on shared responsibility between the operational entities and the Group Compliance Division:

- the operational entities (BU/SUs) must incorporate into their daily activities compliance with laws and regulations, the rules of professional best practice and the Group's internal rules;
- the Compliance Division manages the Group's compliance risk prevention system. It ensures the system's consistency and efficiency, while also developing appropriate relationships with bank supervisors and regulators. This independent division reports directly to General Management.

To support the businesses and supervise the system, the Compliance Division is organised into:

- dedicated teams in each business line, liaising with the businesses on all their compliance issues and responsible for most of the deal flow, except for the most sensitive transactions;
- central teams dedicated to oversight, the definition of standards and controls, and key cross-business activities such as training and digital transformation.

The Compliance Division is organised into eight main compliance risks which are grouped into two major categories:

- financial security, which includes Know Your Customer (KYC) processes, the observance of international sanctions and embargo rules, and anti-money laundering and counter-terrorism financing rules;
- regulatory risks that cover customer protection, market integrity, anti-bribery and corruption, ethics and conduct, compliance with international tax regulations and personal data protection.

Financial security			Regulatory risks				
KYC	AML	Sanctions & Embargoes	Customer protection	Market integrity	Tax transparency	Anti-corruption, Conduct and Ethics	Data
Know Your Customer	Anti-money laundering and counter-terrorism financing		MiFID II/ MIFIR PRIIPs etc.	EMIR/DFA, Volcker, FBL, MAD/MAR, benchmarks, etc.	FATCA, CRS, QI, DAC6, etc.	ABC, Sapin II, etc.	GDPR, Archiving, etc.

4.10.1 COMPLIANCE

Financial security

KNOW YOUR CUSTOMER (KYC)

In 2018, the Group launched a programme to revamp its KYC functions in order to boost their operational efficiency (via the simplification of standards, greater pooling of resources, optimisation of tools and processes) and to improve the customer experience. This four-year programme, placed under the responsibility of the Compliance Division, is closely and regularly monitored at the highest Bank level.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING (AML/CTF)

The Group has implemented new measures linked to the Fourth Directive on anti-money laundering and counter-terrorism financing as well as European Regulation 2015/847 on the quality of payment information. Several internal initiatives were also launched or continued to consistently strengthen its system. In particular, these initiatives cover alert detection tools used in the Bank's different businesses, with use of new technologies and the optimisation of scenarios used.

FINANCIAL EMBARGOES AND SANCTIONS

In 2019, the international environment was again impacted by the reinforcement of US sanctions on Russia and Iran, with greater complexity in terms of implementation that may generate substantial operational risks for financial institutions. In this context, Societe Generale Group has confirmed its position to abstain from any trading activity with Iran and to maintain transactions with Russia within a strict framework.

The Group continued to strengthen its Embargoes/Sanctions system under the established remedial programme following agreements with the French and US authorities (see p. 246): Progress has been made on the payment platform centralisation projects and Compliance function employees have received further skills development training, notably through certified training courses.

Regulatory risk

CUSTOMER PROTECTION

Customer protection is a major challenge for the Societe Generale Group, which is committed to respecting and protecting the interests of its customers by striving to meet the highest standards of security and quality of service. Customer satisfaction is covered in Chapter 5, on p. 270.

The European consumer protection regulation (MiFID II), which entered into force on 3 January 2018, and the Insurance Directive (DDA), which entered into force on 1 October 2018, have reinforced the existing system that Societe Generale revised and completed in 2019. In particular, the Group has made strong efforts to protect financially vulnerable customers, with fee capping systems in place since early 2019.

In this context, significant measures have been taken to improve the Group's system by:

- strengthening internal rules relating to customer claims, product governance requirements, prior information, the appropriateness of advisory, compensation structures and the prevention of conflicts of interest;

- specific training and increased staff awareness; the importance the Group places on this issue is largely addressed in the Group's Code of Conduct and its Culture and Conduct programme;
- adapting as a matter of necessity existing tools to new regulatory requirements.

CLAIMS AND MEDIATION

The processing of a claim is a commercial act that influences customer satisfaction. Accordingly, this point was largely addressed in the Code of Conduct.

The Group's Customer Claims Processing procedure was revised in 2019 to incorporate European Banking Authority (EBA) recommendations and new regulatory requirements, in particular DSP2.

Each Bank business possesses an ad hoc governance, organisation, human resources and applications, formalised procedures, and quantitative and qualitative monitoring indicators. Mediation services also form part of the internal procedure.

Customers are made aware of the availability of mediation services through various means; in particular, a statement to this effect appears permanently on the back of account statements. Every entity involved is obliged to comply with the independent mediator's decision.

CONFLICTS OF INTEREST

The Group has a clear normative framework in place to prevent and manage conflicts of interest which specifies the principles and mechanisms that have been implemented. The Group's procedure was updated in 2019 to include new regulatory requirements and changes. It covers two categories of potential conflicts of interest, i.e. those that may arise between the Group and its customers and those occurring between the Group and its employees, particularly in relation to activities involving an employee's personal interest and/or their professional obligations. It sets out the rules for identifying potential conflicts of interest that should be clearly defined and identified using a mapping tool and also listed in a conflicts of interest register.

PRODUCT GOVERNANCE

Product governance obligations have been broadened to include compliance with marketing and customer information regulations. As it is obliged to identify the target market from the product design stage and to verify that the criteria match customer profiles, the Societe Generale Group performs both systematic product reviews upstream of the marketing stage and communication between product originators and distributors to track the products during their life cycle.

Vulnerable customers

Societe Generale has established practices and usages to comply with legislation vis-à-vis vulnerable customers by providing them with a specific offer involving limited account management fees. To contribute to the national effort to boost the purchasing power of French citizens in challenging financial circumstances, the Group has added to its practices by introducing additional measures in February 2019, notably:

- freezing bank fees in 2019;
- capping bank intervention fees at EUR 25 for vulnerable clients;
- organising follow-up and support suited to the situation of customers experiencing difficulties in the wake of recent events.

MARKET INTEGRITY

Market integrity covers a number of regulatory topics, namely legislation on the separation of banking activities (Volcker Rule and French Banking Act), regulations on over-the-counter (OTC) derivatives (Dodd-Frank Act supervised by the Commodity Futures Trading Commission (CFTC) and Securities and Exchange Commission Rules, the European Market Infrastructure Regulation (EMIR), market abuse and manipulation regulations, and laws governing market transparency and staff transactions, in particular, the MAD/MAR and MiFID II European Directives.

Measures are in place to ensure compliance with the rules on the separation of banking activities and on derivatives swaps in order to meet systemic risk reduction and risk mitigation objectives.

MARKET ABUSE

The Group's Market Abuse procedure was revised in 2019. The procedure related to the management of listed issuer privileged information was rounded out with a staff transaction procedure.

The procedures specifically set out the measures to be implemented to prevent or detect market abuse practices that may threaten the integrity of financial markets, i.e.:

- insider trading (transmission and use of privileged information);
- market manipulation (price manipulation and the spreading of false information).

Specific ongoing focus is placed on the modernisation of automated detection and analysis tools, in addition to the training of Compliance staff in charge of these controls.

In 2019, these systems were reinforced with procedures and controls on the administration, contribution and use of benchmarks.

TAX COMPLIANCE

Societe Generale implements control measures to ensure its transactions comply with local laws and regulations, and with its Tax Code of Conduct. These controls are performed by the Tax Division and the Compliance Division. Accordingly, all new products require approval with respect to these texts; this also applies to complex transactions either within the Group or with customers.

Societe Generale complies with tax transparency standards. It applies the Common Reporting Standard (CRS) to all its entities. This standard enables tax authorities to be systematically informed of income received abroad by their tax residents, including where the accounts are held in asset management structures. In 2019, this reporting concerned 58 countries in which Societe Generale operates.

Moreover, Societe Generale complies with the requirements of the United States FATCA (Foreign Account Tax Compliance Act), which aims to combat tax evasion schemes involving foreign accounts or entities held by US taxpayers. Non-US financial intermediaries are thus responsible for identifying US taxpayers in their customer base in order to declare the income received by said taxpayers, directly or indirectly, to the US tax administration, thereby enabling an automatic reconciliation with their individual tax returns. The tax transparency objectives have been achieved by generating a tax report filed at national level and sharing tax information between partner countries on the basis of existing bilateral tax treaties and inter-governmental agreements (IGAs).

Societe Generale Group's principles on combatting tax evasion are governed by the Tax Code of Conduct. The Code was updated in March 2017 and approved by the Board of Directors after review by the Executive Committee. It is a public document can be consulted on the Bank's institutional investor portal: https://www.societegenerale.com/sites/default/files/documents/Code%20de%20conduite/tax_code_of_conduct_of_societe_generale_group_uk.pdf.

The five main principles of the Code of Conduct are as follows:

- Societe Generale ensures that the tax rules applicable to its business in accordance with international conventions and national laws are respected in all countries where the Group operates.
- In its relations with its clients, Societe Generale ensures that they are informed of their tax obligations relating to transactions carried out with the Group and the Group complies with the reporting obligations, which are applicable as bookkeeper or in any other way.
- In its relations with Tax Authorities, Societe Generale is committed to strictly respecting tax procedures and ensures that it maintains open and transparent relations to maintain its reputation.
- Societe Generale does not encourage or promote tax evasion for itself or its subsidiaries or for its clients.
- Societe Generale has a tax policy in line with its strategy of sustainable profitability and refrains from any operation, whether for its own account or for its clients, whose main purpose or effect is tax motivated, unless this is consistent with the intention of the legislation.

The Board of Directors annually reviews the application of the Code and the procedures and systems in place within the Group to ensure that new products and new establishments comply with the Group's tax principles.

Relationships with legislators and tax law policy makers are governed by the Charter for Responsible Advocacy with respect to Public Authorities and Representative Institutions (https://www.societegenerale.com/csr-report/files/Charter_responsible_advocacy_SG.PDF)-[responsible%20SG.PDF](https://www.societegenerale.com/csr-report/files/Charter_responsible_advocacy_SG.PDF)).

The Group is committed to a strict policy with regard to tax havens. No establishment of the Group is authorised in a state or territory on the official French list of ETNCs⁽¹⁾ ("États et Territoires Non Coopératifs" in French) and internal rules have been in place since 2003 to monitor a larger list of countries or territories.

The Group follows OECD transfer pricing standards. However, local constraints may require deviations from OECD methodologies, in which case the local constraints must be documented.

The Group publishes annual information on establishments and activities on a country-by-country basis (for more information see chapter 2.11 "Information about geographic locations and activities at 31st December 2019" p.65) and confirms that its presence in a certain number of countries is based exclusively on commercial reasons and not motivated by the transaction's tax set-up. The Group also complies with the tax transparency rules of the countries concerned. (CbCR - Declaration country by country).

It is currently implementing the new European directive on administrative cooperation in the field of taxation (referred to as DAC 6) which will impose reporting of cross-border tax arrangements as of mid-2020.

(1) including the European Union blacklist

Importantly, the account-keeping entities of the Private Banking Business Unit are established exclusively in countries with the strictest tax transparency rules imposed by G20 member countries and the OECD. These countries ratified the Convention on Mutual Administrative Assistance in Tax Matters, introduced the automatic exchange of information in financial accounts (CRS) and obtained the "largely compliant" and "compliant" rating as part of the peer review process conducted under the aegis of the OECD.

Assets deposited in Private Banking books are subject to enhanced scrutiny using comprehensive due diligence procedures to ensure they are tax compliant.

In accordance with regulatory requirements, Societe Generale also includes tax fraud in its anti-money laundering procedures.

ANTI-CORRUPTION MEASURES

Societe Generale is fully committed to fighting corruption and has given clear undertakings in this respect by participating in the Wolfsberg Group and the Global Compact.

The Group applies strict principles that are included in its Code of Conduct and its "Anti-Corruption and Influence Peddling Code".

Societe Generale's anti-corruption programme is built around the following themes:

- code of Conduct;
- annual risk mapping;
- appropriate training at all levels (senior management, exposed persons, all employees);
- control systems;
- accounting procedures;
- evaluation of third parties;
- disciplinary system;
- right to whistleblow.

The normative framework was first updated in 2018 ("Fight Against Corruption in Societe Generale Group", "Gifts, Hospitality and Entertainment" instructions) and new instructions supplemented the framework in 2019 ("Whistleblowing mechanism", "Know Your Supplier Obligations, Managing the Corruption and Influence Peddling Risk of Financial Service Suppliers", "Patronage and Sponsorship Principles", "Human Resources Principles (recruitment, appraisals and disciplinary sanctions)", "External Growth Procedures").

Societe Generale revised its whistleblowing mechanism by rolling out a secure Internet platform across the entire Group to enable all employees (whether internal, external or temporary) to exercise their right to whistleblow. In January 2019, a new instruction was published to present this new mechanism. It protects whistleblowers in particular by guaranteeing strict confidentiality and personal data protection.

In 2019, the Group also rolled out a tool to report, approve and monitor gifts, business meals and external events.

Anti-corruption accounting and operational controls have also been strengthened.

In addition, a comprehensive training programme has been rolled out across the Group to increase employee vigilance. Online training was rolled out in mid-2018 for all employees, with a 97% completion rate at the end of December 2019. In 2019, classroom training was also

provided to 6,155 employees and senior managers (99.5% completion rate) in roles particularly exposed to the risk of corruption.

DATA PROTECTION

As a trusted partner of its customers, Societe Generale is especially sensitive to personal data protection.

The entry into force, in May 2018, of the new European General Data Protection Regulation (GDPR), which increases the Company's obligations and the level of sanctions in case of non-compliance with these obligations (up to 4% of revenue) has offered an opportunity for the Group and its subsidiaries to further reinforce their compliance system.

Across all Group entities, internal instructions and associated procedures in line with local and European regulations define the rules to apply and the measures to take to guarantee the protection and security of customer and staff data. Measures to inform data subjects

and process their demands are in place so that such persons can exercise their rights, notably *via* dedicated digital platforms. A personal data security policy has been defined, which fits in with the Group's overall security strategy, especially as regards cybersecurity. Moreover, as part of GDPR deployment, there has been a specific effort to increase staff awareness *via* dedicated training. An e-learning module has been introduced for the employees of every entity concerned. At end-2019, 97.3% of employees had undertaken the training.

Lastly, Societe Generale Group has appointed a Data Protection Officer (DPO). Reporting to the Head of Group Compliance, and the main contact for the Personal Data Protection Authority (the CNIL in France), he or she is responsible for ensuring sound Group compliance in terms of personal data protection. He or she has a network of local DPOs and Correspondents throughout the Group entities, and must support them on security issues and personal data usage. As part of his or her duties, the DPO regularly reviews a number of indicators, notably the number and nature of right exercise requests, the internal training completion rate, and the local DPO certification programme launched at the end of 2018.

RISK AND REMUNERATION POLICY

Since the end of 2010, in accordance with the regulatory framework defined by European Directive CRD3, Societe Generale has implemented a specific governance to determine variable remuneration. Beyond financial market professionals, the rules introduced by this directive apply to all persons whose activity is likely to have a substantial impact on the risk profile of the institutions which employ them, including those exercising control functions.

The regulatory framework defined by the European Directive CRD4 has applied since 1 January 2014. The framework does not modify the rules determining the variable remuneration of persons whose activity is likely to have an impact on the risk profile of the Group and on the employees who exercise control functions. The above-mentioned principles and governance remain in place within the Group.

According to the principles approved by the Board of Directors as proposed by the Compensation Committee, the remuneration mechanisms and processes for the identified population not only factor in the financial results of the transactions undertaken, but also how these results are generated: control and management of all risks and adherence to compliance rules. For their part, control function employees are remunerated independently of the results of the transactions that they control and according to criteria specific to their activity.

Variable remuneration includes a non-deferred portion and a deferred portion. The acquisition of the deferred portion of the variable remuneration is subject to three conditions, i.e. a minimum length of service, a minimum level of financial performance of the Company and/or the activity, and appropriate management of risks and compliance (malus and clawback clauses). All deferred variables of the regulated population are subject to a non-payment clause to sanction any excessive risk-taking or behaviour deemed unacceptable. A clawback clause enables Societe Generale, subject to applicable regulations, to request the return of deferred variables, in part or in full, after the holding period and for a five-year period after their allocation was included in the Group's plan for deferred variable remuneration allocated for 2019.

At least 50% of this remuneration is paid in shares or equivalent securities. The purpose of these payment methods is to align the remuneration with the Company's performance and risk horizon.

The Risk Division and Compliance Division help define and implement this policy. In particular, every year they independently assess the main activities of Wholesale Banking, and French and International Retail Banking, and the principal risk takers, together with the desk managers subject to the Separation and Regulation of Banking Activities Act and the Volcker Rule in relation to their risk management and compliance. These assessments are reviewed by General Management and taken into account when determining the amounts of variable remuneration.

The regulatory framework defined in European Directive CRD4 has applied since 1 January 2014 and does not amend the rules on determining the variable remuneration of persons whose activity is likely to have an impact on the Group's risk profile and control function employees. Accordingly, the principles and governance mentioned above continue to apply within the Group.

Societe Generale has also implemented a specific system and governance aimed at the holders of trading mandates to ensure that the remuneration policy genuinely factors in the requirements of the Separation and Regulation of Banking Activities Act of 26 July 2013 and the Volcker Rule.

In keeping with our historical approach and in accordance with the recommendations of the Committee of European Banking Supervisors, several regulatory principles - the portion of deferred remuneration, the acquisition of which is subject to conditions of presence, the minimum performance of the Group and the activity, and appropriate risk and compliance management - apply to a wider population than the regulated population depending on the level of variable remuneration, notably across the scope of Wholesale Banking.

In addition, the Group's annual employee appraisal tool has included a Conduct and Compliance section since 2018 enabling managers to factor in cases of employees' non-compliant behaviour when managing risks, providing quality of service and respecting customers' interests. Where an employee has failed to observe conduct and compliance rules, the manager must draft and implement a dedicated action plan to assist him or her. The results of this specific appraisal measure are crucial in determining the employee's career path and remuneration.

The consideration given to risks in the remuneration policy is presented every year to the Risks Committee and a Director sitting on the Risks Committee also sits on the Compensation Committee.

Management of reputational risk

The management of reputational risk is governed by an internal directive signed by the Societe Generale Group CEO. The control

system is intended to prevent, identify, assess and control this risk. It is coordinated by the Compliance Division, which:

- supports Group employees, and more particularly the Compliance Control Officers of the businesses, in their strategy for preventing, identifying, assessing and controlling reputational risk;
- offers and updates training programmes to raise awareness of reputational risk;
- develops a reputational risk dashboard that is communicated quarterly to the Risk Committee of the Board of Directors, based on information from the businesses/Business Units and support functions/Service Units (in particular the Human Resources, Communications, Legal, Corporate Social Responsibility and Data Protection Departments).

Moreover, Chief Compliance Officers dedicated to Business Units take part in the various bodies (new product Committees, *ad hoc* Committees, etc.) organised to approve new types of transactions, products, projects or customers, and formulate a written opinion as to their assessment of the level of risk of the planned initiative, and notably the reputational risk.

The compliance function transformation programme

The Compliance function transformation programme aims to strengthen compliance risk management *via* the increased vigilance and awareness of all stakeholders, including businesses, support staff and other units, to increase the operational efficiency of the associated processes and to meet the demands of supervisory and regulatory authorities in the long term.

This programme includes updating the governance and allocating greater resources to the Compliance function, whether in terms of recruitment, training, or modernisation of dedicated information systems and digitalisation. It also relies on a stronger risk-assessment framework and a robust control system. The programme includes a specific component on remediation linked to the agreements signed in 2018 with the US and French authorities.

Its action plan was supplemented and updated in 2019, and it will continue to be implemented in 2020.

COMPLIANCE REMEDIATION PLAN IN THE WAKE OF AGREEMENTS ENTERED INTO WITH FRENCH AND US AUTHORITIES

In June 2018, Societe Generale entered into agreements with the US Department of Justice (DOJ) and the US Commodity Futures Trading Commission (CFTC) to resolve their investigations into IBOR submissions, and with the DOJ and the French Parquet National Financier (PNF) to resolve their investigations into certain transactions involving Libyan counterparties.

In November 2018, Societe Generale entered into agreements with the US authorities to resolve their investigations into certain US dollar transactions involving countries, persons or entities subject to US economic sanctions.

As part of these agreements, the Bank has committed to enhance its compliance system in order to prevent and detect any violation of anti-corruption and bribery, market manipulation and US economic sanction regulations, and any violation of New York state laws. The Bank has also committed to enhance corporate oversight of its economic sanctions compliance programme. The Bank will not be prosecuted if it abides by the terms of the agreements, to which Societe Generale is fully committed.

The Bank has also agreed with the US Federal Reserve to hire an independent consultant to assess the Bank's progress on the implementation of measures to strengthen its compliance programme.

To meet the commitments made by Societe Generale as part of these agreements, the Bank has developed a programme to implement these commitments and strengthen its compliance system in the relevant areas. This programme has been placed under the direct supervision of the Group Head of Compliance. In addition, the programme's Steering Committee is chaired by a member of the Bank's General Management, and a programme progress report is presented to the Board of Directors on a monthly basis.

In 2019, the Programme was rolled out according to the schedule presented to the internal Governance bodies and the various authorities receiving regular reports on the progress of remedial actions. Moreover, the external audits provided in the agreements have been conducted or are under way.

UNITED STATES COMPLIANCE REMEDIATION PLAN

On 19 November 2018, Societe Generale Group and its New York branch (SGNY) entered into an agreement (enforcement action) with the NY State Department of Financial Services regarding the SGNY anti-money laundering compliance programme. This agreement requires (i) submitting an enhanced anti-money laundering programme, (ii) an anti-money laundering governance plan, and (iii) the performance of an external audit in May 2020.

As a reminder, on 14 December 2017, Societe Generale and SGNY on the one hand, and the Board of Governors of the Federal Reserve on the other hand, agreed to a Cease and Desist order (the "Order") regarding the SGNY compliance programme to adhere to the Bank Secrecy Act ("BSA") and its anti-money laundering ("AML") obligations (the "Anti-Money Laundering Compliance Program"), and regarding some aspects of its Know Your Customer programme.

This Cease and Desist Order signed on 14 December 2017 with the FED supersedes the Written Agreement entered into in 2009 between Societe Generale Group and SGNY on the one hand, and the US Federal Reserve and the New York State Financial Services Department on the other hand.

4.10.2 LITIGATION

The information pertaining to risks and litigation is included in Note 9 to the consolidated financial statements, page 466.

4.11 MODEL RISK

Many choices made within the Group are based on quantitative decision support tools (models). Model risk is defined as the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. It can take the form of model uncertainty or errors in the implementation of model management processes.

4.11.1 MODEL RISK MONITORING

The Group is fully committed to maintaining a solid governance system in terms of model risk management in order to ensure the efficiency and reliability of the identification, design, implementation, modification monitoring processes, independent review and approval of the models used. An MRM ("Model Risk Management") Department in charge of controlling model risk was created within the Risk Department in 2017. Since then, the model risk management framework has been consolidated and structured, and is based today on the following device:

Actors and responsibilities

The model risk management system is implemented by the three independent lines of defense, which correspond to the responsibility of the business lines in risk management, to the review and independent supervision and evaluation of the system and which are segregated and independent to avoid any conflict of interest.

The device is as follows:

- the first line of defense (LoD1), which brings together several teams with diverse skills within the Group, is responsible for the development, implementation, use and monitoring of the relevance over time of the models, in accordance with model risk management system; these teams are housed in the Business Departments or their Support Departments;
- the second line of defense (LoD2) is made up of governance teams and independent model review teams, and supervised by the "Model Risk" Department within the Risk Department;
- the third line of defense (LoD3) is responsible for assessing the overall effectiveness of the model risk management system (the relevance of governance for model risk and the efficiency of the activities of the second line of defense) and independent audit of models: it is housed within the Internal Audit Department.

Governance, steering and monitoring

A MRM Committee chaired by the Risk Director meets at least every three months to ensure the implementation of the management system and monitor the risk of models at Group level. Within the second line of defense and the "Model risk" Department, a governance team is in charge of the design and management of the model risk management system at Group level.

As such:

- the normative framework applicable to all of the Group's models is defined, applied when necessary to the main families of models to provide details on the specifics, and maintained while ensuring the consistency and homogeneity of the system, its integrity and its compliance with regulatory provisions; this framework specifies in particular the definition of expectations with regard to LoD1, the principles for the model risk assessment methodology and the definition of guiding principles for the independent review and approval of the model;
- the identification, recording and updating of information of all models within the Group (including models under development or recently withdrawn) are carried out in the model inventory according to a defined process and piloted by LoD2;
- the monitoring and reporting system relating to model risks incurred by the Group in Senior Management has been put in place. The appetite for model risk, corresponding to the level of model risk that the Group is ready to assume in the context of achieving its strategic objectives, is also formalized through statements relating to risk tolerance, translated under form of specific indicators associated with warning limits and thresholds.

Model life cycle and review and approval process

For each model, risk management is based on compliance with the rules and standards defined for the entire Group by each LoD1 player, it is guaranteed by an effective challenge from LoD2 and a uniform approval process.

The need to examine a model is assessed according to the level of model risk, its model family and applicable regulatory requirements. The independent review by the second line of defense is triggered in particular for new models, periodic model reviews, proposals to change models and transversal reviews in response to a recommendation:

- it corresponds to all the processes and activities which aim to verify the conformity of the functioning and use of the models with respect to the objectives for which they were designed and to the applicable regulations, on the basis of the activities and controls implemented by LoD1;

- it is based on certain principles aimed at verifying the theoretical robustness (evaluation of the quality of the design and development of the model), the conformity of the implementation and use, and the relevance of the monitoring of the model;
- it gives rise to an independent review report, which describes the scope of the review, the tests carried out, the results of the review, the conclusions or the recommendations.

The approval process follows the same approval scheme for all models, the composition of governance bodies being able to vary according to the level of model risk, the family of models, the applicable regulatory requirements and the Business Units/Service Units in which model is applicable. Responsible for LOD2, the approval process consists of two consecutive instances:

- the Review Authority which aims to present the conclusions identified by the review team in the independent review report and to discuss, allowing for a contradictory debate between LoD1 and LoD2. Based on the discussions, LoD2 confirms or modifies the conclusions of the review report, including the findings and recommendations, without being limited thereto;
- the Approval Authority, a body which has the power to approve (with or without reservation) or reject the use of a model, changes made to the existing model or continuous monitoring of the relevance of the model during of the time proposed by the LOD1, from the independent review report and the minutes of the Review Authority.

4.12 RISK RELATED TO INSURANCE ACTIVITIES

Risk related to insurance activities: through its insurance subsidiaries, the Group is also exposed to a variety of risks linked to this business. In addition to balance sheet management risks (interest rate, valuation, counterparty and exchange rate risk), these risks include premium pricing risk, mortality risk and the risk of an increase in claims.

4.12.1 MANAGEMENT OF INSURANCE RISKS

There are two main types of insurance risks:

- underwriting risks, particularly risk through life insurance, individual personal protection and non-life insurance. This risk can be biometrical: disability, longevity, mortality, or related to policyholders' behaviour (risk of lapses). To a lesser extent, the Insurance business line is also exposed to non-life and health risks. Such risks can come from pricing, selection, claims management or catastrophic risk;
- risks related to financial markets and ALM: the Insurance business line, mainly through life insurance on the French market, is exposed to instabilities on the financial markets (changes in interest rates and stock market fluctuations) which can be made worse by policyholder behaviour.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks are monitored and regularly reported, they are guaranteed by risk policies validated by the Board of Directors of each entity.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;
- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy as long-term performance objectives. The optimization of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees

offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analyzed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short- and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);
- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging against exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per issuer rating and assets class;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

4.12.2 INSURANCE RISK MODELLING

The models are reviewed by the Insurance Risks Department, which is the second line of defense in the context of model risk management. The review works relate to the theoretical robustness (evaluation of the quality of design and development) of the models, the conformity of the implementation and the continuous monitoring of the relevance of the model over time. The independent review process ends with (i) a report describing the scope of the review, the tests performed, the results of the review, conclusions or recommendations and by (ii) validation Committees. The model control system gives rise to recurring reporting to the appropriate bodies.

4.13 OTHER RISKS

4.13.1 EQUITY RISK

Investment strategies and purpose

The Societe Generale Group's exposure to its non-trading equity portfolio relates to several of the Bank's activities and strategies. It includes equities and equity instruments, mutual fund units invested in equities, and holdings in the Group's subsidiaries and affiliates which are not deducted from shareholders' equity for the purpose of calculating solvency ratios. Generally speaking, due to their unfavourable treatment under regulatory capital, the Group's future policy is to limit these investments.

- First, the Group has a portfolio of industrial holdings which mainly reflect its historical or strategic relations with these companies.
- It also has some minority holdings in certain banks for strategic purposes, with a view to developing its cooperation with these establishments.
- In addition, the equities that are not part of the trading book include Group shares in small subsidiaries which are not included in its consolidation scope and which operate in France and abroad. This includes various investments and holdings that are ancillary to the Group's main banking activities, particularly in French Retail Banking, Corporate and Investment Banking, and Securities Services (private equity activities in France, closely linked with banking networks, stock market bodies, brokerages, etc.).
- Lastly, Societe Generale and some of its subsidiaries may hold equity investments related to their asset management activities (particularly seed capital for mutual funds promoted by Societe Generale), in France and abroad.

Monitoring of banking book equity investments and holdings

The portfolio of industrial holdings was significantly reduced in recent years, further to the disposal of non-strategic lines. It now includes

only a limited number of investments. It is monitored on a monthly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy.

The holdings that are ancillary to the Group's banking activity are monitored on a quarterly basis by the Group's Finance Division and, where necessary, value adjustments are recognised quarterly in accordance with the Group's provisioning policy. Private equity activities in France are subject to dedicated governance and monitoring, within the budgets periodically reviewed by the Group's General Management. Investment or disposal decisions take the financial aspects and the contribution to the Group's activities into consideration (supporting customers in their development, cross-selling with flow activities, Corporate and Investment Banking, Private Banking, etc.).

Valuation of banking book equities

From an accounting perspective, Societe Generale's exposure to equity investments that are not part of its trading book is classified within financial assets measured at fair value through net income or, using the option, at fair value through other comprehensive income (Cf. Consolidated financial statement – Note 3 Financial Instruments).

The Societe Generale Group's exposure to equity investments that are not part of the trading book is equal to their book value representative of a fair value based on a measure at mark to market or at mark to model.

The following table presents these exposures at end-December 2019 and 2018, for both the accounting scope and the regulatory scope. Regulatory data cannot be reconciled with data from consolidated financial statements, specifically because the regulatory scope excludes equity investments held on behalf of clients by the Group's insurance subsidiaries.

TABLE 44: SHARES AND EQUITIES IN BANKING BOOK

(In EURm)	31.12.2019	31.12.2018
Banking book - shares and other equity securities at fair value through profit or loss	2,492	1,996
Banking book - shares and other equity securities at fair value through other comprehensive income	16,304	13,976
Banking book - shares and other equity securities on banking book - Prudential scope (Exposure at default)	7,156	5,780
<i>o.w shares and other equity securities at fair value through profit or loss</i>	6,917	5,493
<i>o.w. shares and other equity securities at fair value through other comprehensive income</i>	239	287

Unrealised gains and losses related to changes in fair value, since the end of the previous year are recognised in:

- net income statement “Net gains and losses on financial transactions” for equity investment classified into Financial assets at fair value through profit or loss; and
- other comprehensive income “Unrealised gains or losses without subsequent recycling in the income statement” for equity investment classified into Financial assets at fair value through other comprehensive income.

For investments in listed shares, the fair value is estimated based on the stock price at closing date. For investment in unlisted shares, fair value can be estimated based on one or more of the following methods:

- quantitative method such as Discounted Cash Flows (DCF), Discounted Dividend Model (DDM);
- pro rata share of the entity's net assets;
- recent transactions identified on the entity's share (stake acquired by third party, valuation assessed by experts);

- recent transactions identified on entities from the same sector (earnings or NAV multiples, etc.).

Dividends received from equity investment are recognised in the net income statement “Net gains and losses on financial transactions”.

In the event of a disposal, gains and losses resulting from a change in fair value occurring since the end of the previous year are recognised in:

- net income statement “Net gains and losses on financial transactions” for equity investment classified into Financial assets at fair value through profit or loss; and
- other comprehensive income “Unrealised gains or losses without subsequent recycling in the income statement” for equity investment classified into Financial assets at fair value through other comprehensive income. Gains and losses on equity investment disposals are transferred to Reserves in the subsequent accounting period following the disposal.

TABLE 45: NET GAINS AND LOSSES ON BANKING BOOK EQUITIES AND HOLDINGS

(In EURm)	31.12.2019	31.12.2018
Gains and losses on the sale of shares and equity	388	651
Net gains/losses on banking book	33	80

Regulatory capital requirements

To calculate the risk-weighted assets under Basel 3, the Group applies the simple risk weighting method for the majority of its non-trading equity portfolio. Shares in private equity companies are assigned a risk-weighting coefficient of 190%, shares in listed companies a coefficient of 290%, and shares in unlisted companies, including the holdings in our insurance subsidiaries, a coefficient of 370%.

Furthermore, if they are not deducted from equity capital, material investments in the capital of finance companies are assigned a weighting coefficient of 250%.

As at 31 December 2019, the Group's risk-weighted assets relating to its non-trading equity portfolio, and its corresponding capital requirements, were as follows:

TABLE 46: CAPITAL REQUIREMENTS RELATED TO BANKING BOOK EQUITIES AND HOLDINGS⁽¹⁾

(In EURm)			31.12.2019			31.12.2018		
Equities & holdings	Approach	Weighting	Exposure at default	Risk weighted assets	Capital requirements	Exposure at default	Risk weighted assets	Capital requirements
Private equity	Standard	150%	-	-	-	11	16	1
Private equity	Simple approach	190%	185	352	28	197	375	30
Financial securities	Standard	250%	503	1,257	101	943	2,357	189
Listed shares	Simple approach	290%	38	111	9	18	52	4
Unlisted shares and insurance	Simple approach	370%	5,297	19,599	1,568	3,987	14,751	1,180
TOTAL			6,023	21,318	1,705	5,155	17,551	1,404

(1) Excluding cash investments.

4.13.2 RESIDUAL VALUE RISK

Through its Specialised Financial Services division, mainly in its long-term vehicle leasing subsidiary, the Group is exposed to residual value risk (where the net resale value of an asset at the end of the leasing contract is less than expected).

Risk identification

Société Générale Group holds, inside its ALDA Business Units (automobile leasing activity) cars on its balance sheet with a risk related to the residual value of these vehicles at the moment of their disposals.

The Group is exposed to potential losses in a given reporting period caused by (i) the resale of vehicles associated with leases terminated in the reporting period where the used car resale price is lower than its net book value and (ii) additional depreciation booked during the lease term if the expected residual values of its vehicles decline below the contractual residual value. The future sales results and estimated losses are affected by external factors like macroeconomic, government policies, environmental and tax regulations, consumer preferences, new vehicles pricing, etc.

ALD gross operating income derived from car sales totalled EUR 75 million, EUR 102.5 million and EUR 165.3 million for the years ended 31 December 2019, 2018, and 2017 respectively.

Risk management

The residual value setting procedure defines the processes, roles and responsibilities involved in the determination of residual values that will be used by ALD Automotive as a basis for producing vehicle lease quotations.

A Residual Value Review Committee is held at least twice a year within each operating entity of ALD. This Committee debates and decides residual values, taking into account local market specificities, documenting its approach, ensuring that there is a clear audit trail.

A dedicated central ALD team controls and validates the proposed residual values prior to their being notified to the operating entities and updated in the local quotation system. This team informs ALD's Group Finance Director and Risk Manager in case of disagreements.

Additionally, the fleet revaluation process determines an additional depreciation in countries where an overall loss on the portfolio is identified. This process is performed locally twice a year for operating entities owning more than 5,000 cars (once a year for smaller entities) under the supervision of the central team and using common tools and methodologies. This depreciation is booked in accordance with accounting standards.

4.13.3 STRATEGIC RISKS

Strategic risks are defined as the risks inherent in the choice of a given business strategy or resulting from the Group's inability to execute its strategy. They are monitored by the Board of Directors, which approves the Group's strategic direction and reviews them at least once every year. Moreover, the Board of Directors approves strategic investments and any transaction (particularly disposals and acquisitions) that could significantly affect the Group's results, the structure of its balance sheet or its risk profile.

Strategic steering is carried out under the authority of the General Management, by the General Management Committee (which meets weekly without exception), by the Group Strategy Committee (which meets every two months) and by the Strategic oversight Committees of the Business Units and Service Units (which meet at least once a year for each of the 25 Units). The make-up of these various bodies is set out in the Corporate Governance chapter of this Universal Registration Document, chapter 3 (pages 69 and following). The Internal Rules of the Board of Directors (provided in Chapter 7 of this Universal Registration Document, page 541) lay down the procedures for convening meetings.

4.13.4 ENVIRONMENTAL AND SOCIAL RISKS

The Group's approach in terms of environmental and social issues is set out in Chapter 5 of this Universal Registration Document (pages 255 and following).

4.13.5 CONDUCT RISK

The Group is also exposed to conduct risk through all of its core businesses. The Group defines conduct risk as resulting from actions (or inactions) or behaviours of the Bank or its employees, inconsistent with the Group's Code of Conduct, which may lead to adverse consequences for its stakeholders, or place the Bank's sustainability or reputation at risk.

Stakeholders include in particular our clients, employees, investors, shareholders, suppliers, the environment, markets and countries in which we operate.

See also "Culture and Conduct programme" (see pages 260 and 261).



RISKS AND CAPITAL ADEQUACY

OTHER RISKS



6.1 CONSOLIDATED FINANCIAL STATEMENTS

6.1.1 CONSOLIDATED BALANCE SHEET - ASSETS

(In EURm)		31.12.2019	31.12.2018
Cash, due from central banks		102,311	96,585
Financial assets at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	385,739	365,550
Hedging derivatives	Notes 3.2 and 3.4	16,837	11,899
Financial assets at fair value through other comprehensive income	Notes 3.3 and 3.4	53,256	50,026
Securities at amortised cost	Notes 3.5, 3.8 and 3.9	12,489	12,026
Due from banks at amortised cost	Notes 3.5, 3.8 and 3.9	56,366	60,588
Customer loans at amortised cost	Notes 3.5, 3.8 and 3.9	450,244	447,229
Revaluation differences on portfolios hedged against interest rate risk		401	338
Investments of insurance companies	Note 4.3	164,938	146,768
Tax assets	Note 6	5,779	5,819
Other assets	Note 4.4	68,045	67,446
Non-current assets held for sale	Note 2.5	4,507	13,502
Investments accounted for using the equity method		112	249
Tangible and intangible fixed assets ⁽¹⁾	Note 8.4	30,652	26,751
Goodwill	Note 2.2	4,627	4,652
TOTAL		1,356,303	1,309,428

(1) As a result of the application of IFRS 16 "Leases" as from 1 January 2019, the Group has recorded a right-of-use asset under "Tangible and intangible fixed assets" that represents its rights to use the underlying leased assets (see Note 1).

6.1.2 CONSOLIDATED BALANCE SHEET - LIABILITIES

(In EURm)		31.12.2019	31.12.2018
Due to central banks		4,097	5,721
Financial liabilities at fair value through profit or loss	Notes 3.1, 3.2 and 3.4	364,129	363,083
Hedging derivatives	Notes 3.2 and 3.4	10,212	5,993
Debt securities issued	Notes 3.6 and 3.9	125,168	116,339
Due to banks	Notes 3.6 and 3.9	107,929	94,706
Customer deposits	Notes 3.6 and 3.9	418,612	416,818
Revaluation differences on portfolios hedged against interest rate risk		6,671	5,257
Tax liabilities ⁽¹⁾	Note 6	1,409	1,157
Other liabilities ⁽²⁾	Note 4.4	85,062	76,629
Non-current liabilities held for sale	Note 2.5	1,333	10,454
Insurance contracts related liabilities	Note 4.3	144,259	129,543
Provisions	Note 8.3	4,387	4,605
Subordinated debts	Note 3.9	14,465	13,314
TOTAL LIABILITIES		1,287,733	1,243,619
SHAREHOLDERS' EQUITY			
Shareholders' equity, Group share			
Issued common stocks and capital reserves		21,969	20,746
Other equity instruments		9,133	9,110
Retained earnings*		29,558	28,085
Net income*		3,248	4,121
SUB-TOTAL		63,908	62,062
Unrealised or deferred gains and losses	Note 7.3	(381)	(1,036)
SUB-TOTAL EQUITY, GROUP SHARE		63,527	61,026
Non-controlling interests	Note 2.3	5,043	4,783
TOTAL EQUITY		68,570	65,809
TOTAL		1,356,303	1,309,428

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

(1) Since 1 January 2019, provisions for income tax are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments" (see Note 1).

(2) As a result of the application of IFRS 16 "Leases" as from 1 January 2019, the Group has recorded a lease liability under "Other Liabilities" that represents the obligation to make lease payments (see Note 1).

6.1.3 CONSOLIDATED INCOME STATEMENT

(In EURm)		2019	2018
Interest and similar income	Note 3.7	23,712	22,678
Interest and similar expense	Note 3.7	(12,527)	(11,659)
Fee income	Note 4.1	9,068	9,124
Fee expense	Note 4.1	(3,811)	(3,600)
Net gains and losses on financial transactions		4,460	5,189
o/w net gains and losses on financial instruments at fair value through profit or loss	Note 3.1	4,343	5,119
o/w net gains and losses on financial instruments at fair value through other comprehensive income	Note 3.3	119	83
o/w net gains and losses from the derecognition of financial assets at amortised cost		(2)	(13)
Net income of insurance activities	Note 4.3	1,925	1,724
Income from other activities	Note 4.2	11,629	10,761
Expenses from other activities	Note 4.2	(9,785)	(9,012)
Net banking income		24,671	25,205
Personnel expenses	Note 5	(9,955)	(9,561)
Other operating expenses	Note 8.2	(6,285)	(7,366)
Amortisation, depreciation and impairment of tangible and intangible fixed assets	Note 8.4	(1,487)	(1,004)
Gross operating income		6,944	7,274
Cost of risk	Note 3.8	(1,278)	(1,005)
Operating income		5,666	6,269
Net income from investments accounted for using the equity method	Note 2.3	(129)	56
Net income/expense from other assets		(327)	(208)
Earnings before tax		5,210	6,117
Income tax*	Note 6	(1,264)	(1,304)
Consolidated net income*		3,946	4,813
Non-controlling interests		698	692
Net income, Group share*		3,248	4,121
Earnings per ordinary share	Note 7.2	3.05	4.24
Diluted earnings per ordinary share	Note 7.2	3.05	4.24

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

6.1.4 STATEMENT OF NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES

(In EURm)	2019	2018
Consolidated net income*	3,946	4,813
Unrealised or deferred gains and losses that will be reclassified subsequently into income	844	24
Translation differences	563	370
Revaluation of debt instruments at fair value through other comprehensive income	(28)	(233)
<i>Revaluation differences for the period</i>	48	(193)
<i>Reclassified into income</i>	(76)	(40)
Revaluation of available-for-sale financial assets ⁽¹⁾	188	(74)
<i>Revaluation differences for the period</i>	190	(54)
<i>Reclassified into income</i>	(2)	(20)
Revaluation of hedging derivatives	153	(120)
<i>Revaluation differences of the period</i>	195	(156)
<i>Reclassified into income</i>	(42)	36
Unrealised gains and losses of entities accounted for using the equity method	1	1
Related tax	(33)	80
Unrealised or deferred gains and losses that will not be reclassified subsequently into income	(160)	411
Actuarial gains and losses on defined benefit plans	(32)	30
Revaluation of own credit risk of financial liabilities at fair value through profit or loss	(121)	529
Revaluation of equity instruments at fair value through other comprehensive income	(48)	1
Unrealised gains and losses of entities accounted for using the equity method	3	(3)
Related tax	38	(146)
Total unrealised or deferred gains and losses	684	435
Net income and unrealised or deferred gains and losses*	4,630	5,248
<i>o/w Group share*</i>	3,903	4,588
<i>o/w non-controlling interests</i>	727	660

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities.

6.1.5 CHANGES IN SHAREHOLDERS' EQUITY

	Shareholders' equity Group share							
(In EURm)	Issued common stocks and capital reserves	Other equity instruments	Retained earnings	Net income, Group share	Unrealised or deferred gains and losses	Total	Non- controlling interests	Total consolidated shareholders' equity
Shareholders' equity at 1 January 2018	20,861	8,566	30,504	-	(1,503)	58,428	4,523	62,951
Increase in common stock and issuance/redemption/remuneration of equity instruments*	-	544	(715)	-	-	(171)	(33)	(204)
Elimination of treasury stock	(174)	-	(12)	-	-	(186)	-	(186)
Equity component of share-based payment plans	59	-	-	-	-	59	-	59
2018 dividends paid (see Note 7.2)	-	-	(1,764)	-	-	(1,764)	(368)	(2,132)
Effect of changes of the consolidation scope	-	-	52	-	-	52	(5)	47
Sub-total of changes linked to relations with shareholders*	(115)	544	(2,439)	-	-	(2,010)	(406)	(2,416)
2018 Net income*	-	-	-	4,121	-	4,121	692	4,813
Change in unrealised or deferred gains and losses	-	-	-	-	467	467	(32)	435
Other changes	-	-	20	-	-	20	6	26
Sub-total	-	-	20	4,121	467	4,608	666	5,274
Shareholders' equity at 31 December 2018*	20,746	9,110	28,085	4,121	(1,036)	61,026	4,783	65,809
Allocation to retained earnings	-	-	4,114	(4,121)	7	-	-	-
Shareholders' equity at 1 January 2019	20,746	9,110	32,199	-	(1,029)	61,026	4,783	65,809
Increase in common stock and issuance/redemption/remuneration of equity instruments (see Note 7.1)	1,011	23	(731)	-	-	303	(33)	270
Elimination of treasury stock (see Note 7.1)	152	-	(77)	-	-	75	-	75
Equity component of share-based payment plans (see Note 5.3)	60	-	-	-	-	60	-	60
2019 dividends paid (see Note 7.2)	-	-	(1,770)	-	-	(1,770)	(379)	(2,149)
Effect of changes of the consolidation scope	-	-	(10)	-	-	(10)	(56)	(66)
Sub-total of changes linked to relations with shareholders	1,223	23	(2,588)	-	-	(1,342)	(468)	(1,810)
2019 Net income	-	-	-	3,248	-	3,248	698	3,946
Change in unrealised or deferred gains and losses	-	-	-	-	648	648	31	679
Other changes	-	-	(53)	-	-	(53)	(1)	(54)
Sub-total	-	-	(53)	3,248	648	3,843	728	4,571
Shareholders' equity at 31 December 2019	21,969	9,133	29,558	3,248	(381)	63,527	5,043	68,570

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

6.1.6 CASH FLOW STATEMENT

(In EURm)	2019	2018**
Consolidated net income (I)*	3,946	4,813
Amortisation expense on tangible and intangible fixed assets (including operational leasing)	5,181	4,589
Depreciation and net allocation to provisions	(3,284)	2,343
Net income/loss from investments accounted for using the equity method	129	(53)
Change in deferred taxes	295	357
Net income from the sale of long-term assets and subsidiaries	(84)	(101)
Other changes*	1,295	(358)
Non-cash items included in net income and other adjustments excluding income on financial instruments at fair value through profit or loss (II)	3,532	6,777
Income on financial instruments at fair value through profit or loss	5,267	4,901
Interbank transactions	14,554	(1,921)
Customers transactions	5,429	(11,732)
Transactions related to other financial assets and liabilities	(36,748)	(1,598)
Transactions related to other non-financial assets and liabilities	14,424	(4,643)
Net increase/decrease in cash related to operating assets and liabilities (III)	2,926	(14,993)
Net cash inflow (outflow) related to operating activities (A) = (I) + (II) + (III)	10,404	(3,403)
Net cash inflow (outflow) related to acquisition and disposal of financial assets and long term investments	234	(5,758)
Net cash inflow (outflow) related to tangible and intangible fixed assets	(7,210)	(7,621)
Net cash inflow (outflow) related to investment activities (B)	(6,976)	(13,379)
Cash flow from/to shareholders	(1,219)	(2,543)
Other net cash flow arising from financing activities	3,229	(471)
Net cash inflow (outflow) related to financing activities (C)	2,010	(3,014)
Effect of changes in foreign exchange rates on cash and cash equivalents (D)	1,386	2,179
Net inflow (outflow) in cash and cash equivalents (A) + (B) + (C) + (D)	6,824	(17,617)
Cash, due from central banks (assets)	96,585	114,404
Due to central banks (liabilities)	(5,721)	(5,604)
Current accounts with banks (see Notes 3.5 and 4.3)	24,667	22,159
Demand deposits and current accounts with banks (see Note 3.6)	(13,875)	(11,686)
Cash and cash equivalents at the start of the year	101,656	119,273
Cash, due from central banks (assets)	102,311	96,585
Due to central banks (liabilities)	(4,097)	(5,721)
Current accounts with banks (see Notes 3.5 and 4.3)	21,843	24,667
Demand deposits and current accounts with banks (see Note 3.6)	(11,577)	(13,875)
Cash and cash equivalents at the end of the year	108,480	101,656
Net inflow (outflow) in cash and cash equivalents	6,824	(17,617)

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

** The amounts have been restated compared with the published consolidated financial statements for the year ended 31 December 2018 due to reclassification into a separate line item (D) of the effect of changes in foreign exchange rates on cash and cash equivalents.

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6.2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Board of Directors on 5 February 2020.

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

NOTE 1.1 Introduction



ACCOUNTING STANDARDS

In accordance with European Regulation 1606/2002 of 19 July 2002 on the application of International Accounting Standards, the Societe Generale Group ("the Group") prepared its consolidated financial statements for the year ended 31 December 2019 in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in force at that date.

These standards are available on the European Commission website at:

https://ec.europa.eu/info/law/international-accounting-standards-regulation-ec-no-1606-2002/amending-and-supplementary-acts/acts-adopted-basis-regulatory-procedure-scrutiny-rps_en

The most significant change made to the applied accounting principles is the application of IFRS 16 "Leases" as from 1 January 2019.

In accordance with the transitional measures provided by IFRS 9, the Group has elected to recognise hedging transactions under IAS 39 as adopted by the European Union, including measures related to macro-fair value hedge accounting (IAS 39 "carve-out").



FINANCIAL STATEMENTS PRESENTATION

As the IFRS accounting framework does not specify a standard model, the format of the primary financial statements used to present the data for financial year 2019 is consistent with the format of financial statements proposed by the French Accounting Standard Setter, the *Autorité des Normes Comptables* (ANC), under Recommendation No. 2017-02 of 2 June 2017.

The disclosures provided in these notes focus on information that is both relevant and material to the financial statements of the Societe Generale group, its activities and the circumstances in which it conducted its operations over the period.



PRESENTATION CURRENCY

The presentation currency of the consolidated financial statements is the euro.

The figures presented in the financial statements and in the notes are expressed in millions of euros, unless otherwise specified. The effect of rounding can generate discrepancies between the figures presented in the financial statements and those presented in the notes.

NOTE 1.2 New accounting standards applied by the Group as of 1st January 2019

IFRS 16 "Leases"
 IFRIC 23 "Uncertainty over Income Tax Treatments"
 Annual improvements (2015-2017 cycle)
 Amendments to IAS 39, IFRS 7 and IFRS 9 in the context of the interest rate benchmark reform
 Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
 Amendments to IAS 19 "Plan amendments, curtailments and settlements"

IFRS 16 "LEASES"

This new standard supersedes the existing standard, IAS 17 and modifies the accounting requirements for leases, more specifically in relation to the lessees' financial statements, with very few impacts for the lessors.

As from 1 January 2019, the Group applies the IFRS 16 standard adopted by the European Union on 31 October 2017. The Group did not early apply the measures provided by IFRS 16 to previous reporting period. Consequently, the accounting principles applicable to leases and the disclosures presented in the notes have been amended as from 1 January 2019.

Accounting treatments provided by IFRS 16 standard**LEASES RECOGNITION**

For all lease agreements, except the exemptions provided by the standard, the lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

In its income statement, the lessee separately recognises the depreciation of the right-of-use assets and the interest expense on lease liabilities.

The accounting treatments are detailed in the Note 8.4.

SCOPE

Regards Group's activities, these accounting treatments apply to building leases, computer equipment leases and a very small percentage of vehicle leases. The Group used the option not to apply IFRS 16 to intangible assets leases (softwares for example).

Transition requirements

For the first-time application of IFRS 16, the Group chose to implement the amended retrospective approach proposed by the standard.

At 1 January 2019, the amount of the lease liability on outstanding leases is calculated by discounting residual rental payments with the incremental borrowing rates in effect on that date of the lessees' entities (rates determined according to the requirements described on the Note 8.4), taking into account the residual maturity of the contracts. The corresponding rights-of-use are recorded on the balance sheet for an amount equal to the lease liability.

Leases that have a remaining life of less than 12 months and those that are automatically renewable as of 1 January 2019 are considered short-term leases (leases of less than one year) and not booked, in accordance with the option offered by IFRS 16 transition requirements.

Pursuant to IFRS 16 in its provisions on the amended retrospective approach, comparative data on financial year 2018 that are presented with regards to 2019 are not restated.

Impacts of the first-time application of IFRS 16

The first-time application of IFRS 16 resulted by the accounting of a lease liability and a corresponding right-of-use asset for 2,050 million of euros.

The lease liability is booked under the heading *Other liabilities* and the rights-of-use are classified under the tangible fixed assets, except leases included in a group of assets and liabilities held for sale which are stated under specific headings in the consolidated financial statement.

At 1 January 2019, the first-time application of IFRS 16 has no impact on the amount of the Group shareholders' equity.

On the date of the initial recording of the right-of-use and the lease liability, no deferred tax has been recorded since the deferred tax asset value equals to the deferred tax liability value. The net temporary differences that may result from subsequent changes in the right-of-use and lease liability results in the recognition of deferred tax.

IMPACTS ON THE BALANCE SHEET AT 1 JANUARY 2019

(In EURm)		01.01.2019
Assets		
Other assets		(3)
Non-current assets held for sale	(c)	42
Tangible and intangible fixed assets	(a)	2,011
TOTAL IFRS 16 IMPACTS		2,050
Liabilities		
Other liabilities	(b)	2,008
Non-current liabilities held for sale	(c)	42
TOTAL IFRS 16 IMPACTS		2,050

At 1 January 2019, the first-time application of IFRS 16 results from:

- (a) An increase of 2,011 million euros of the *Tangible and intangible fixed assets* heading which breaks down into:
- An increase of 2,118 million euros of tangible fixed assets due to:
 - the rights-of-use booking of 2,110 million euros linked to the accounting in the balance sheet of leases concerning the following underlying assets:
 - 2,012 million euros linked to building leases contracted for the lease of French and international commercial (branches in the retail banking networks) and office space;
 - 93 million euros relative to computer equipment leases (of which 83 million euros for the Data Centers);
 - 5 million euros concerning vehicle leases;
 - the reclassification for 107 million euros of the leaseholds linked to leases, previously booked under the intangible fixed assets and stated as a separate component of the right-of-use;
 - the reclassification for -102 million euros, mainly composed of 99 million euros of deferred revenues related to rent-free periods, previously recognised under *Other liabilities*;
 - the reclassification from *Other assets* of prepaid expenses for 3 million euros concerning the prepaid rents.
 - a decrease of 107 million euros of intangible fixed assets relative to the reclassification of leaseholds.
- (b) An increase of 2,008 million euros of *Other liabilities* linked to the following movements:
- the recognition of a lease liability for 2,110 million euros;
 - the reclassification of the rent-free periods for 102 million euros, including 99 million euros of the deferred revenues related to rent-free periods.
- (c) The accounting of rights-of-use and lease liability for 42 million euros by entities whose assets and liabilities are classified as *Non-current assets held for sale* and *Non-current liabilities related to non-current assets held for sale*.

RECONCILIATION OF AMOUNT OF THE FUTURE MINIMUM OPERATING LEASE PAYMENTS REPORTED AT 31 DECEMBER 2018 WITH THE AMOUNT OF THE LEASE LIABILITY BOOKED AT 1 JANUARY 2019

The table below aims to reconcile:

- the future minimum operating lease payments related to operating lease contracts on tangible assets used by the Group at 31 December 2018; and
- the lease liability recognised in the statement of financial position at 1 January 2019 applying IFRS 16.

(In EURm)

Future minimum operating lease payments related to operating lease contracts at 31 December 2018	2,388
Lease contracts not booked in the statement of financial position ⁽¹⁾	(38)
Non-discounted lease liability at 1 January 2019	2,350
Discount effect	(214)
Discount rate ⁽²⁾	2.74%
Scope effect ⁽³⁾	16
DISCOUNTED LEASE LIABILITY AT 1 JANUARY 2019⁽⁴⁾	2,152

⁽¹⁾ Short-term contracts or contracts on low-value items.⁽²⁾ The discount rate in the table corresponds to the weighted average lessee's incremental borrowing rate.⁽³⁾ Lease liability booked at 1 January 2019 relative to leases whose minimum operating lease payments had been excluded because of materiality issue from the amount stated in the Notes as of 31 December 2018.⁽⁴⁾ This amount excludes the lease liability stated under "Other liabilities" (2,110 million euros) and under "Non-current liabilities held for sale" (42 million euros).

IFRS INTERPRETATIONS COMMITTEE (IFRS IC) DECISIONS ON 26 NOVEMBER 2019

In the first half of 2019, IFRS IC received a request regarding the determination of the enforceable period to be used for the accounting of leases. At its meeting on 26 November 2019, IFRS IC concluded that the principles and requirements of IFRS 16 provide an adequate basis to determine the lease term, while indicating that the assessment of the enforceability of the contract must take into account all the economic aspects of the contract and not only the contractual termination penalties. Consequently, IFRS IC decided not to add the matter to its work program and did not consider it necessary to solicit the IASB (International Accounting Standards Board) for an amendment to clarify the interpretation of IFRS 16 regarding the matter.

The analysis of the potential consequences of this decision on the Group's financial statements is ongoing and will continue in the first half of 2020. As of 31 December 2019, the methods and assumptions used by the Group to determine the term of property leases, and in particular that of commercial leases in France, have not been modified from those implemented since the first application of IFRS 16.

IFRIC 23 "UNCERTAINTY OVER INCOME TAX TREATMENTS"

This interpretation provides clarifications about the measurement and accounting treatment of income tax when there is uncertainty over income tax treatments. It must be determined whether the treatment is likely to be accepted by the relevant authorities, on the basis that they will control the treatment in question and have all the relevant information. If the probability of acceptance of the tax treatment is less than 50%, this uncertainty must be reflected in the amount of tax assets and liabilities, based on a method that provides the best predictions of the resolution of the uncertainty.

To comply with these new principles, the process for identifying, analysing and monitoring tax uncertainties has been reviewed. This interpretation has no impact on the amount of the Group shareholders' equity at 1 January 2019 but leads as from this date to reclassification of the provisions for income tax adjustments in *Tax liabilities*.

ANNUAL IMPROVEMENTS (2015-2017)

As part of the annual Improvements to International Financial Reporting Standards, the IASB has issued amendments to IFRS 3 "Business Combinations", IFRS 11 "Joint Arrangements", IAS 12 "Income Taxes" and IAS 23 "Borrowing Costs".

The objective of the amendment to IAS 12 is to clarify the accounting for the tax consequences of remuneration paid to equity holders. It is now specified that the accounting of these tax consequences is linked more directly to past transactions or events that generated distributable profits than to distributions to owners.

The application of this amendment has resulted in a reclassification in the income statement (under the heading *Income tax*) of the tax savings related to the payment of coupons to holders of perpetual subordinated and deeply subordinated notes previously accounted in the retained earnings. This change in presentation is carried out retrospectively with a restatement of comparative data. The amount of tax savings amounted to 257 million euros at 31 December 2018 and 259 million euros at 31 December 2019.

The other amendments contained in the annual Improvements cycle (2015 -2017) did not have a significant impact on the Group consolidated financial statements.

AMENDMENTS TO IAS 39, IFRS 7 AND IFRS 9 IN THE CONTEXT OF THE INTEREST RATE BENCHMARK REFORM

In the context of the financial crisis, the inaccuracy and lack of integrity of interest rate benchmarks (EONIA, EURIBOR, LIBOR, etc.) made it necessary to reform their method of determination.

At the international level, the International Organisation of Securities Commissions (IOSCO) has set principles to make the determination of interest rate benchmark more reliable and the Financial Stability Board (FSB), mandated by the G20, has issued recommendations to enhance the transparency, the representativeness and the reliability of these rates. On the basis of these principles and recommendations, several reforms have been initiated to set up and promote the use of new Risk Free overnight Rates called "Risk Free Rate - RFR" whose determination will now be anchored on actual transactions: €STR (*Euro Short-Term Rate*) for contracts denominated in Euro, SOFR (*Secured Overnight Financing Rate*) for contracts denominated in USD, SONIA (*Sterling Overnight Index Average*) for contracts denominated in GBP, etc.

Within the European Union, regulation 2016/1011 (known as "BMR regulation") was passed to implement the principles and recommendations of IOSCO and FSB by creating, as of 1 January 2018, a uniform legal framework regarding the provision of benchmarks. As part of the implementation of this regulation, the administrators of EONIA, EURIBOR and LIBOR were required to review and, if necessary, to modify the methodologies used for these indexes in order to make them compliant to the new BMR provisions.

Since 2 October 2019, €STER has come to replace EONIA; this latter will however be published until 31 December 2021 by anchoring on €STER (EONIA = €STER +8.5 bps). The reform of the EURIBOR was started in December 2018 and this index was declared compliant with BMR regulation on 3 July 2019. The EURIBOR quotation should continue for at least 5 years. The new SOFR and SONIA benchmarks, intended to replace the LIBOR benchmarks, have been published since 2018, but the publication of the latter will continue at least until 2021.

The Group has set up a project structure to monitor developments in the interest rate benchmarks IBOR reform and to anticipate the consequences of the transition to new interest rate benchmarks. The work undertaken aims on one hand to limit the Group's exposure to the current interbank interest rate benchmarks which might be discontinued in the short or medium term and, on the other hand, to prepare the migration of the stock of legacy transactions identifying these current interest rates benchmarks and which will mature after 2021.

Uncertainties about the timing and the precise methods of transition between the current benchmarks and the new benchmarks, as well as the modifications which could be made to the financial instruments referencing the current benchmarks, are likely to have consequences on accounting treatment related to the hedge accounting, and to the modification applied to these instruments (following the application of replacement contractual clauses - "Fallback" clauses - or following a renegotiation of the contract).

To limit these accounting consequences, the IASB published in September 2019 amendments to IAS 39, IFRS 9 and IFRS 7 to prevent uncertainties existing before the transition from jeopardising the hedge accounting applied for hedging interest rate risk. These amendments introduce reliefs related mainly to the compliance with the highly probable nature of the cash flows covered, the compliance with the identifiable nature of the risk covered, the carrying out of prospective and retrospective effectiveness tests. These reliefs will be applicable until the uncertainties referred to are removed, that is to say until the clauses of the financial instruments concerned are effectively modified.

These amendments were adopted by the European Union on 15 January 2020 and can be early-applied from 2019. The Group

decided to early-apply the amendments in its 31 December 2019 financial statements and to use the reliefs provided for hedging relationships affected by the uncertainties at that date, including those linked to the EONIA, EURIBOR and LIBOR (USD, GBP, CHF, JPY) benchmarks. The hedging derivatives instruments to which these amendments have been applied are subject to specific disclosures in Note 3.2.

The IASB is currently studying the additional amendments that could be made to the accounting treatment of the contractual modifications that will be made to financial instruments as part of the IBOR reform (replacement of the interest rate benchmark, introduction of new fallback clauses). An exposure draft is expected to be issued at the end of the 2nd quarter 2020.

The amendments described below did not have any impact on the Group consolidated financial statements.

AMENDMENTS TO IAS 28 "LONG-TERM INTERESTS IN ASSOCIATES AND JOINT VENTURES"

The amendments clarify that IFRS 9 "Financial Instruments" shall be applied to financial instruments that form part of the net investment in an associate or a joint venture but to which the equity method is not applied.

AMENDMENTS TO IAS 19 "PLAN AMENDMENT, CURTAILMENT OR SETTLEMENT"

These amendments clarify how pension expenses are determined in the event of amendment, curtailment or settlement of defined benefit pension plans. In these cases, IAS 19 currently calls for the net cost of the defined benefit asset or liability to be remeasured.

The amendments require the entity to use the updated actuarial assumptions from this remeasurement to determine past service cost and net interest.

NOTE 1.3 Accounting standards, amendments or interpretations to be applied by the Group in the future

IASB publishes accounting standards and amendments, some of which have not been adopted by the European Union as at 31 December 2019. They are required to be applied from annual periods beginning on 1 January 2020 at the earliest or on the date of their adoption by the European Union.

These standards are expected to be applied according to the following schedule:

2020	<ul style="list-style-type: none"> • Amendments to IAS 1 and IAS 8 "Definition of material" [Adopted by EU] • Amendments to IFRS 3 "Business Combinations"
2021	<ul style="list-style-type: none"> • IFRS 17 "Insurance Contracts"

AMENDMENTS TO IAS 1 AND IAS 8 "DEFINITION OF MATERIAL"

Adopted by the European Union on 29 November 2019

These amendments are intended to clarify the definition of "material" in order to facilitate the exercise of judgement during the preparation financial statements, particularly when selecting the information to be presented in the Notes.

AMENDMENTS TO IFRS 3 "BUSINESS COMBINATIONS"

Issued by IASB on 22 October 2018

The amendments are intended to provide clearer application guidance to make it easier to differentiate between the acquisition of a business and the acquisition of a group of assets, whose accounting treatment is different.

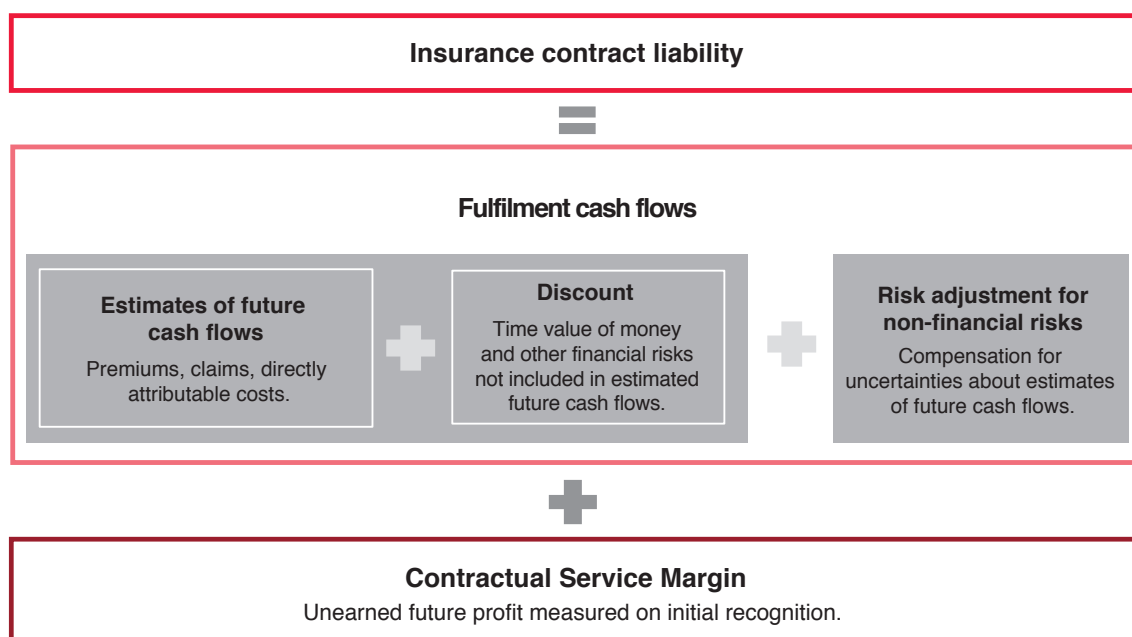
IFRS 17 "INSURANCE CONTRACTS"

Issued by IASB on 18 May 2017

This new standard will replace IFRS 4 "Insurance Contracts" that was issued in 2004 and which currently allows entities to use national requirements for the accounting of insurance contracts.

IFRS 17 provides new rules for the recognition, measurement, presentation and disclosure of insurance contracts that belong to its application scope (insurance contracts issued, reinsurance contracts held and investment contracts issued with discretionary participation features). The underwriting reserves currently recognised among liabilities in the balance sheet will be replaced by a current value measurement of insurance contracts.

The general model provided for the measurement of insurance contracts in the balance sheet will be based on a building-blocks approach: a current estimate of future cash flows, a risk adjustment, and a contractual service margin.



Positive contractual service margins will be recognised as income over the duration of the insurance service, whereas negative margins will be immediately recognised as expense, as soon as the insurance contract is identified as onerous.

The general model will be the default measurement model for all insurance contracts.

However, IFRS 17 also provides a mandatory alternative model for insurance contracts with direct participation features. Under this model, called “variable fee approach”, the measurement of the insurance contract liability shall take into account the obligation to pay to policyholders a substantial share of the fair value returns on the underlying items, less a fee for future services provided by the insurance contract (changes in the fair value of underlying items due to policyholders are then recognised as an adjustment of the contractual service margin).

A simplified measurement (premium allocation approach) is also allowed by the standard under conditions for short-term contracts (12 months or less) and contracts for which the result of premium allocation approach is closed to the general approach.

These measurement models will have to be applied to homogeneous portfolios of insurance contracts. The level of aggregation of these portfolios will be assessed considering:

- contracts that are subject to similar risks and managed together;

- the year during which contracts are issued; and
- at initial recognition, contracts that are onerous, contracts that have no significant possibility of becoming onerous subsequently, and the remaining contracts.

On 26 June 2019, the IASB issued an exposure draft including a number of amendments to IFRS 17 “Insurance contracts.” These modifications aim to facilitate the implementation of the standard. In particular, it is proposed to defer the first application date by one year, postponing it to the annual periods beginning on 1 January 2022 with a mandatory comparative period. The Group will not exercise the option offered by IFRS 17 to apply the standard by anticipation. In addition, EFRAG, commenting IASB exposure draft, considers that it would be more realistic to postpone IFRS 17 first application by one more year to 1 January 2023.

During 2018, the Group determined a project framework for the implementation of the new standard in order to identify the stakes and impacts for the Insurance business unit. The project work continued during 2019.

NOTE 1.4 Use of estimates and judgment

When applying the accounting principles disclosed in the following notes for the purpose of preparing the Group's consolidated financial statements, the Management makes assumptions and estimates that may have an impact on the figures recorded in the income statement or among other comprehensive income, on the valuation of assets and liabilities in the balance sheet, and on information disclosed in the notes to the consolidated financial statements.

In order to make these assumptions and estimates, the Management uses the information available at the date of preparation of the consolidated financial statements and can exercise its judgment. By their nature, valuations based on estimates include risks and uncertainties relating to their occurrence in the future. Consequently, actual future results may differ from these estimates and may then have a significant impact on the financial statements.

The use of estimates and judgment mainly concerns the following accounting topics:

- the fair value in the balance sheet of financial instruments not quoted in an active market which are classified as *Financial assets and liabilities at fair value through profit or loss*, *Hedging derivatives*, *Financial assets at fair value through other comprehensive income* or even *Investments of insurance companies* (described in Notes 3.1, 3.2, 3.3, 3.4 and 4.3) and fair value of instruments measured at amortised cost for which this information must be disclosed in the notes to the financial statements (see Note 3.9);
- the amount of impairment and provisions for credit risk related to financial assets measured at amortised cost, or at fair value through other comprehensive income, loan commitments granted and guarantee commitments granted measured with models or internal assumptions based on historical, current and prospective data (see Note 3.8). The uses of estimates and judgment relates in particular to the assessment of the deterioration in credit risk observed since the initial recognition of financial assets and the measurement of the amount of expected credit losses on these same financial assets;
- for the purpose of documenting the related macro fair value hedge accounting, assumptions and amortisation conventions used to determine the maturities of financial assets and liabilities, measuring and monitoring the structural interest rate risks (see Note 3.2);

- the amount of impairment on goodwill (see Note 2.2);
- the provisions recognised under liabilities, underwriting reserves of insurance companies and deferred profit-sharing (see Notes 4.3, 5.2 and 8.3);
- the amount of tax assets and liabilities recognised in the balance sheet (see Note 6);
- the analysis of the contractual cash flow characteristics of financial assets (see Note 3);
- the assessment of control for determining the scope of consolidated entities, especially for structured entities (see Note 2).

In addition, the application of IFRS 16 has led the Group to expand its use of judgment to estimate the lease period to be applied in determining the right-of-use assets and the lease liability.

BREXIT

On 23 June 2016, the United Kingdom European Union Membership referendum took place and the British people voted to leave the European Union (*Brexit*).

After having been postponed several times, the United Kingdom withdrawal agreement was approved by the British Parliament on 9 January 2020 and by the European Parliament on 29 January 2020, coming into effect the 31 January 2020. European Union law will stop applying to the United Kingdom starting 1 January 2021. During the 11-month transition period, the United Kingdom will keep its European Union member status.

The Group has taken all the necessary steps to guarantee service continuity to its customers starting 31 January 2020, and will be following the developments in the negotiations that will be held during the transition period. The Group has taken into account Brexit's short-, medium- and long-term consequences in the hypotheses and estimates retained in the preparation of the annual consolidated financial statements.

NOTE 2 CONSOLIDATION



MAKE IT SIMPLE

The various activities of the Societe Generale group in France and abroad are carried out by Societe Generale – Parent company (which includes the Societe Generale foreign branches) and by all of the entities that it controls either directly or indirectly (subsidiaries and joint arrangements) or on which it exercises significant influence (associates). All of these entities make up the scope of the Group consolidation.

Consolidation uses a standardised accounting process to give an aggregated presentation of the accounts of Societe Generale – Parent company and its subsidiaries, joint arrangements and associates, presented as if they were a single entity.

To do so, the individual accounts of the entities that make up the Group are restated so that they are in accordance with IFRS, as adopted by the European Union, in order to present consistent information in the consolidated financial statements.

In addition, the accounting balances (assets, liabilities, income and expense) generated by transactions between Group entities are eliminated through the consolidation process so that the consolidated financial statements present only the transactions and results made with third parties outside of the Group.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Societe Generale include the financial statements of the parent company and of the main French and foreign companies as well as foreign branches over which the Group exercises control, joint control or significant influence.

Consolidated entities

SUBSIDIARIES

Subsidiaries are the entities over which the Group has exclusive control. The Group controls an entity if and only if the following conditions are met:

- the Group has power over the entity (ability to direct its relevant activities, *i.e.* the activities that significantly affect the entity's returns), through the holding of voting rights or other rights; and
- the Group has exposure or rights to variable returns from its involvement with the entity; and
- the Group has the ability to use its power over the entity to affect the amount of the Group's returns.

Power

When determining voting rights for the purpose of establishing the Group's degree of control over an entity and the appropriate consolidation method, potential voting rights are taken into account where they can be freely exercised at the time the assessment is made or at the latest when decisions about the direction of the relevant activities need to be made. Potential voting rights are instruments such as call options on ordinary shares outstanding on the market or rights to convert bonds into new ordinary shares.

When voting rights are not relevant to determine whether or not the Group controls an entity, the assessment of this control shall consider all the facts and circumstances, including the existence of one or more contractual arrangements. Power over an investee exists only if the investor has substantive rights that give it the current ability to direct relevant activities without barriers.

Some rights are designed to protect the interests of their holder (protective rights) without giving that party power over the investee to which those rights relate.

If several investors each have substantive rights that give them the unilateral ability to direct different relevant activities, the investor that has the current ability to direct the activities that most significantly affect the variable returns of the investee is presumed to have power over the investee.

Exposure to variable returns

Control exists only if the Group is significantly exposed to the variability of variable returns generated by its investment or its involvement in the entity. These returns, which could be dividends, interest, fees, etc., can be only positive, only negative or both positive and negative.

Link between power and returns

Power over the relevant activities does not give control to the Group if this power does not allow it to affect its returns from its involvement with the entity. If the Group has been delegated decision-making rights that it exercises on behalf and for the benefit of third parties (the principals), it is presumed to act as an agent for these principals, and therefore it does not control the entity when it exercises its decision-making power. In asset management activities, an analysis shall be performed in order to determine whether the asset manager is acting as agent or principal when managing the net assets of a fund; the fund is presumed to be controlled by the asset manager if the latter is considered as a principal.

Special case of structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity. Such is the case, for example, when the relevant activities are directed by means of contractual arrangements.

A structured entity often presents certain characteristics such as a limited business activity, a specific and carefully defined purpose, or insufficient capital to fund its activities without the use of subordinated financing.

Structured entities may assume different legal forms: stock companies, partnerships, securitisation vehicles, mutual funds, unincorporated entities, etc.

When assessing the existence of control over a structured entity, all facts and circumstances shall be considered among which:

- the purpose and design of the entity;
- the structuring of the entity;
- risks to which the entity is exposed by way of its design and the Group's exposure to some or all of these risks;
- potential returns and benefits for the Group.

Unconsolidated structured entities are those that are not exclusively controlled by the Group.

JOINT ARRANGEMENTS

Through a joint arrangement (either a joint operation or a joint venture) the Group exercises joint control over an entity if decisions about the direction of its relevant activities require the unanimous consent of the parties that collectively control the entity. Assessing joint control requires an analysis of the rights and obligations of all the parties.

In the case of a joint operation, the parties to the arrangement have rights to the assets and obligations for the liabilities.

In the case of a joint venture, the parties have rights to the net assets of the entity.

ASSOCIATES

Associates are companies over which the Group exercises significant influence and are accounted for using the equity method in the Group's consolidated financial statements. Significant influence is the power to participate in the financial and operating policies of an entity without exercising control. In particular, significant influence can result from Societe Generale being represented on the Board of Directors or Supervisory Board, from its involvement in strategic decisions, from the existence of significant intercompany transactions, from the exchange of management staff, or from the company's technical dependency on Societe Generale. The Group is assumed to exercise significant influence over the financial and operating policies of an entity when it directly or indirectly holds at least 20% of the voting rights in this entity.

Consolidation rules and methods

The consolidated financial statements are built up from the financial statements of the entities that are included in the consolidation scope. Companies with a fiscal year ending more than three months before or after that of Societe Generale prepare pro forma statements for a twelve-month period ended 31 December. All significant balances, profits and transactions between Group companies are eliminated.

The results of newly acquired subsidiaries are included in the consolidated financial statements from the date the acquisition became effective and results of subsidiaries disposed of during the fiscal year are included up to the date where the Group relinquished control.

CONSOLIDATION METHODS

The subsidiaries, which may include structured entities over which the Group has exclusive control, are fully consolidated.

In the consolidated balance sheet, full consolidation consists in replacing the value of the subsidiary's equity securities held by the Group with each of the subsidiary's assets and liabilities, in addition to the goodwill recognised when the Group assumed control over the entity (see Note 2.2).

In the income statement and the statement of net income and unrealised or deferred gains and losses, the subsidiary's expense and income items are aggregated with those of the Group.

The share of non-controlling interests in the subsidiary is presented separately in the consolidated balance sheet and income statement. However, in consolidated structured entities that are controlled by the Group, the shares of said entities not held by the Group are recognised as *Debt* in the balance sheet.

In the case of a joint operation, the Group distinctly recognises in its consolidated financial statements its share in the assets and liabilities as well as its share in the related revenue and expense.

Associates and joint ventures are accounted for using the equity method in the consolidated financial statements of the Group. Under the equity method, on initial recognition the investment in an associate is recognised under *Investments accounted for using the equity method* at the cost of the Group's investment in the joint venture or associate, including goodwill and after the date of acquisition the carrying amount is increased or decreased to recognise the changes in the investor's share in the net asset value of the investee.

These investments are tested for impairment if there is objective evidence of impairment. If the recoverable amount of the investment (value in use or market value net of selling costs, whichever is higher) is lower than its carrying amount, an impairment loss is recorded on the balance sheet at the carrying amount of the investment. Impairment allowances and reversals are recorded under *Net income from investments accounted for using the equity method*.

The Group's share in the entity's net income and unrealised or deferred gains and losses is presented on separate lines in the consolidated income statement and the consolidated statement of net income and unrealised or deferred gains and losses. If the Group's share in the losses of an entity consolidated using the equity method becomes greater than or equal to its ownership interest in the Company, the Group ceases to recognise its share in subsequent losses unless it is required to do so by legal or implied obligations, in which case it records a provision for said losses. Capital gains and losses generated on disposal of companies accounted for using the equity method are recorded under *Net income/expense from other assets*.

TRANSLATION OF FOREIGN ENTITY FINANCIAL STATEMENTS

The balance sheet items of consolidated companies reporting in foreign currencies are translated into euro at the official exchange rates prevailing at the closing date. Income statement items of these companies are translated into euros, at the average month-end exchange rates. Gains and losses arising from the translation of capital, reserves, retained earnings and income are recognised under *Unrealised or deferred gains and losses – Translation differences*. Gains and losses arising from the translation of the capital contribution of foreign branches of Group banks are also included in changes in consolidated shareholders' equity under the same heading.

In accordance with the option allowed under IFRS 1, the Group allocated all differences arising on translation of foreign entity financial statements at 1 January 2004 to consolidated reserves. As a result, if any of these entities are sold, the proceeds from the sale will only include write-backs of those translation differences arising since 1 January 2004.

CHANGES IN GROUP'S OWNERSHIP INTEREST IN A CONSOLIDATED ENTITY

In the event of an increase in Group's ownership interest in a subsidiary over which it already exercises control, the differences between the price paid for the additional stake and the assessed fair value of the proportion of net assets acquired at this date is recorded under *Consolidation reserves, Group share*.

The costs related to these transactions are recognised directly in equity.

When the Group loses control of a consolidated subsidiary, any investment retained in the former subsidiary is remeasured at fair value through profit or loss, at the same time the capital gain or loss is recorded under *Net income/expense from assets* in the consolidated income statement. The gains or losses on disposals include a share of goodwill previously allocated to the cash-generating units to which the subsidiary belongs. This share's determination is based on a normative capital allocated to the subsidiary that is sold and to the portion of cash-generating unit that is retained.

Commitments to buy out minority shareholders in fully consolidated subsidiaries

In some fully consolidated Group subsidiaries, the Group has awarded minority shareholders commitments to buy out their stakes. For the Group, these buyout commitments are put option sales (put options without transfer of the risks and advantages associated with the ownership interest before the option's exercise). The exercise price for these options can be established using a formula agreed upon at the time of the acquisition of the shares in the subsidiary that takes into account its future performance. It can also be set as the fair value of these shares at the exercise date of the options.

The commitments are recorded as follows:

- in accordance with IAS 32, the Group records a financial liability for the put options granted to minority shareholders of the subsidiaries over which it exercises control. This liability is initially recognised at the present value of the estimated exercise price of the put options under *Other Liabilities*;
- the obligation to recognise a liability even though the put options have not been exercised means that, in order to be consistent, the Group must use the same accounting treatment as the one applied to transactions in *Non-controlling interests*. As a result, the counterpart of this liability is a write-down in value of non-controlling interests underlying the options, with any balance deducted from *Retained earnings, Group share*;
- subsequent variations in this liability (linked to changes in the estimated exercise price of the options and the carrying value of *Non-controlling interests*) are recorded in full in *Retained earnings, Group share*;
- if the buy-out takes place, the liability is settled by the cash payment linked to the acquisition of non-controlling interests in the subsidiary. However if, when the commitment reaches its term, the buy-out has not occurred, the liability is written off against *Non-controlling interests* and *Retained earnings, Group share* for their respective portions;
- as long as the options have not been exercised, the results linked to *Non-controlling interests* with a put option are recorded under *Non-controlling interests* on the Group's consolidated income statement.

NOTE 2.1 Consolidation scope

The consolidation scope includes subsidiaries and structured entities under the Group's exclusive control, joint arrangements (joint ventures and joint operations) and associates whose financial statements are significant relative to the Group's consolidated financial statements, notably regarding Group consolidated total assets and gross operating income.

The main changes to the consolidation scope at 31 December 2019, compared with the scope applicable at the closing date of 31 December 2018, are as follows:

SG EXPRESS BANK

On 15 January 2019, the Group sold all its participation in SG Express Bank, its Bulgarian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 3.4 billion, mainly through a decrease of EUR 2.4 billion in customer loans and a decrease of EUR 2.7 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

SOCIETE GENERALE PRIVATE BANKING NV/SA

On 28 February 2019, the Group sold all its participation in Societe Generale Private Banking NV/SA, its Belgian private banking subsidiary, to ABN AMRO. The sale reduced the Group's balance sheet by EUR 1.1 billion, due to a decrease of EUR 1.1 billion in *Non-current assets held for sale* (o/w EUR 0.4 billion in cash, due from central banks and EUR 0.5 billion in customer loans) and a decrease of EUR 1.0 billion in *Non-current liabilities held for sale* (o/w EUR 1.0 billion in customer deposits).

LA BANQUE POSTALE FINANCEMENT

On 28 March 2019, the Group sold to La Banque Postale its investment in La Banque Postale Financement (35%) accounted for using the equity method.

BANKA SOCIETE GENERALE ALBANIA SH.A.

On 29 March 2019, the Group sold all its participation in Banka Societe Generale Albania SH.A., its Albanian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.7 billion, mainly through a decrease of EUR 0.4 billion in customer loans and a decrease of EUR 0.6 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

EURO BANK S.A.

On 31 May 2019, the Group sold all its participation in Eurobank, its Polish subsidiary, to Bank Millennium. The sale reduced the Group's balance sheet by EUR 3.4 billion, mainly through a decrease of EUR 2.9 billion in customer loans and of EUR 1.8 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

SOCIETE GENERALE BANKA MONTENEGRO A.D.

On 16 July 2019, the Group sold all its participation in SG Banka Montenegro A.D., its Montenegrin subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a decrease of EUR 0.4 billion in customer loans and a decrease of EUR 0.4 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

MOBIASBANCA GROUPE SOCIETE GENERALE

On 25 July 2019, the Group sold all its participation in Mobiasbanca, its Moldavian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 0.5 billion, mainly through a decrease of EUR 0.3 billion in customer loans and a decrease of EUR 0.5 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD

On 24 September 2019, the Group sold all its participation in SG Banka Srbija A.D. Beograd, its Serbian subsidiary, to OTP Bank. The sale reduced the Group's balance sheet by EUR 2.7 billion, mainly through a decrease of EUR 2 billion in customer loans and a decrease of EUR 1.6 billion in customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

OHRIDSKA BANKA A.D. SKOPJE

On 4 November 2019, the Group sold all its participation in SG Banka Ohridska Banka A.D. Skopje, its Macedonian subsidiary, to Steiermärkische Sparkasse. The sale reduced the Group's balance sheet by EUR 0.6 billion, mainly through a decrease of EUR 0.5 billion in customer loans and a decrease of EUR 0.5 billion of customer deposits, reported respectively under *Non-current assets held for sale* and *Non-current liabilities held for sale* at 31 December 2018.

PEMA GMBH

On 2 December 2019, the Group sold all its participation in PEMA GmbH, a rental company with truck and trailer service, to TIP Trailer Services. This transfer resulted in the reduction in *Tangible and intangible fixed assets* for EUR 0.6 billion and a decrease in *Customer deposits* for EUR 0.5 billion compared to 31 December 2018.

SKB GROUP

On 13 December 2019, the Group sold the entity SKB Banka D.D. Ljubljana (Slovenia) and its subsidiaries Leasing D.O.O and SKB Leasing Select D.O.O. to OTP Bank. The sale reduced the Group's balance sheet by EUR 3 billion, mainly through a decrease of EUR 2.4 billion in customer loans and a decrease of EUR 2.5 billion of customer deposits, compared to 31 December 2018.

The result of these disposals recorded in *Net income/expense from other assets* amounts to EUR -277 million for the 2019 financial year.

NOTE 2.2 Goodwill**MAKE IT
SIMPLE**

When the Group acquires a company, it integrates in its consolidated balance sheet all of the new subsidiary's assets and liabilities at fair value, as if they had been individually acquired.

But the acquisition price of a company is generally higher than the net revalued amount of its assets and liabilities. The excess value, called goodwill, can represent part of the Company's intangible capital (reputation, quality of its personnel, market shares, etc.) which contributes to its overall value, or the value of the future synergies that the Group hopes to develop by integrating the new subsidiary in its existing activities.

In the consolidated balance sheet, the goodwill is recognised as an intangible asset, the useful life of which is presumed to be unlimited; it is not amortised and therefore does not generate any recurring expense in the Group's future results.

However, every year, the Group assesses whether the value of its goodwill has not depreciated. If it has, an irreversible expense is immediately recognised in the Group results, which indicates that the profitability of the intangible capital of the acquired entity is inferior to initial expectations, or that the anticipated synergies have not been fulfilled.

ACCOUNTING PRINCIPLES

The Group uses the acquisition method to recognise its business combinations.

At the acquisition date, all assets, liabilities, off-balance sheet items and contingent liabilities of the acquired entities that are identifiable under the provisions of IFRS 3 "Business Combinations" are measured individually at their fair value regardless of their purpose. The analyses and professional appraisals required for this initial valuation must be carried out within 12 months as from the acquisition date, as must any corrections to the value based on new information related to facts and circumstances existing at the acquisition date. At the same time, non-controlling interests are valued according to their share of the fair value of the identifiable assets and liabilities of the acquired entity. However, for each business combination, the Group may also choose to measure *Non-controlling* interests initially at their fair value, in which case a fraction of goodwill is allocated.

The acquisition cost is calculated as the total fair value, at the date of acquisition, of all assets given, liabilities incurred or assumed and equity instruments issued in exchange for the control of the acquired entity. The costs directly linked to business combinations are recognised in the income statement for the period except those related to the issuance of equity instruments.

Any contingent consideration is included in the acquisition cost at its fair value on the acquisition date, even if its occurrence is only potential. It is recognised under equity or debt in the balance sheet depending on the settlement alternatives.

If recognised as debt, any subsequent adjustment is recorded under income for financial liabilities in accordance with IFRS 9 and within the scope of the appropriate standards for other debts. For equity instruments, these subsequent adjustments are not recognised. Any excess of the price paid over the assessed fair value of the proportion of net assets acquired is recorded on the asset side of the consolidated balance sheet under Goodwill. Any deficit is immediately recognised in the income statement. On the date of acquisition of an entity, any stake in this entity already held by the Group is remeasured at fair value through profit or loss. In the case of a step acquisition, goodwill is therefore determined by referring to the fair value on the acquisition date.

At the acquisition date, each item of goodwill is allocated to one or more cash-generating units expected to derive benefits from the acquisition. When the Group reorganises its reporting structure in a way that changes the composition of one or more Cash-Generating Units, goodwill previously allocated to modified units is reallocated to the units affected (new or existing). This reallocation is generally performed using a relative approach based on the normative capital requirements of each Cash-Generating Unit affected.

Goodwill is reviewed regularly by the Group and tested for impairment whenever there is any indication that its value may have diminished, and at least once a year. Any impairment of goodwill is calculated based on the recoverable value of the relevant cash-generating unit(s).

If the recoverable amount of the cash-generating unit(s) is less than its (their) carrying amount, an irreversible impairment is recorded in the consolidated income statement for the period under *Value adjustments on goodwill*.

At 31 December 2019, goodwill is split into the following 11 Cash-Generating Units (CGUs):

Pillars	Activities
French Retail Banking	
Societe Generale network	Societe Generale's retail banking network, Boursorama online banking activities, consumer and equipment financing in France
Crédit du Nord	Retail banking network of Crédit du Nord and its 7 regional banks
International Retail Banking and Financial Services	
Europe	Retail banking and consumer finance services in Europe, notably in Germany (Hanseatic Bank, BDK), Italy (Fiditalia), France (CGL), Czech Republic (KB, Essox), Romania (BRD)
Russia	Integrated banking group including Rosbank and its subsidiary Rusfinance
Africa, Mediterranean Basin and Overseas	Retail banking and consumer finance in Africa, the Mediterranean Basin and Overseas, including in Morocco (SGMA), Algeria (SGA), Tunisia (UIB), Cameroon (SGBC), Côte d'Ivoire (SGBCI) and Senegal (SGBS)
Insurance	Life and non-life insurance activities in France and abroad (including Sogécap, Sogessur, Oradéa Vie and Antarius)
Equipment and Vendor Finance	Financing of sales and professional equipment by Societe Generale Equipment Finance
Auto Leasing Financial Services	Operational vehicle leasing and fleet management services (ALD Automotive)
Global Banking and Investor Solutions	
Global Markets and Investor Services	Market solutions for businesses, financial institutions, the public sector, family offices and a full range of securities services, clearing services, execution, prime brokerage and custody
Financing and Advisory	Advisory and financing services for businesses, financial institutions, the public sector and transaction and payment management services
Asset and Wealth Management	Asset and Wealth Management Solutions in France and abroad

The table below shows the changes in the net values of goodwill:

(In EURm)	Net book value at 31.12.2018	Acquisitions and other increases	Disposals and other decreases ⁽¹⁾	Net book value at 31.12.2019
French Retail Banking	797			797
Societe Generale network	286			286
Crédit du Nord	511			511
International Retail Banking & Financial Services	2,885	43	(199)	2,729
Europe	1,450		(89)	1,361
Russia	-			
Africa, Mediterranean Basin and Overseas	231		(3)	228
Insurance	335			335
Equipment and Vendor Finance	335		(107)	228
Auto Leasing Financial Services	534	43		577
Global Banking and Investor Solutions	970	132	(1)	1,101
Global Markets and Investor Services	501	83		584
Financing and Advisory	57			57
Asset and Wealth Management	412	49	(1)	460
TOTAL	4,652	175	(200)	4,627

(1) The other decreases include the reclassification of the entities held for sale's goodwill to Non-current assets held for sale (see Note 2.5).

ACQUISITION OF COMMERZBANK “EQUITY MARKETS AND COMMODITIES” BUSINESS

Following the agreement signed on 8 November 2018, the Group is committed to acquiring the Commerzbank “Equity Markets and Commodities” (EMC) business. The EMC business purchased comprises manufacturing and market-making of flow (“Flow” business) and structured products (“Exotic, Vanilla and Funds” business) as well as part of asset management activities (“Asset Management” business).

The integration process of staff, trading books and infrastructure started in the first half of 2019 and is expected to continue until the beginning of the first half of 2020.

Based on the progress of the staff integration and the transfers of trading books at 31 December, the Group already took control of the “Exotic, Vanilla and Funds” (EVF) business and the asset management activities leading to the recognition of a EUR 83 million goodwill for the EVF business (included in the “Global Markets and Investor Services” CGU) and a EUR 49 million goodwill for the asset management business (included in the “Asset and Wealth Management” CGU).

The transfers of trading books related the EVF business are recorded under *Financial assets at fair value through profit or loss* and *Financial liabilities at fair value through profit or loss* in the consolidated balance sheet (see Note 3.1).

ANNUAL IMPAIRMENT TEST

The Group performed an annual impairment test at 31 December 2019 for each CGU to which goodwill had been allocated. A CGU is defined as the smallest identifiable group of assets that generates cash inflows, which are largely independent of the cash inflows from the Group's other assets or groups of assets. Impairment tests consist into assessing the recoverable value of each CGU and comparing it with its carrying value. An irreversible impairment loss is recorded in the income statement if the carrying value of a CGU, including goodwill, exceeds its recoverable value. This loss is booked to the impairment of goodwill.

The table below presents discount rates and long-term growth rates specific for the CGUs of the Group's three core businesses:

Assumptions at 31 December 2019	Discount rate	Long-term growth rate
French Retail Banking		
Societe Generale network and Crédit du Nord	7.7%	2%
International Retail Banking and Financial Services		
Retail Banking and Consumer Finance	10.1% to 14.5%	2% to 3%
Insurance	9.0%	2.5%
Equipment and Vendor Finance and Auto Leasing Financial Services	9.2%	2%
Global Banking and Investor Solutions		
Global Markets and Investor Services	12.3%	2%
Financing and Advisory	10.0%	2%
Asset and Wealth Management	9.7%	2%

The recoverable amount of a Cash-Generating Unit is calculated using the most appropriate method, generally the discounted cash flow (DCF) method applied to the entire cash-generating unit. The cash flows used in this calculation are income available for distribution generated by all the entities included in the cash-generating unit, taking into account the Group targeted equity allocated to each CGU.

The cash flows were determined this year on a five-year period, with the prospective four-year budgets (from 2020 to 2023) extrapolated over the year 2024, this one corresponding to a “normative” year used to calculate the terminal value:

- allocated equity at 31 December 2019 amounted to 11% of risk-weighted assets, excepted for Crédit du Nord, whose allocated equity amounted to 10.5%, in accordance with the entity's management guidelines;
- the discount rate is calculated using a risk-free rate grossed up by a risk premium based on the CGU's underlying activities. This risk premium, specific to each activity, is calculated from a series of equity risk premiums published by SG Cross Asset Research and from its specific estimated volatility (beta). Where appropriate, the risk-free rate is also grossed up by a sovereign risk premium, representing the difference between the risk-free rate available in the area of monetary assignment (mainly US dollar area or Euro area) and the interest rate observed on liquid long-term treasury bonds issued (mainly US dollar area or Euro area), in proportion with risk-weighted assets for CGUs covering several countries;
- the growth rates used to calculate the terminal value is determined using forecasts on long-term economic growth and sustainable inflation. These rates are estimated using two main sources, namely the International Monetary Fund and the economic analyses produced by SG Cross Asset Research which provide 2024 forecasts.

No goodwill impairment was recognised as at 31 December 2019 as a result of the annual CGU impairment test.

Budget projections are based on the following main business line and macroeconomic assumptions:

French Retail Banking	
Societe Generale network and Cr�dit du Nord	<ul style="list-style-type: none"> ■ In a challenging environment (regulatory constraints, low inflation, historically low rates), ongoing efforts to shift operations and relationship banking at Societe Generale and Cr�dit du Nord towards a digital model ■ Confirmation of Boursorama's customer acquisition plan
International Retail Banking & Financial Services	
Europe	<ul style="list-style-type: none"> ■ Continued adaptation of our models to capture growth potential in the region and consolidate the competitive positions of our operations ■ Strict discipline applied to operating expenses and normalisation of cost of risk
Russia	<ul style="list-style-type: none"> ■ Continued recovery of activities in Russia in stabilising economic conditions ■ Strict discipline applied to operating expenses and cost of risk
Africa, Mediterranean Basin and Overseas	<ul style="list-style-type: none"> ■ Continued development of Societe Generale's sales network and expansion of services through the mobile banking offer ■ Continued focus on operating efficiency
Insurance	<ul style="list-style-type: none"> ■ Reinforcement of integrated bank insurance model and continued dynamic growth in France and abroad in synergy with the retail banking network, Private Banking and financial services to businesses
Equipment and Vendor Finance	<ul style="list-style-type: none"> ■ Consolidation of leadership in these corporate financing businesses ■ Consolidation of profitability by continuing to focus on activities with the best risk/reward ■ Strict discipline applied to operating expenses
Auto Leasing Financial Services	<ul style="list-style-type: none"> ■ Reinforcement of leadership of ALD relative to solutions of mobility and continued growth for strategic partners and for long-time leasing to retail customers ■ Continued focus on operating efficiency
Global Banking and Investor Solutions	
Global Markets and Investor Services	<ul style="list-style-type: none"> ■ Adaptation of market activities to a competitive environment, coupled with further business and regulatory investments. ■ Consolidation of market-leading franchises (equities) particularly through the integration of Commerzbank Equity Markets and Commodities activities ■ Continued of optimisation measures and investments in information systems
Financing and Advisory	<ul style="list-style-type: none"> ■ Continuation of origination momentum of financing activities ■ Consolidation of market-leading franchises (commodity and structured financing) ■ Management of cost of risk despite challenging economic conditions
Asset and Wealth Management	<ul style="list-style-type: none"> ■ Consolidation of commercial and operational efficiency in Wealth Management in a constrained environment and continued development of synergies with retail bank network ■ Integration of Commerzbank Asset Management activities

Sensitivity tests are carried out to measure the impact on each CGU's recoverable value of the variation in certain assumptions.

At 31 December 2019, in light of the risks associated with business activity in the current environment (market volatility, regulatory uncertainties), sensitivities to variations in the discount rate, long-term growth were measured.

According to the results of these tests:

- an increase of 50 basis points applied to all discount rates for the CGUs disclosed in the table above would lead to a decrease of 25.3% in recoverable value and would not generate any additional impairment;
- similarly, a decrease of 50 basis points in long-term growth rates would lead to a decrease of 8.1% in recoverable value and would not generate any additional impairment.

NOTE 2.3 Additional disclosures for consolidated entities and investments accounted for using the equity method

This Note provides additional disclosures for entities included in the consolidation scope.

These disclosures concern entities over which Societe Generale exercises exclusive control, joint control or significant influence,

provided that these entities have significant impact on the Group's consolidated financial statements. The significance of the impact is considered in particular regarding Group consolidated total assets and gross operating income.

NOTE 2.3.1 CONSOLIDATED STRUCTURED ENTITIES

Consolidated structured entities include:

- collective investment vehicles such as SICAVs (open-ended investment funds) and mutual funds managed by the Group's asset management subsidiaries;
- securitisation funds and conduits issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches;
- asset financing vehicles (aircraft, rail, shipping or real estate finance facilities).

The Group has entered into contractual agreements with certain consolidated structured entities that may lead to financial support for these entities due to their exposure to credit, market or liquidity risks.

In 2019, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2019, does not intend to provide such support.

Securities issued by structured debt vehicles carry an irrevocable and unconditional guarantee from Societe Generale for payment of amounts due by the issuer. These issuers also enter into hedging transactions with Societe Generale to enable them to meet their payment obligations. As of 31 December 2019, the amount of outstanding loans thus guaranteed is EUR 58 billion.

As part of its securitisation activities on behalf of its clients or investors, Societe Generale grants two liquidity lines to ABCP (Asset Back Commercial Paper) conduits for a total amount of EUR 20.2 billion as of 31 December 2019.

NOTE 2.3.2 NON-CONTROLLING INTERESTS

Non-controlling interests refer to equity holdings in fully consolidated subsidiaries that are neither directly nor indirectly attributable to the Group. They include equity instruments issued by these subsidiaries and not held by the Group, as well as the share of income and accumulated reserves, and of unrecognised or deferred gains and losses attributable to the holders of these instruments.

Non-controlling interests amount to EUR 5,043 million at 31 December 2019 (vs. EUR 4,783 million at 31 December 2018) and account for 7% of total shareholders' equity at 31 December 2019 (vs. 7% at 31 December 2018).

INFORMATION ON SHAREHOLDER'S EQUITY OF NON-CONTROLLING INTERESTS

(In EURm)	31.12.2019	31.12.2018
Capital and reserves	4,291	4,060
Other equity instruments issued by subsidiaries (see Note 7.1)	800	800
Unrealised or deferred gains and losses	(48)	(77)
TOTAL	5,043	4,783

The *Non-controlling interests*, of significant amount in terms of contribution to the total shareholders' equity in the Group's consolidated balance sheet, relate to:

- listed subsidiaries Komerční Banka A.S., BRD - Groupe Societe Generale SA and SG Marocaine de Banques;
- ALD SA, whose data presented here correspond to those of the ALD group;
- Sogécap, fully owned, with the subordinated notes issued in December 2014.

31.12.2019					
(In EURm)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	221	1,540	(134)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	125	654	(93)
GROUPE ALD	79.82%	79.82%	122	840	(52)
SG MAROCAINE DE BANQUES	57.58%	57.58%	41	447	(11)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities	-	-	156	733	(89)
TOTAL	-	-	698	5,043	(412)

31.12.2018					
(In EURm)	Group voting interest	Group ownership interest	Net income attributable to non-controlling interests	Total non-controlling interests	Dividends paid during the year to holders of non-controlling interests
KOMERCNI BANKA A.S	60.73%	60.73%	220	1,437	(122)
BRD - GROUPE SOCIETE GENERALE SA	60.17%	60.17%	128	623	(94)
GROUPE ALD *	79.82%	79.82%	120	766	(50)
SG MAROCAINE DE BANQUES	57.57%	57.57%	39	413	(8)
SOGÉCAP	100.00%	100.00%	33	829	(33)
Other entities *	-	-	152	715	(94)
TOTAL	-	-	692	4,783	(401)

* Amounts restated compared with the published consolidated statements for the year-ended 31 December 2018.

SUMMARISED FINANCIAL INFORMATION FOR MAIN NON-CONTROLLING INTERESTS

The information below are the data of the entities or subgroups (excluding Sogécap) taken at 100% and before the elimination of intra-group operations.

31.12.2019				
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,240	595	1,024	41,605
BRD - GROUPE SOCIETE GENERALE SA	658	322	50	11,684
GROUPE ALD	1,349	567	446	47,214
SG MAROCAINE DE BANQUES	432	105	148	9,424

31.12.2018				
(In EURm)	Net banking income	Net income	Net income and unrealised or deferred gains and losses	Total balance sheet
KOMERCNI BANKA A.S	1,227	595	969	40,501
BRD - GROUPE SOCIETE GENERALE SA	636	327	62	11,618
GROUPE ALD	1,321	561	408	43,681
SG MAROCAINE DE BANQUES	399	100	128	8,583

NOTE 2.3.3. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (ASSOCIATES AND JOINT VENTURES)

SUMMARISED FINANCIAL INFORMATION FOR JOINT VENTURES AND ASSOCIATES

(In EURm)	Joint ventures		Associates		Total investments accounted for using the equity method	
	2019	2018	2019	2018	2019	2018
Group share:						
Net income ⁽¹⁾	5	5	(134)	51	(129)	56
Unrealised or deferred gains and losses (net of tax)	-	-	3	(3)	3	(3)
NET INCOME AND UNREALISED OR DEFERRED GAINS AND LOSSES	5	5	(131)	48	(126)	53

(1) 2019 net income includes an impairment of EUR 158 million of the Group's investment in SG de Banque au Liban.

COMMITMENTS TO RELATED PARTIES

(In EURm)	31.12.2019	31.12.2018
Loan commitments granted	-	-
Guarantee commitments granted	45	54
Forward financial instrument commitments	-	142

NOTE 2.3.4. RESTRICTIONS

SIGNIFICANT RESTRICTIONS ON THE ABILITY TO ACCESS OR USE THE ASSETS OF THE GROUP

Legal, regulatory, statutory or contractual constraints or requirements may restrict the ability of the Group to transfer assets freely to or from entities within the Group.

The ability of consolidated entities to distribute dividends or to grant or repay loans and advances to entities within the Group depends on, among other things, local regulatory requirements, statutory reserves and financial and operating performance. Local regulatory requirements may concern regulatory capital, exchange controls or non-convertibility of the local currency (as it is the case in countries belonging to the West African Economic and Monetary Union or to the Economic and Monetary Community of Central Africa), liquidity ratios (as in the United States) or large exposures ratios that aim to cap the entity's exposure in relation to the Group (regulatory requirement to be fulfilled in most countries in Eastern and Central Europe, Maghreb and sub-Saharan Africa).

The ability of the Group to use assets may also be restricted in the following cases:

- assets pledged as security for liabilities, notably guarantees provided to the central banks, or assets pledged as security for transactions in financial instruments, mainly through guarantee deposits with clearing houses;
- securities that are sold under repurchase agreements or that are lent;
- assets held by insurance subsidiaries in representation of unit-linked liabilities with life-insurance policy holders;
- assets held by consolidated structured entities for the benefit of the third-party investors that have bought the notes or securities issued by the entity;
- mandatory deposits placed with central banks.

NOTE 2.4 Unconsolidated structured entities

The information provided hereafter concerns entities structured but not controlled by the Group. This information is grouped by main type of similar entities, such as Financing activities, Asset management and Others (including Securitisation and Issuing vehicles).

Asset financing includes lease finance partnerships and similar vehicles that provide aircraft, rail, shipping or real estate finance facilities.

Asset management includes mutual funds managed by the Group's asset management subsidiaries.

Securitisation includes securitisation funds or similar vehicles issuing financial instruments that can be subscribed for by investors and that generate credit risks inherent in an exposure or basket of exposures which can be divided into tranches.

The Group's interests in unconsolidated entities that have been structured by third parties are classified among financial instruments in the consolidated balance sheet according to their nature.

NOTE 2.4.1 INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

The Group's interests in an unconsolidated structured entity refer to contractual and non-contractual involvements that expose the Group to the variability of returns from the performance of this structured entity.

Such interests can be evidenced by:

- the holding of equity or debt instruments (regardless of their rank of subordination);
- other funding (loans, cash facilities, loan commitments, liquidity facilities...);

- credit enhancement (guarantees, subordinated instruments, credit derivatives...);
- issuance of guarantees (guarantee commitments);
- derivatives that absorb all or part of the risk of variability of the structured entity's returns, except Credit Default Swap (CDS) and options purchased by the Group;
- contracts remunerated by fees indexed to the structured entity's performance;
- tax consolidation agreements.

	Asset financing		Asset management		Others	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
(In EURm)						
Total balance sheet of the entity⁽¹⁾	7,436	7,900	135,564	121,154	31,038	27,464
Net carrying amount of Group interests in unconsolidated structured entities						
Assets	2,011	3,232	13,139	5,596	8,950	10,645
Financial assets at fair value through profit or loss	446	384	12,652	4,964	3,801	5,509
Financial assets at fair value through other comprehensive income	-	-	-	-	55	56
Financial assets at amortised cost	1,553	2,843	361	462	5,094	5,080
Others	12	5	126	170		-
Liabilities	1,851	1,533	12,241	4,701	4,261	5,680
Financial liabilities at fair value through profit or loss	218	198	8,927	3,122	3,438	4,845
Due to banks and customer deposits	1,621	1,313	1,625	1,487	823	830
Others	12	22	1,689	92		5

(1) For Asset management, NAV (Net Asset Value) of funds.

In 2019, the Group did not provide any financial support to these entities outside of any binding contractual arrangement and, as of 31 December 2019, does not intend to provide such support.

The maximum exposure to loss related to interests in unconsolidated structured entities is measured as:

(In EURm)	Asset financing		Asset management		Others	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Amortised cost or fair value ⁽¹⁾ (according to the measurement of the financial instrument) of non-derivative financial assets entered into with the structured entity	3,029	2,910	5,097	5,227	2,333	2,450
Fair value ⁽¹⁾ of derivative financial assets recognised in the balance sheet	327	248	9,885	1,268	2,885	4,309
Notional amount of CDS sold (maximum amount to be paid)	-	-	-	-	-	-
Notional amount of loan or guarantee commitments granted	534	387	978	1,355	1,848	1,198
Maximum exposure to loss	3,890	3,545	15,960	7,850	7,066	7,957

The amount of maximum exposure to loss can be mitigated by:

- the notional amount of guarantee commitments received;
- the fair value⁽¹⁾ of collateral received;

- the carrying amount of surety deposits received.

These mitigating amounts must be capped in case of legal or contractual limitation of their realisable or recoverable amounts. They amounted to EUR 2,009 million and mainly concern Asset financing.

(1) Fair value at closing date. This fair value can change during subsequent financial years.

NOTE 2.4.2. INFORMATION ON UNCONSOLIDATED STRUCTURED ENTITIES SPONSORED BY THE GROUP

The Group may have no ownership interest in a structured entity, but still be considered as a sponsor of this structured entity if it acts or has acted as:

- a structurer;
- an originator for potential investors;
- an asset manager;
- an implicit or explicit guarantor of the entity's performance (in particular via capital or return guarantees granted to mutual fund unit holders).

A structured entity is also considered to be sponsored by the Group if its name includes the name of the Group or the name of one of its subsidiaries.

Conversely, entities that are structured by the Group according to specific needs expressed by one or more customers or investors are considered to be sponsored by said customers or investors.

At 31 December 2019, the total amount of the balance sheet of these unconsolidated structured entities, sponsored by the Group, and in which the Group does not have any interest, was EUR 2,570 million (including EUR 252 million for Other structures).

In 2019, no significant revenue has been recognised for these structured entities.

NOTE 2.5 Non-current assets held for sale and related debt**ACCOUNTING PRINCIPLES**

A non-current asset or group of assets and liabilities is deemed to be “held for sale” if its carrying value will primarily be recovered through a sale and not through its continuing use. For this classification to apply, the asset or group of assets and liabilities must then be immediately available-for-sale in its present condition and it must be highly probable that the sale will occur within twelve months.

For this to be the case, the Group must be committed to a plan to sell the asset (or disposal group if assets and liabilities) and have begun actively searching for a buyer. Furthermore, the asset or group of assets and liabilities must be measured at a price that is reasonable in relation to its current fair value.

Assets and liabilities into this category are classified as *Non-current assets held for sale* and *Non-current liabilities held for sale*, with no netting.

If the fair value less selling costs of non-current assets and groups of assets and liabilities held for sale is less than their net carrying value, an impairment is then recognised in profit or loss. Moreover, *Non-current assets held for sale* are no longer amortised or depreciated.

(In EURm)	31.12.2019	31.12.2018
Assets	4,507	13,502
Fixed assets and Goodwill	5	262
Financial assets	4,464	11,245
<i>Financial assets at fair value through profit or loss</i>	26	111
<i>Hedging derivatives</i>	10	-
<i>Financial assets at fair value through other comprehensive income</i>	-	1,429
<i>Securities at amortised cost</i>	-	59
<i>Due from banks at amortised cost</i>	68	324
<i>Customer loans at amortised cost</i>	4,360	9,322
Other assets	38	1,995
Liabilities	1,333	10,454
Provisions	14	22
Financial liabilities	1,211	10,309
<i>Financial liabilities at fair value through profit or loss</i>	-	2
<i>Hedging derivatives</i>	9	-
<i>Debt securities issued</i>	-	116
<i>Due to banks</i>	786	596
<i>Customer deposits</i>	416	9,595
<i>Subordinated debts</i>	-	-
Other liabilities	108	123

As at 31 December 2019, the *Non-current assets held for sale* and *Non-current liabilities held for sale* items mainly encompass the assets and liabilities of the retail banking SG de Banque aux Antilles, the assets and liabilities of the equipment finance and factoring company SG Finans AS, and the assets and liabilities related to the South African securities services activity (SG Johannesburg).

The changes of the *Non-current assets held for sale* and *Non-current liabilities held for sale* items compared to 31 December 2018 mainly come from:

- the sale of entities detailed in the Note 2.1;
- the reclassification of assets and liabilities of the entities SG de Banque aux Antilles and SG Finans AS.

Some *Non-current assets held for sale* (mostly goodwill and fixed assets) are measured at the lowest between accounting value and fair value less disposal costs. It means that all or part of any expected capital loss from the sale of a group of assets can be allocated as soon as the assets are reclassified under *Non-current assets held for sale*. In this context, the impairment cost recognised by the Group at 31 December 2019 amounts to EUR -109 million under *Net income/expense from other assets*.

NOTE 3 FINANCIAL INSTRUMENTS



**MAKE IT
SIMPLE**

The financial instruments represent the contractual rights or obligations to receive or to pay cash or other financial assets. The Group's banking activities generally take the form of financial instruments covering a broad spectrum of assets and liabilities, such as loans, investment portfolios (equity, bonds, etc.), deposits, regulated savings accounts, debt securities issued and derivative instruments (swaps, options, forward contracts, credit derivatives, etc.).

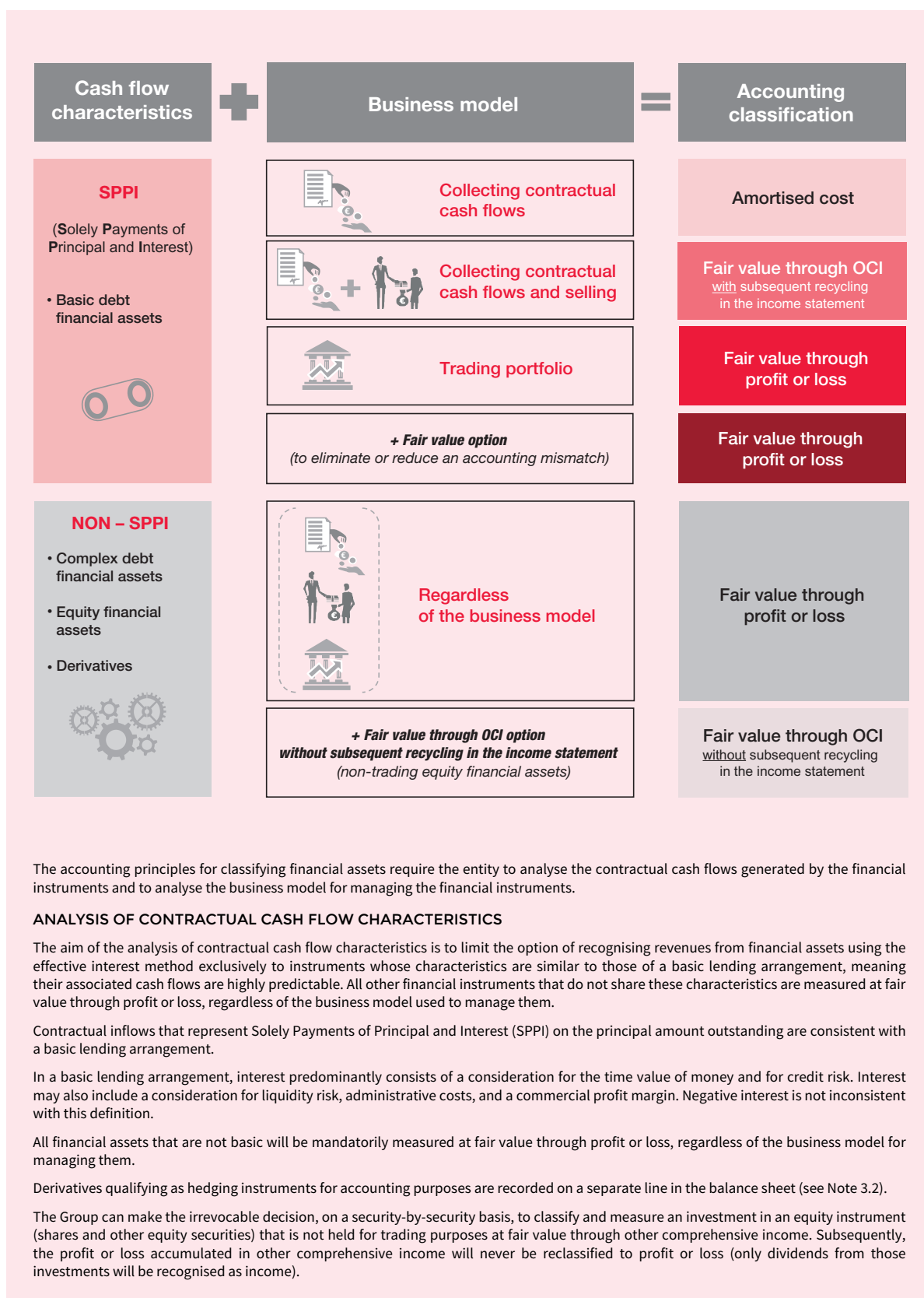
In the financial statements, the classification and valuation of financial assets and liabilities depend on their contractual characteristics and the way the entity manages those financial instruments.

However, this distinction is not applicable to derivative instruments, which are always measured at fair value in the balance sheet, no matter what their purpose is (market activities or hedging transactions).

ACCOUNTING PRINCIPLES

Classification of financial assets

At initial recognition, financial instruments are classified in the Group balance sheet in one of three categories (amortised cost, fair value through profit or loss, and fair value through other comprehensive income) that determine their accounting treatment and subsequent measurement method. Classification is based on their contractual cash flow characteristics and the entity's business model for managing the assets.



ANALYSIS OF THE BUSINESS MODEL

The business model represents how the financial instruments are managed in order to generate cash flows and income.

The Group uses several business models in the course of exercising its different business lines. Business models are assessed on how groups of financial instruments are managed together to achieve a particular business objective. The business model is not assessed on an instrument-by-instrument basis, but at a portfolio level, considering relevant evidence such as:

- how the performance of the portfolio is evaluated and reported to the Group's management;
- how risks related to financial instruments within that business model are managed;
- how managers of the business are compensated;
- sales of assets realised or expected (value, frequency, purpose).

To determine the classification and measurement of financial assets, three different business models shall be distinguished:

- a business model whose objective is to collect contractual cash flows ("Collect" business model);
- a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("Collect and Sell" business model);
- a separate business model for other financial assets, especially those that are held for trading purposes, where collecting contractual cash flows is only incidental.

FAIR VALUE OPTION

SPPI financial assets that are not held for trading purposes can be designated, at initial recognition, at fair value through profit or loss if such designation eliminates or significantly reduces discrepancies in the accounting treatment of related financial assets and liabilities (accounting mismatch).

Classification of financial liabilities

Financial liabilities are classified into one of the following two categories:

- *Financial liabilities at fair value through profit or loss*: these are financial liabilities held for trading purposes, which by default include derivative financial liabilities not qualifying as hedging instruments and non-derivative financial liabilities designated by the Group upon initial recognition to be measured at fair value through profit or loss using the fair value option;
- *Debts*: these include the other non-derivative financial liabilities and are measured at amortised cost.

Derivative financial assets and liabilities qualifying as hedging instruments are presented on separate lines of the balance sheet (see Note 3.2).

Reclassification of financial assets

Reclassification of financial assets are only required in the exceptional event that the Group changes the business model used to manage these assets.

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation methods used by the Group to establish the fair value of financial instruments are detailed in Note 3.4.

Initial recognition

Financial assets are recognised on the balance sheet:

- at the settlement/delivery date for securities;
- at the trade date for derivatives;
- at the disbursement date for loans.

For instruments measured at fair value, changes in fair value between the trade date and the settlement-delivery date are recorded in net income statement or in other comprehensive income, depending on the accounting classification of the financial assets in question. The trade date is the date on which the contractual commitment becomes binding and irrevocable for the Group.

When initially recognised, financial assets and liabilities are measured at fair value including transaction costs directly attributable to their acquisition or issuance, except for financial instruments recognised at fair value through profit or loss, for which these costs are booked directly to the income statement.

If the initial fair value is based on observable market data, any difference between the fair value and the transaction price, *i.e.* the sales margin, is immediately recognised in the income statement. However, if valuation inputs are not observable or if the valuation models are not recognised by the market, the recognition of the sales margin is then generally deferred in the income statement. For some instruments, due to their complexity, this margin is recognised at their maturity or upon disposal in the event of early sale. When valuation inputs become observable, any portion of the sales margin that has not yet been recorded is recognised in the income statement at that time (see Note 3.4.7).

Derecognition of financial assets and liabilities

The Group derecognises all or part of a financial asset (or group of similar assets) when the contractual rights to the cash flows on the asset expire or when the Group has transferred the contractual rights to receive the cash flows and substantially all of the risks and rewards linked to ownership of the asset.

The Group also derecognises financial assets over which it has retained the contractual rights to the associated cash flows but is contractually obligated to pass these same cash flows through to a third party ("pass-through agreement") and for which it has transferred substantially all the risks and rewards.

Where the Group has transferred the cash flows of a financial asset but has neither transferred nor retained substantially all the risks and rewards of its ownership and has effectively not retained control of the financial asset, the Group derecognises it and, where necessary, recognises a separate asset or liability to cover any rights and obligations created or retained as a result of the asset's transfer. If the Group has retained control of the asset, it continues to recognise it in the balance sheet to the extent of its continuing involvement in that asset.

When a financial asset is derecognised in its entirety, a gain or loss on disposal is recorded in the income statement for an amount equal to the difference between the carrying value of the asset and the payment received for it, adjusted where necessary for any unrealised profit or loss previously recognised directly in equity and for the value of any servicing asset or servicing liability. Indemnities billed to borrowers following the prepayment of their loan are recorded in the income statement on the prepayment date among *Interest and similar income*.

The Group derecognises all or part of a financial liability when it is extinguished, *i.e.* when the obligation specified in the contract is discharged, cancelled or expired.

A financial liability may also be derecognised in the event of a substantial amendment to its contractual conditions or where an exchange is made with the lender for an instrument whose contractual conditions are substantially different.

ANALYSIS OF CONTRACTUAL CASH FLOWS OF FINANCIAL ASSETS

The Group has established procedures for determining if financial assets pass the SPPI test at initial recognition (loans granting, acquisition of securities, etc.).

All contractual terms shall be analysed, particularly those that could change the timing or amount of contractual cash flows. A contractual term that permits the borrower or the lender to prepay or to return the debt instrument to the issuer before maturity remains consistent with SPPI cash flows, provided the prepayment amount primarily represents the principal remaining due and accrued but unpaid contractual interest, which may include a reasonable compensation. The fact that such compensation can be either positive or negative is not inconsistent with the SPPI nature of cash flows.

The prepayment compensation is considered as reasonable especially when:

- the amount is calculated as a percentage of the outstanding amount of the loan and is capped by regulations (in France, for example, compensation for the prepayment of mortgage loans by individuals is legally capped at an amount equal to six months of interest or 3% of the principal outstanding), or is limited by competitive market practices;
- the amount is equal to the difference between contractual interest that should have been received until the maturity of the loan and the interest that would be obtained by the reinvestment of the prepaid amount at a rate that reflects the relevant benchmark interest rate.

Some loans are prepayable at their current fair value, while others can be prepayable at an amount that includes the fair value cost to terminate an associated hedging swap. It is possible to consider such prepayment amounts as SPPI provided that they reflect the effect of changes in the relevant benchmark interest rate.



Basic financial assets (SPPI) are debt instruments which mainly include:

- fixed-rate loans;
- variable-rate loans that can include caps or floors;
- fixed or variable-rate debt securities (government or corporate bonds, other negotiable debt securities);
- securities purchased under resale agreements (reverse repos);
- guarantee deposits paid;
- trade receivables.

Contractual terms that would introduce exposure to risks or volatility in the contractual cash flows, unrelated to a basic lending arrangement (such as exposure to changes in equity prices or stock indexes for instance, or leverage features), could not be considered as being SPPI, except if their effect on the contractual cash flows remains minimum.



Non-basic financial assets (non-SPPI) mainly include:

- derivative instruments;
- shares and other equity instruments held by the entity;
- equity instruments issued by mutual funds;
- debt financial assets that can be converted or redeemed into a fixed number of shares (convertible bonds, equity-linked securities, etc.).

When the time value component of interest can be modified according to the contractual term of the instrument, it may be necessary to compare the contractual cash flow with the cash flow that would arise from a benchmark instrument. For instance, that is the case when an interest rate is periodically reset, but the frequency of that reset does not match the tenor of the interest rate (such as an interest rate reset every month to a one-year rate), or when the interest rate is periodically reset to an average of short- and long-term interest rates.

If the difference between the undiscounted contractual cash flows and the undiscounted benchmark cash flows is or may become significant, then the instrument is not considered basic.

Depending on the contractual terms, the comparison with benchmark cash flow may be performed through a qualitative assessment; but in other cases, a quantitative test is required. The difference between contractual and benchmark cash flows has to be considered in each

reporting period and cumulatively over the life of the instrument. When performing this benchmark test, the entity considers factors that could affect future undiscounted contractual cash flows: using the yield curve at the date of the initial assessment is not enough, and the entity also has to consider whether the curve could change over the life of the instrument according to reasonably possible scenarios.

Within the Group, the financial instruments concerned by a benchmark test include, for instance, variable-rate housing loans for which interest rates are reset every year based on the twelve-month Euribor average observed over the two months previous to the reset. Another example is loans granted to real estate professionals for which interest is revised quarterly based on the one-month Euribor average observed over the three months previous to the reset. Following the benchmark analysis performed by the Group, it has been concluded that these loans are basic.

Furthermore, a specific analysis of contractual cash flow is required when financial assets are instruments issued by a securitisation vehicle or a similar entity that prioritises payments to holders using multiple contractually-linked instruments that create concentrations of credit risk (tranches). When assessing whether contractual cash flows are SPPI or not, the entity must analyse the contractual terms, as well as the credit risk of each tranche and the exposure to credit risk in the underlying pool of financial instruments. To that end, the entity must apply a “look-through approach” to identify the underlying instruments that are creating the cash flows.

The data presented in Note 3 exclude the financial instruments of insurance subsidiaries; the data for insurance subsidiaries are presented in Note 4.3.

The information on the types of risks, the risk management linked to financial instruments as well as the information on capital management and compliance with regulatory ratios, required by IFRS as adopted by the European Union, are disclosed in Chapter 4 of the present Universal Registration Document (Risks and capital adequacy).

NOTE 3.1 Financial assets and liabilities at fair value through profit or loss**OVERVIEW OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

(In EURm)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Trading portfolio ⁽¹⁾	358,033	281,246	338,312	285,478
Financial assets measured mandatorily at fair value through profit or loss	24,977		24,057	
Financial instruments measured using fair value option through profit or loss	2,729	82,883	3,181	77,605
TOTAL	385,739	364,129	365,550	363,083
o/w securities purchased/sold under resale/repurchase agreements	111,818	97,895	129,628	98,874

(1) At 31 December 2019, the trading portfolio includes trading books related to the activities of manufacturing and market making of structured products ("Exotic, Vanilla and Funds") acquired from Commerzbank during the first half of 2019 (see Note 2.2).

NOTE 3.1.1 TRADING PORTFOLIO**ACCOUNTING PRINCIPLES**

The trading book contains financial assets and liabilities held or accrued for the purpose of capital markets activities.

This portfolio also includes, among other trading assets, physical commodities that are held by the Group as part of its market-maker activity on commodity derivative instruments.

By default, derivative financial instruments are classified into the trading portfolio, unless they qualify as hedging instruments (see Note 3.2).

The financial instruments recorded in the trading portfolio are measured at fair value at the closing date and recognised in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in their fair value and revenues associated to those instruments are recorded in the income statement as *Net gains and losses on financial instruments at fair value through profit or loss*.

TRADING ACTIVITIES

Financial assets held for trading are:

- acquired with the intention of selling them in the short term; or
- held for market-making purposes; or
- acquired for the purposes of the specialised management of a trading portfolio, including derivative financial instruments, securities or other financial instruments that are managed together and for which there is evidence of a recent pattern of short-term profit-taking.

**Global market activities**

The trading business model is applied by Global Banking and Investor Solutions to manage its global market activities.

It is also applied for managing syndicated loan commitments and loans that are not intended to be kept by the Group and that have been identified since their origination as to be sold in the short term (within 6 to 12 months) on the secondary market, as well as for loans originated by the Group through originate-to-distribute activities and that are expected to be sold shortly.

Financial assets held in run-off portfolios are also monitored based on their fair value. Although those portfolios are not related to market activities, those assets are presented amongst trading portfolio and are measured at fair value through profit or loss.

Trading portfolio includes all the financial assets held for trading purpose regardless of the characteristics of their contractual cash flows. Only non-SPPI financial assets that are not held for trading are classified amongst Financial assets measured mandatorily at fair value through profit or loss (see section 2 below).

ASSETS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	26,080	29,732
Shares and other equity securities	77,966	49,297
Loans, receivables and securities purchased under resale agreements	117,956	135,861
Trading derivatives ⁽¹⁾	135,849	122,983
Other trading assets	182	439
TOTAL	358,033	338,312
<i>o/w securities lent</i>	<i>13,681</i>	<i>12,411</i>

(1) See Note 3.2 Financial derivatives.

LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Amounts payable on borrowed securities	38,950	51,264
Bonds and other debt instruments sold short	3,518	6,231
Shares and other equity instruments sold short	1,466	1,248
Borrowings and securities sold under repurchase agreements	97,820	98,299
Trading derivatives ⁽¹⁾	138,120	126,946
Other trading liabilities	1,372	1,490
TOTAL	281,246	285,478

(1) See Note 3.2 Financial derivatives.

NOTE 3.1.2. FINANCIAL INSTRUMENTS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

ACCOUNTING PRINCIPLES

Financial assets measured mandatorily at fair value through profit or loss include:

- loans, bonds and bond equivalents that are not held for trading purposes and do not pass the SPPI test (non-basic or non-SPPI instruments).
- shares and share equivalents that are not classified in any other sub-category: trading book at fair value through profit or loss, instruments designated by the Group at fair value through other comprehensive income without subsequent reclassification to profit or loss.

These assets are recorded at fair value in the balance sheet under *Financial assets at fair value through profit or loss* and changes in the fair value of these instruments (excluding interest income) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*.

BREAKDOWN OF FINANCIAL ASSETS MEASURED MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	177	158
Shares and other equity securities	2,492	1,996
Loans, receivables and securities purchased under resale agreements	22,308	21,903
TOTAL	24,977	24,057

BREAKDOWN OF LOANS AND RECEIVABLES AND SECURITIES PURCHASED UNDER RESALE AGREEMENTS

(In EURm)	31.12.2019	31.12.2018
Short-term loans	2,029	2,354
Equipment loans	18,152	15,796
Other loans	2,127	3,753
TOTAL	22,308	21,903

The loans and receivables and securities purchased under resale agreements recorded in the balance sheet under Financial assets mandatorily at fair value through profit or loss are mainly:

- loans that include prepayment features with compensation that do not reflect the effect of changes in the benchmark interest rate;
- loans that include indexation clauses that do not permit to recognise them as basic loans (SPPI).

NOTE 3.1.3. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS USING FAIR VALUE OPTION**ACCOUNTING PRINCIPLES**

In addition to financial assets and liabilities held for trading, and financial assets measured mandatorily at fair value through profit or loss, the same headings in the financial statements include non-derivative financial assets and liabilities that the Group has designated at fair value through profit or loss. Changes in the fair value of these instruments (including interest) are recorded in the income statement under *Net gains or losses on financial instruments at fair value through profit or loss*, except the share related to the Group's own credit risk on financial liabilities which is booked under *Unrealised or deferred gains and losses*.

Furthermore, in case of derecognition of a financial liability at fair value through profit or loss using the fair value option before its contractual maturity, gains and losses, if any, related to the Group's own credit risk are booked under *Unrealised or deferred gains and losses* and then reclassified under *Retained earnings* at the beginning of the subsequent financial year.

For financial assets, this option may only be used to eliminate or significantly reduce accounting mismatches that would otherwise arise from applying different accounting treatments to certain related financial assets and liabilities.

For financial liabilities, this option may only be used in the following cases:

- to eliminate or reduce discrepancies in the accounting treatment of certain related financial assets and liabilities;
- when it applies to a hybrid financial instrument with one or more embedded derivatives, which should be recognised separately;
- when a group of financial assets and/or liabilities is managed together and its performance is measured at fair value.

The Group thus recognises structured bonds issued by Societe Generale Corporate and Investment Banking at fair value through profit or loss. These issuances are purely commercial and the associated risks are hedged on the market using financial instruments managed in trading portfolios. By using the fair value option, the Group can ensure consistency between the accounting treatment of these bonds and that of the derivatives hedging the associated market risks, which have to be carried at fair value.

ASSETS

(In EURm)	31.12.2019	31.12.2018
Bonds and other debt securities	1,458	1,310
Loans, receivables and securities purchased under resale agreements	145	819
Separate assets for employee benefits plans	1,126	1,052
TOTAL	2,729	3,181

LIABILITIES

Financial liabilities measured at fair value through profit or loss in accordance with the fair value option predominantly consist of structured bonds issued by the Societe Generale group.

The revaluation differences attributable to the Group's issuer credit risk are determined using valuation models taking into account the Societe Generale group's most recent financing terms and conditions on the markets and the residual maturity of the related liabilities.

Changes in fair value attributable to own credit risk generated a loss of EUR -121 million at 31 December 2019. Up to this date, the total gains

and losses attributable to own credit risk amounted to EUR -317 million booked in equity (see Note 7.3).

At 31 December 2019, the difference between the fair value of financial liabilities measured using the fair value option through profit or loss (EUR 82,883 million versus EUR 77,605 million at 31 December 2018) and their amount redeemable at maturity (EUR 83,249 million versus EUR 78,080 million at 31 December 2018) stood at EUR -366 million (EUR -475 million at 31 December 2018).

NOTE 3.1.4. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

(In EURm)	2019	2018
Net gain/loss on trading portfolio (excluding derivatives)	5,754	(6,091)
Net gain/loss on financial instruments at fair value through profit or loss ⁽¹⁾	3,661	941
Net gain/loss on financial instruments measured using fair value option	(15,028)	4,277
Net gain/loss on derivative instruments	9,712	6,263
Net gain/loss on hedging instruments ⁽²⁾	100	35
<i>Net gain/loss on fair value hedging derivatives</i>	1,155	(947)
<i>Revaluation of hedged items attributable to hedged risks⁽³⁾</i>	(1,055)	982
Net gain/loss on foreign exchange transactions	144	(306)
TOTAL	4,343	5,119
<i>o/w gains on financial instruments at fair value through other comprehensive income</i>	<i>84</i>	<i>103</i>

(1) This item includes realised and unrealised gains and losses on debt and equity instruments, with the exception of the income component of debt instruments representative of an interest rate, which is recorded under net interest margin (see Note 3.7).

(2) This item includes only the net gain/loss on hedging transactions related to financial instruments. For the hedging transactions related to non-financial assets and liabilities, the net gain/loss on hedging transactions is included under the profit and loss account of the hedged item.

(3) This item includes the revaluation of fair value hedged items, including the change in revaluation differences in portfolios hedged against interest rate risk.

Insofar as income and expenses recorded in the income statement are classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole. It should be noted that the income shown here does not include the refinancing cost of these financial instruments, which is shown under interest expense and interest income.

NOTE 3.2 Financial derivatives**MAKE IT
SIMPLE**

Derivative instruments are financial instruments for which the value changes according to that of an underlying item and can be accompanied by a leverage effect. The items underlying these instruments are various (interest rates, exchange rates, equity, indexes, commodities, credit rating...), as are their forms (forward contracts, swaps, calls and puts...).

The Group may use these derivative instruments for their market activities to provide to its customers solutions to meet their risk management or revenue optimisation needs. In that case, they are accounted for as trading derivatives.

The Group may also use derivative instruments to manage and hedge its own risks. In which case, they are qualified as hedging derivatives. Hedging transactions can concern individual items or transactions (micro-hedging relationships) or portfolios of financial assets and liabilities that can generate a structural interest-rate risk (macro-hedging relationships).

Contrary to other financial instruments, derivative instruments are always measured at fair value in the balance sheet, regardless their purpose (market activities or hedging transactions). The fair value adjustments of trading derivatives are directly recognised in the income statement. However, the accounting method used on hedging transactions aims to neutralise in the income statement the effects of the revaluation of hedging derivatives, as long as the hedge is effective.

ACCOUNTING PRINCIPLES

Derivatives are financial instruments meeting the following three criteria:

- their value changes in response to the change in a specified interest rate, foreign exchange rate, share price, index of prices, commodity price, credit rating, etc.;
- they require little to no initial investment;
- they are settled at a future date.

All financial derivatives are recognised at fair value in the balance sheet as financial assets or financial liabilities. They are considered to be trading derivatives by default, unless they are designated as hedging instruments for accounting purposes.

Special case - financial derivatives having Societe Generale shares as their underlying instrument

Financial derivatives having Societe Generale shares as their underlying instrument or shares in Group subsidiaries and whose liquidation entails the payment of a fixed amount in cash (or another financial asset) against a fixed number of Societe Generale shares (other than derivatives) are equity instruments. These instruments, and any related premiums paid or received, are recognised directly in equity, and any changes in the fair value of these derivatives are not recorded. For sales of put options on Societe Generale shares and forward on Societe Generale shares, a debt is recognised for the value of the notional with a contra entry in equity.

Other financial derivatives having Societe Generale shares as their underlying instrument are recorded in the balance sheet at fair value in the same manner as derivatives with other underlying instruments.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host instrument.

Where the host contract is a financial asset, the entire hybrid contract is measured at fair value through profit or loss because its contractual cash flows do not pass the SPPI test.

Where the host contract is a financial liability and is not measured at fair value through profit or loss, the embedded derivative is separated from the host contract if:

- at acquisition, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host; and
- it would meet the definition of a derivative.

Once separated, the derivative is recognised at fair value in the balance sheet under *Financial assets* or *Financial liabilities at fair value through profit or loss* under the aforementioned conditions. The host contract is classified as a financial liability and measured in accordance with its accounting category.

NOTE 3.2.1. TRADING DERIVATIVES

ACCOUNTING PRINCIPLES

Trading derivatives are recorded in the balance sheet under *Financial assets or liabilities at fair value through profit or loss*. Changes in fair value are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*.

Changes in the fair value of financial derivatives involving counterparties which subsequently went into default are recorded under *Net gains and losses on financial instruments at fair value through profit or loss* until the termination date of these instruments. At this termination date, receivables and debts on these counterparties are recognised at fair value in the balance sheet. Any further impairment of these receivables is recognised under *Cost of risk* in the income statement.

BREAKDOWN OF FAIR VALUE OF TRADING DERIVATIVES

(In EURm)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Interest rate instruments	91,146	88,501	74,253	73,835
Foreign exchange instruments	18,036	18,354	19,246	19,466
Equities & index Instruments	22,318	26,141	21,450	23,675
Commodities Instruments	1,860	2,201	5,708	6,081
Credit derivatives	2,415	2,037	2,224	2,704
Other forward financial instruments	74	886	102	1,185
TOTAL	135,849	138,120	122,983	126,946

The Group uses credit derivatives in the management of its Corporate credit portfolio, primarily to reduce individual, sector and geographic concentration and to implement a proactive risk and capital management approach. All credit derivatives, regardless of their

purpose, are measured at fair value through profit or loss and cannot be qualified as hedging instruments for accounting purposes. Accordingly, they are recognised at fair value among trading derivatives.

BREAKDOWN OF TRADING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

(In EURm)	31.12.2019	31.12.2018
Interest rate instruments	11,988,127	11,489,020
Firm instruments	9,959,001	9,476,579
<i>Swaps</i>	8,324,621	7,868,534
<i>FRAs</i>	1,634,380	1,608,045
Options	2,029,126	2,012,441
Foreign exchange instruments	3,192,776	3,823,369
Firm instruments	2,475,393	2,661,823
Options	717,383	1,161,546
Equity and index instruments	1,124,549	1,086,822
Firm instruments	186,691	154,988
Options	937,858	931,834
Commodities instruments	96,900	190,706
Firm instruments	83,509	139,558
Options	13,391	51,148
Credit derivatives	246,006	293,463
Other forward financial instruments	38,428	38,423
TOTAL	16,686,786	16,921,803

NOTE 3.2.2 HEDGING DERIVATIVES

According to the transitional provisions of IFRS 9, the Group made the choice to maintain the IAS 39 provisions related to hedge accounting. Consequently, equity instruments do not qualify for hedge accounting regardless of their accounting category.

ACCOUNTING PRINCIPLES

In order to be hedged against certain market risks, the Group sets up hedging derivatives. From an accounting standpoint, the Group designates the hedging transaction as a fair value hedge, a cash flow hedge, or a hedge of a net investment in a foreign operation, depending on the risk and on the instruments that are hedged.

To designate an instrument as a hedging derivative, the Group must document the hedging relationship in detail, from the inception of the hedge. This documentation specifies the asset, liability, or future transaction hedged, the risk to be hedged and the associated risk management strategy, the type of financial derivative used and the valuation method that will be used to measure its effectiveness.

A derivative designated as a hedging instrument must be highly effective in offsetting the change in fair value or cash flows arising from the hedged risk. This effectiveness is verified when changes in the fair value or cash flows of the hedged instrument are almost entirely offset by changes in the fair value or cash flows of the hedging instrument, with the expected ratio between the two changes ranging from 80% to 125%. Effectiveness shall be assessed both when the hedge is first set up and throughout its life. Effectiveness is measured each quarter prospectively (expected effectiveness over the future periods) and retrospectively (effectiveness measured on past periods). Where the effectiveness falls outside the range specified above, hedge accounting is discontinued.

Hedging derivatives are recognised in the balance sheet under *Hedging derivatives*.

Fair value hedges

The purpose of these hedges is to protect the Group against an adverse fluctuation in the fair value of an instrument which could affect profit or loss if the instrument were derecognised from the balance sheet.

Changes in the fair value of the hedging derivative are recorded in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*; for interest rate derivatives, however, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

In the balance sheet, the carrying value of the hedged item is adjusted for gains and losses attributable to the hedged risk, which are reported in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. To the extent that the hedge is highly effective, changes in the fair value of the hedged item and changes in the fair value of the hedging derivative are accurately offset through profit or loss, the difference corresponding to an ineffectiveness gain or loss.

Prospective effectiveness is assessed *via* a sensitivity analysis based on probable market trends or *via* a regression analysis of the statistical relationship (correlation) between certain components of the hedged item and the hedging instrument. Retrospective effectiveness is assessed by comparing any changes in the fair value of the hedging instrument with any changes in the fair value of the hedged item.

If it becomes apparent that the derivative has ceased to meet the effectiveness criteria for hedge accounting or if it is terminated or sold, hedge accounting is discontinued prospectively. Thereafter, the carrying amount of the hedged asset or liability ceases to be adjusted for changes in fair value attributable to the hedged risk and the cumulative adjustments previously recognised under hedge accounting are amortised over its remaining life. Hedge accounting is also discontinued if the hedged item is sold prior to maturity or early-redeemed, the valuation adjustments are then immediately recognised in the income statement.

Cash flow hedges

The purpose of interest rate cash flow hedges is to protect against changes in future cash flows associated with a financial instrument on the balance sheet (loans, securities or floating-rate notes) or with a highly probable future transaction (future fixed rates, future prices, etc.). The purpose of these hedges is to protect the Group against adverse fluctuations in the future cash-flows of an instrument or transaction that could affect profit or loss.

The effective portion of changes in the fair value of hedging derivatives is booked to *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*. For interest rate derivatives, accrued interest income and expenses on the derivative are recorded in the income statement under *Interest income and expense – Hedging derivatives* at the same time as accrued interest income and expenses related to the hedged item.

The effectiveness of the hedge is assessed using the hypothetical derivative method, which consists in i) creating a hypothetical derivative bearing exactly the same characteristics as the instrument being hedged (in notional terms, in terms of the date on which the rates are reset, in terms of the rates themselves, etc.), but which moves in the opposite direction and whose fair value is nil when the hedge is set up, then ii) comparing the expected changes in the fair value of the hypothetical derivative with those of the hedging instrument (sensitivity analysis) or performing a regression analysis on the prospective effectiveness of the hedge.

Amounts directly recognised in equity in respect of the revaluation of cash flow hedging derivatives are subsequently reclassified to *Interest income and expense* in the income statement at the same time as the cash flows being hedged.

Whenever the hedging derivative ceases to meet the effectiveness criteria for hedge accounting or is terminated or sold, hedge accounting is discontinued prospectively. Amounts previously recognised directly in equity are reclassified under *Interest income and expense* in the income statement over the periods during which interest income is affected by cash flows arising from the hedged item. If the hedged item is sold or redeemed earlier than expected or if the hedged forecast transaction ceases to be highly probable, unrealised gains and losses recognised in equity are immediately reclassified in the income statement.

Hedging of a net investment in a foreign operation

The purpose of a hedge of a net investment in a foreign company is to protect against exchange rate risk.

The hedged item is an investment in a country whose currency differs from the Group's functional currency. The hedge therefore serves to protect the net position of a foreign subsidiary or branch against an exchange rate risk linked to the entity's functional currency.

The effective portion of the changes in the fair value of a hedging derivative designated for accounting purposes as a hedge of a net investment is recognised in equity under *Unrealised or deferred gains and losses*, while the ineffective portion is recognised in the income statement.

Portfolio hedges (macro-hedge)

In this type of hedge, interest rate derivatives are used to globally hedge the structural interest rate risk resulting mainly from Retail Banking activities.

When accounting for these transactions, Group entities apply either the fair value hedge or the cash flow hedge principles.

Group entities, documenting a macro fair value hedge of assets and liabilities portfolios at fix rate, apply the IAS 39 "carve-out" standard as adopted by the European Union, which facilitates:

- the application of fair value hedge accounting to macro-hedges used for asset-liability management, including customer demand deposits in the fixed-rate positions being hedged;
- the performance of effectiveness tests required by IAS 39 as adopted by the European Union.

The accounting treatment of financial derivatives designated as macro fair value hedges is similar to that of other fair value hedging instruments. Changes in the fair value of the portfolio of macro-hedged instruments are reported on a separate line in the balance sheet under *Revaluation differences on portfolios hedged against interest rate risk* through profit or loss.

Group entities, documenting a macro cash flow hedge apply the same accounting principles as those presented above for cash flow hedge. Thus, macro-hedged assets or liabilities portfolios are not measured at fair value for the hedged risk.

In the case of macro cash flow hedge, hedged portfolios include assets or liabilities at variable rate.

BREAKDOWN OF FAIR VALUE OF HEDGING DERIVATIVES

(In EURm)	31.12.2019		31.12.2018	
	Assets	Liabilities	Assets	Liabilities
Fair value hedge	16,617	9,981	11,666	5,767
Interest rate instruments	16,616	9,981	11,650	5,765
Foreign exchange instruments	1	-	16	2
Equity and index instruments	-	-	-	-
Cash flow hedge	181	124	105	204
Interest rate instruments	169	65	27	140
Foreign exchange instruments	10	46	78	38
Equity and index Instruments	2	13	-	26
Net investment hedge	39	107	128	22
Foreign exchange instruments	39	107	128	22
TOTAL	16,837	10,212	11,899	5,993

The Group sets up hedging relationships recognised for accounting purposes as fair value hedges in order to protect its fixed-rate financial assets and liabilities (primarily loans/borrowings, securities issued and fixed-rate securities) against changes in long-term interest rates. The hedging instruments used mainly consist of interest rate swaps.

Through some of its Corporate and Investment Banking operations, the Group is exposed to future cash flow changes in its short and

medium-term funding requirements, and sets up hedging relationships recognised for accounting purposes as cash flow hedges. Highly probable funding requirements are determined using historic data established for each activity and representative of balance sheet outstandings. These data may be increased or decreased with changes in management methods.

BREAKDOWN OF HEDGING DERIVATIVES COMMITMENTS (NOTIONAL AMOUNTS)

Commitments presented in the table below show the cumulated notional amounts of hedging derivatives instruments. No netting of notional amounts has been applied to reflect the economic exposure generated by those instruments (for example, when a fix rate payer /

Euribor 3 months receiver swap is netted by a Euribor 3 months payer / fix rate receiver). Consequently, the amount of commitments may be in some cases superior to the carrying amount of the hedged items presented in the following tables.

(In EURm)	31.12.2019	31.12.2018
Interest rate instruments	757,099	488,398
Firm instruments	755,847	487,149
<i>Swaps</i>	755,775	486,994
<i>FRAs</i>	72	155
Options	1,252	1,249
Foreign exchange instruments	11,314	14,747
Firm instruments	11,314	14,747
Equity and index instruments	90	74
Options	90	74
TOTAL	768,503	503,219

MATURITIES OF HEDGING FINANCIAL DERIVATIVES (NOTIONAL AMOUNTS)

These items are presented according to the contractual maturity of the financial instruments.

(In EURm)	Up to 3 months	From 3 months to 1 year	From 1 year to 5 years	Over 5 years	31.12.2019
Interest rate instruments	108,682	15,877	460,280	172,260	757,099
Foreign exchange instruments	10,542	337	435	-	11,314
Equity and index instruments	15	22	53	-	90
Other forward financial instruments	-	-	-	-	-
TOTAL	119,239	16,236	460,768	172,260	768,503

BREAKDOWN OF FAIR VALUE HEDGED ITEMS

(In EURm)	31.12.2019		
	Carrying amount	Cumulative change in the fair value ⁽¹⁾	Change in the fair value booked during the period ⁽²⁾
Hedge of interest rate risk	309,183	10,879	(1,067)
Hedged assets	71,252	2,365	974
<i>Due from banks, at amortised cost</i>	1,331	30	12
<i>Customer loans, at amortised cost</i>	4,680	384	44
<i>Securities at amortised cost</i>	748	19	(0)
<i>Financial assets at fair value through other comprehensive income</i>	39,135	1,531	1,016
<i>Customer loans (macro hedged)⁽¹⁾</i>	25,358	401	(98)
Hedged liabilities	237,931	8,514	(2,041)
<i>Debt securities issued</i>	33,424	948	(234)
<i>Due to banks</i>	14,389	308	(183)
<i>Customer deposits</i>	2,506	196	24
<i>Subordinated debts</i>	11,985	391	(395)
<i>Customer deposits (macro hedged)^{(1) (3)}</i>	175,627	6,671	(1,253)
Hedge of currency risk	605	3	12
Hedged assets	-	-	-
<i>Customer loans, at amortised cost</i>	-	-	-
Hedged liabilities	605	3	12
<i>Due to banks</i>	605	3	12
Hedge of equity risk	1	(0)	(0)
Hedged liabilities	1	(0)	(0)
<i>Other liabilities</i>	1	(0)	(0)
TOTAL	309,789	10,882	(1,055)

	31.12.2018		
(In EURm)	Carrying amount*	Cumulative change in the fair value ⁽²⁾	Change in the fair value booked during the period ⁽²⁾
Hedge of interest rate risk	175,974	8,018	943
Hedged assets	60,186	1,521	(230)
<i>Due from banks, at amortised cost</i>	1,170	19	(6)
<i>Customer loans, at amortised cost</i>	3,762	336	(10)
<i>Securities at amortised cost</i>	594	25	11
<i>Financial assets at fair value through other comprehensive income</i>	33,190	642	124
<i>Customer loans (macro hedged)⁽¹⁾</i>	21,470	499	(349)
Hedged liabilities	115,788	6,497	1,173
<i>Debt securities issued</i>	26,433	745	232
<i>Due to banks</i>	13,241	114	(20)
<i>Customer deposits</i>	1,422	219	48
<i>Subordinated debts</i>	12,599	1	120
<i>Customer deposits (macro hedged)^{(1) (3)}</i>	62,093	5,418	793
Hedge of currency risk	783	16	39
Hedged assets	31	1	1
<i>Customer loans, at amortised cost</i>	31	1	1
Hedged liabilities	752	15	38
<i>Due to banks</i>	752	15	38
Hedge of equity risk	-	-	-
Hedged liabilities	-	-	-
<i>Other liabilities</i>	-	-	-
TOTAL	176,757	8,034	982

(1) The carrying amount of the macro-hedged items represents the sum of the hedged outstanding and the revaluation differences on portfolios hedged against interest rate risk.

(2) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedging instrument. This change is excluding accrued interests for the items hedged against interest rate risk.

(3) During 2019 financial year, the increase in the carrying amount of customer deposits (macro-hedged) as well as commitments (notional) of the associated hedging swaps, presented in the tables hereafter, are explained by:

- A change of the interest rate risk management of the banking book which now includes partial hedging of the sensitivity of the Net Interest Margin on the French domestic market;
- The drop in the level of rates, which has led to increase the duration of fixed-rate modeled liabilities (negative convexity of the portfolio) and therefore to increase the notional amounts of associated hedges. At the same time, the change in fair value of the macro-hedged liability portfolios can be explained by the drop in rates over the period.

* Amounts restated compared with the published consolidated statements for the year-ended 31 December 2018.

At 31 December 2019, EUR 267 million of cumulative change in fair value are still to be amortised because of the disappearance of the hedged item.

BREAKDOWN OF FAIR VALUE HEDGING INSTRUMENTS

(In EURm)	31.12.2019				
	Commitments ⁽³⁾ (notional amounts)	Fair value ⁽²⁾		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
Hedge of interest rate risk	290,820	16,619	9,979	1,167	100
Firm instruments – Swaps	289,568	16,615	9,979	1,165	100
For hedged assets	43,831	155	2,415	(1,086)	(14)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	25,377	1,715	1,738	97	1
For hedged liabilities	61,370	2,279	226	866	78
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	158,990	12,466	5,600	1,288	35
Options	1,252	4	-	2	0
For hedged portfolios of assets (macro hedge) ⁽¹⁾	1,252	4	-	2	0
Hedge of currency risk	828	11	7	(12)	0
Firm instruments	828	11	7	(12)	0
For hedged liabilities	828	11	7	(12)	0
Non-derivative financial instruments	-	-	-	-	-
For hedged assets	-	-	-	-	-
Hedge of equity risk	2	-	0	0	(0)
Options	2	-	0	0	(0)
For hedged liabilities	2	-	0	0	(0)
TOTAL	291,650	16,630	9,986	1,155	100

(In EURm)	31.12.2018				
	Commitments (notional amounts)	Fair value ⁽²⁾		Change in fair value booked during the period	Ineffectiveness recognised during the period
		Asset	Liabilities		
Hedge of interest rate risk	169,944	11,650	5,765	(909)	34
Firm instruments – Swaps	168,695	11,645	5,765	(909)	34
For hedged assets	37,271	314	1,380	(138)	(18)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	20,986	955	1,436	323	(33)
For hedged liabilities	52,178	2,111	612	(358)	3
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	58,260	8,265	2,337	(736)	82
Options	1,249	5	-	-	-
For hedged portfolios of assets (macro hedge) ⁽¹⁾	1,249	5	-	-	-
Hedge of currency risk	2,055	16	30	(38)	1
Firm instruments	2,055	16	2	(38)	-
For hedged liabilities	2,055	16	2	(38)	-
Non-derivative financial instruments	-	-	28	-	1
For hedged assets	-	-	28	-	1
Hedge of equity risk	-	-	-	-	-
Options	-	-	-	-	-
For hedged liabilities	-	-	-	-	-
TOTAL	171,999	11,666	5,795	(947)	35

(1) For macro fair value transactions, the commitment described above equals the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The fair value of interest rate hedging derivatives includes accrued interests.

(3) The notional amounts of hedging instruments for which IAS 39 amendments is applied, permitting to use exceptions to hedge accounting requirement in the frame of benchmark interest rates reform, are EUR 27,843 million for instrument identifying EONIA, EUR 203,459 million for instruments identifying EURIBOR, EUR 14,248 million for instrument identifying LIBOR USD.

BREAKDOWN OF CASH FLOW HEDGED ITEMS

The following table describes the change of fair value of hedged items used to book the ineffective portion of the hedge during the current period. Regarding the cash flow hedges, the change in fair value of hedged items is assessed using the hypothetical derivative method described in the accounting principles above.

(In EURm)	31.12.2019	31.12.2018
	Change in the fair value	Change in the fair value
Hedge of interest rate risk	(181)	54
Hedged assets	1	16
Customer loans, at amortised cost	-	2
Financial assets at fair value through other comprehensive income	(1)	8
Customer loans (macro hedged)	2	6
Hedged liabilities	(182)	38
Debt securities issued	(1)	2
Due to banks	(25)	(0)
Customer deposits (macro hedged)	(156)	36
Hedge of currency risk	(0)	33
Hedged liabilities	(0)	33
Due to banks	-	33
Hedge of equity risk	(26)	46
Forecast transactions	(26)	46
TOTAL	(207)	133

BREAKDOWN OF CASH FLOW HEDGING INSTRUMENTS

(In EURm)	31.12.2019					
	Commitments ⁽²⁾ (notional amounts)	Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of interest rate risk	13,538	169	64	180	0	34
Firm instruments – Swaps	13,466	169	64	179	0	35
For hedged assets	2,222	3	10	1	-	(9)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	3,129	2	39	(2)	0	(26)
For hedged liabilities	3,874	63	6	25	0	(19)
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	4,241	101	9	155	-	89
Firm instruments – FRAs	72	-	-	1	0	(1)
For hedged liabilities	72	-	-	1	0	(1)
Hedge of currency risk	3,489	15	47	0	-	(0)
Firm instruments	3,489	10	46	-	-	-
For hedged assets	707	9	36	(0)	(0)	(0)
For hedged liabilities	2,782	1	10	0	(0)	0
Non-derivative financial instruments		5	1	0	-	(0)
For hedged future transactions		5	1	0	-	(0)
Hedge of equity risk	88	2	13	25	4	(2)
Options	88	2	13	25	4	(2)
For hedged future transactions	88	2	13	25	4	(2)
TOTAL	17,115	186	124	205	4	32

(In EURm)	31.12.2018					
	Commitments (notional amounts)	Fair value		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains and losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of interest rate risk	15,965	27	140	(54)	-	(100)
Firm instruments – Swaps	15,810	27	139	(45)	-	(96)
For hedged assets	2,257	1	10	(10)	-	(9)
For hedged portfolios of assets (macro hedge) ⁽¹⁾	4,775	5	43	(6)	-	(27)
For hedged liabilities	3,047	-	2	7	-	5
For hedged portfolios of liabilities (macro hedge) ⁽¹⁾	5,731	21	84	(36)	-	(65)
Firm instruments – FRAs	155	-	1	(9)	-	(4)
For hedged liabilities	155	-	1	(9)	-	(4)
Hedge of currency risk	5,599	89	39	(33)	-	(13)
Firm instruments	5,599	78	38	(33)	-	(13)
For hedged assets	674	8	31	-	-	-
For hedged liabilities	4,925	70	7	(33)	-	(13)
Non-derivative financial instruments		11	1	-	-	-
For hedged future transactions		11	1	-	-	-
Hedge of equity risk	74	-	26	(46)	(7)	(15)
Options	74	-	26	(46)	(7)	(15)
For hedged future transactions	74	-	26	(46)	(7)	(15)
TOTAL	21,638	116	205	(133)	(7)	(128)

(1) For the macro hedge transactions, the commitment described above equals the net hedging derivatives position in order to represent the economic exposure from these instruments. This position should be linked with the carrying amount of the hedged items which represents the hedged exposure.

(2) The national amounts of hedging instrument for which IAS 39 amendment is applied, permitting to use exceptions to hedge accounting requirement in the frame of benchmark interest rates reform, are EUR 2,820 million for instrument identifying EONIA, EUR 327 million for instrument identifying EURIBOR, EUR 89 million for instrument identifying LIBOR USD.

In 2019, EUR 42 million of unrealised or deferred gains and losses were transferred into net income, following the accounting of the cash flows hedge effects in the profit or loss.

BREAKDOWN OF NET INVESTMENT HEDGED ITEMS

(In EURm)	31.12.2019	31.12.2018
	Change in the fair value of the hedged item during the period ⁽¹⁾	Cumulative translations differences related to the hedged items
Hedge of currency risk	(355)	839
Hedged net investment in GBP	(166)	145
Hedged net investment in CZK	(27)	(200)
Hedged net investment in RUB	(161)	797
Hedged net investment in RON	18	38
Hedged net investment in USD	1	(39)
Hedged net investment (other currencies)	(20)	98
		124

(1) Changes in fair value attributable to the hedged risk only and used to determine the ineffective portion of the fair value of the hedged instruments.

BREAKDOWN OF NET INVESTMENT HEDGE INSTRUMENTS

31.12.2019						
(In EURm)	Commitments (notional amounts)	Carrying amount ⁽¹⁾		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains or losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of currency risk	6,934	39	2,349	355	(50)	(839)
Firm instruments	6,934	39	107	171	(50)	103
Hedged net investment in GBP	1,218	14	60	67	(12)	155
Hedged net investment in CZK	1,231	(6)	6	16	(10)	23
Hedged net investment in RUB	857	1	36	113	(22)	14
Hedged net investment in RON	805	0	(6)	(16)	(2)	(24)
Hedged net investment in USD	552	10	2	(5)	(3)	4
Hedged net investment (other currencies)	2,271	20	9	(4)	(1)	(69)
Non derivatives instruments	-	-	2,242	184	-	(942)
Hedged net investment in GBP	-	-	478	98	-	(300)
Hedged net investment in CZK	-	-	850	10	-	177
Hedged net investment in RUB	-	-	396	48	-	(811)
Hedged net investment in RON	-	-	43	(1)	-	(14)
Hedged net investment in USD	-	-	203	4	-	35
Hedged net investment (other currencies)	-	-	272	25	-	(29)

31.12.2018						
(In EURm)	Commitments (notional amounts)	Carrying amount ⁽¹⁾		Changes in fair value recorded during the period		Cumulative change in fair value recorded in unrealised or deferred gains or losses
		Asset	Liability	Portion booked in unrealised or deferred gains and losses	Ineffectiveness recorded in the profit or loss	
Hedge of currency risk	6,992	128	2,515	(191)	18	(1,212)
Firm instruments	6,992	128	22	(107)	18	(93)
Hedged net investment in GBP	1,491	21	3	(10)	1	64
Hedged net investment in CZK	1,065	3	-	(1)	(4)	6
Hedged net investment in RUB	752	83	-	(136)	26	(99)
Hedged net investment in RON	689	1	-	16	(2)	(7)
Hedged net investment in USD	461	-	4	34	(3)	9
Hedged net investment (other currencies)	2,534	20	15	(10)	-	(66)
Non derivatives instruments	-	-	2,493	(84)	-	(1,119)
Hedged net investment in GBP	-	-	346	(15)	-	(362)
Hedged net investment in CZK	-	-	839	(6)	-	166
Hedged net investment in RUB	-	-	348	(52)	-	(860)
Hedged net investment in RON	-	-	45	-	-	(13)
Hedged net investment in USD	-	-	199	9	-	6
Hedged net investment (other currencies)	-	-	716	(20)	-	(56)

(1) The carrying value equals fair value in the case of derivative instruments and equals amortised cost, translated at the closing date, in the case of loans and borrowings in foreign currencies.

NOTE 3.3 Financial assets at fair value through other comprehensive income**OVERVIEW OF FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

(In EURm)	31.12.2019	31.12.2018
Debt instruments	53,012	49,736
<i>Bonds and other debt securities</i>	52,991	49,696
<i>Loans and receivables and securities purchased under resale agreements</i>	21	40
Shares and other equity securities	244	290
TOTAL	53,256	50,026
o/w securities lent	146	483

NOTE 3.3.1 DEBT INSTRUMENTS**ACCOUNTING PRINCIPLES**

Debt instruments (loans and receivables, bonds and bond equivalents) are classified as *Financial assets at fair value through other comprehensive income* where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a Collect and Sell business model.

Accrued or earned income on debt instruments is recorded in profit or loss based on the effective interest rate, under *Interest and similar income*.

At the reporting date, these instruments are measured at fair value and changes in fair value excluding income, are recorded within equity under *Unrealised or deferred gains and losses*, except for foreign exchange differences on money market instruments denominated in local currencies, which are recorded in profit or loss. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding entry to *Unrealised or deferred gains and losses*. The applicable impairment rules are described in Note 3.8.

BUSINESS MODEL “HOLD TO COLLECT AND SELL”

The objective of this business model is to realise cash flows by both collecting contractual payments and selling financial assets. In this type of business model, the sales of financial assets are not incidental or exceptional, but they are integral to achieving the business' objectives.

**Cash management**

Within the Group, except for the insurance activities, the “hold to collect and sell” business model is mainly applied by cash management activities for managing HQLA securities (High Quality Liquid Assets) included in the liquidity reserve. Only a few subsidiaries apply a “hold to collect” business model for managing their HQLA securities.

CHANGES IN THE CARRYING AMOUNT OF THE DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In EURm)	2019
Balance on 1 January	49,736
Acquisitions/disbursements	49,764
Disposals/redemptions	(47,324)
Change in scope and others	(782)
Changes in fair value during the period	906
Change in related receivables	(4)
Translation differences	716
Balance on 31 December	53,012

BREAKDOWN OF CUMULATED UNREALISED GAINS AND LOSSES RECOGNISED DIRECTLY IN EQUITY AND THAT WILL BE RECLASSIFIED SUBSEQUENTLY INTO INCOME

(In EURm)	31.12.2019	31.12.2018
Unrealised gains	391	416
Unrealised losses	(186)	(183)
TOTAL	205	233

NOTE 3.3.2 EQUITY INSTRUMENTS**ACCOUNTING PRINCIPLES**

Equity instruments (shares and share equivalents), that are not held for trading purpose, can be initially designated by the Group to be measured at fair value through other comprehensive income. This option, made instrument by instrument, is irrevocable.

These equity instruments are then measured at fair value and changes in fair value, are recognised under *Unrealised or deferred gains and losses* with no subsequent reclassification to profit or loss. If the instruments are sold, the realised gains and losses are reclassified to *Retained earnings* at the opening of the next financial year. Only dividend income, if it is considered as a return on investment, are recorded in the income statement under Net gains or losses on financial assets at fair value through other comprehensive income.

The Group choose only in few cases to designate equity instruments to be measured at fair value through other comprehensive income.

NOTE 3.3.3 NET GAINS AND LOSSES RECOGNISED IN NET INCOME ON FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(In EURm)	2019	2018
Realised gains and losses on sale of debt instruments	78	39
Dividends incomes on financial assets at fair value through other comprehensive income	41	44
TOTAL	119	83

NOTE 3.4 Fair value of financial instruments measured at fair value**MAKE IT
SIMPLE**

The financial assets and liabilities recognised in the Group balance sheet are measured either at fair value or at amortised cost. In the latter case, the fair value of the instruments is disclosed in the notes (see Note 3.9).

If an instrument is quoted on an active market, its fair value is equal to its market price.

But many financial instruments are not listed (for example, most customer loans and deposits, interbank debts and claims, etc.), or are only negotiable on illiquid markets or over-the-counter markets (which is the case for many derivative instruments).

In such situations, the fair value of the instruments is calculated using measurement techniques or valuation models. Market parameters are included in these models and must be observable; otherwise they are determined based on internal estimates. The models and parameters used are subject to independent validations and internal controls.

ACCOUNTING PRINCIPLES**Definition of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market input based on assumptions that market operators would use to set the price of the instrument in question.

Fair value hierarchy

For information purposes, in the notes to the consolidated financial statements, the fair value of financial instruments is classified using a fair value hierarchy that reflects the observability level of the inputs used. The fair value hierarchy is composed of the following levels:

LEVEL 1 (L1): INSTRUMENTS VALUED ON THE BASIS OF QUOTED PRICES (UNADJUSTED) IN ACTIVE MARKETS FOR IDENTICAL ASSETS OR LIABILITIES.

Level 1 instruments carried at fair value on the balance sheet include in particular shares listed in an active market, government or corporate bonds priced directly by external brokers/dealers, derivatives traded on organised markets (futures, options), and units of funds (including UCITS) whose net asset value is available on the balance sheet date.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and if they reflect actual and regular market transactions on an arm's length basis.

Determining whether a market is inactive requires the use of indicators such as a sharp decline in trading volume and the level of activity in the market, a sharp disparity in prices over time and among the various above-mentioned market participants, or the fact that the latest transactions conducted on an arm's length basis did not take place recently enough.

Where a financial instrument is traded in several markets to which the Group has immediate access, its fair value is represented by the market price at which volumes and activity levels are highest for the instrument in question.

Transactions resulting from involuntary liquidations or distressed sales are usually not taken into account to determine the market price.

LEVEL 2 (L2): INSTRUMENTS VALUED USING INPUTS OTHER THAN THE QUOTED PRICES INCLUDED IN LEVEL 1 THAT ARE OBSERVABLE FOR THE ASSET OR LIABILITY, EITHER DIRECTLY (I.E. AS PRICES) OR INDIRECTLY (I.E. DERIVED FROM PRICES).

These are instruments measured using a financial model based on observable market inputs. Prices published by an external source derived from the valuation of similar instruments are considered as data derived from prices.

Level 2 instruments include in particular non derivative financial instruments carried at fair value on the balance sheet that are not directly quoted or do not have a quoted price on a sufficiently active market (e.g. corporate bonds, repos transactions, mortgage-backed securities, units of funds), and firm derivatives and options traded over-the-counter: interest rate swaps, caps, floors, swaptions, equity options, index options, foreign exchange options, commodity options and credit derivatives. The maturities of these instruments are linked to ranges of terms commonly traded in the market, and the instruments themselves can be simple or offer a more complex remuneration profile (e.g. barrier options, products with multiple underlying instruments), with said complexity remaining limited however. The valuation techniques used in this category are based on common methods shared by the main market participants.

This category also includes the fair value of loans and receivables at amortised cost granted to counterparties whose credit risk is quoted *via* Credit Default Swap (see Note 3.9).

LEVEL 3 (L3): INSTRUMENTS VALUED USING INPUTS THAT ARE NOT BASED ON OBSERVABLE MARKET DATA (REFERRED TO AS UNOBSERVABLE INPUTS).

Level 3 instruments carried at fair value on the balance sheet are valued based on financial models with unobservable market inputs or observable inputs that are not quoted on active markets. For the Group, those instruments match with the instruments for which the sales margin is not immediately recognised in profit or loss (see Note 3.4.7).

Accordingly, Level 3 financial instruments include derivatives and repo transactions with longer maturities than those usually traded and/or with specifically-tailored return profiles, structured debts including embedded derivatives valued based on a method using unobservable inputs or long-term equity investments valued based on a corporate valuation method, which is the case for unlisted companies or companies listed on an insufficiently liquid market.

The main L3 complex derivatives are:

- equity derivatives: options with long maturities and/or incorporating bespoke remuneration mechanisms. These instruments are sensitive to market inputs (volatility, dividend rates, correlations, etc.). In the absence of market depth and an objective approach made possible by regularly observed prices, their valuation is based on proprietary methods (e.g. extrapolation from observable data, historical analysis). Hybrid equity instruments (i.e. having at least one non-equity underlying instrument) are also classified as L3 insofar as correlations between the different underlyings are generally unobservable;
- interest rate derivatives: long-term and/or exotic options, products sensitive to correlation between different interest rates, different exchange rates, or between interest rates and exchange rates, for example for quanto products (in which the instrument is settled in a currency different from the currency of the underlying); they are liable to be classified as L3 because the valuation inputs are unobservable due to the liquidity of the correlated pair and the residual maturity of the transactions (e.g. exchange rate correlations are deemed unobservable for the USD/JPY);
- credit derivatives: L3 credit derivatives mainly include baskets of instruments exposed to time to default correlation ("N to default" products in which the buyer of the hedge is compensated as of the Nth default, which are exposed to the credit quality of the issuers comprising the basket and to their correlation, or CDO Bespoke products, which are Collateralised Debt Obligations created specifically for a group of investors and structured according to their needs), as well as products subject to credit spread volatility;
- commodity derivatives: this category includes products involving unobservable volatility or correlation inputs (i.e. options on commodity swaps or instruments based on baskets of underlyings).

NOTE 3.4.1 FINANCIAL ASSETS MEASURED AT FAIR VALUE

(In EURm)	31.12.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	89,037	129,130	4,017	222,184	69,429	144,430	1,470	215,329
Bonds and other debt securities	22,645	2,976	459	26,080	26,059	3,403	270	29,732
Shares and other equity securities	66,392	11,465	109	77,966	43,370	5,926	1	49,297
Loans, receivables and securities purchased under resale agreements	-	114,507	3,449	117,956	-	134,662	1,199	135,861
Other trading assets	-	182	-	182	-	439	-	439
Trading derivatives	191	132,572	3,086	135,849	23	119,460	3,500	122,983
Interest rate instruments	6	88,868	2,272	91,146	8	71,628	2,617	74,253
Foreign exchange instruments	182	17,717	137	18,036	8	19,038	200	19,246
Equity and index instruments	-	21,938	380	22,318	-	21,211	239	21,450
Commodity instruments	-	1,784	76	1,860	-	5,666	42	5,708
Credit derivatives	-	2,195	220	2,415	-	1,826	398	2,224
Other forward financial instruments	3	70	1	74	7	91	4	102
Financial assets measured mandatorily at fair value through profit or loss	350	21,746	2,881	24,977	117	21,091	2,849	24,057
Bonds and other debt securities	11	44	122	177	12	36	110	158
Shares and other equity securities	339	185	1,968	2,492	105	194	1,697	1,996
Loans, receivables and securities purchased under resale agreements	-	21,517	791	22,308	-	20,861	1,042	21,903
Financial assets measured using fair value option through profit or loss	1,296	1,320	113	2,729	1,126	1,702	353	3,181
Bonds and other debt securities	1,296	162	-	1,458	1,126	184	-	1,310
Loans, receivables and securities purchased under resale agreements	-	32	113	145	-	466	353	819
Other financial assets	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	1,126	-	1,126	-	1,052	-	1,052
Hedging derivatives	-	16,837	-	16,837	-	11,899	-	11,899
Interest rate instruments	-	16,785	-	16,785	-	11,677	-	11,677
Foreign exchange instruments	-	50	-	50	-	222	-	222
Equity and index instruments	-	2	-	2	-	-	-	-
Financial assets measured at fair value through other comprehensive income	51,730	1,282	244	53,256	48,738	998	290	50,026
Bonds and other debt securities	51,730	1,261	-	52,991	48,738	958	-	49,696
Shares and other equity securities	-	-	244	244	-	-	290	290
Loans and receivables	-	21	-	21	-	40	-	40
TOTAL	142,604	302,887	10,341	455,832	119,433	299,580	8,462	427,475

NOTE 3.4.2 FINANCIAL LIABILITIES MEASURED AT FAIR VALUE

(In EURm)	31.12.2019				31.12.2018			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Trading portfolio	5,001	136,800	1,325	143,126	7,787	149,776	969	158,532
Amounts payable on borrowed securities	71	38,743	136	38,950	308	50,956	-	51,264
Bonds and other debt instruments sold short	3,464	54	-	3,518	6,231	-	-	6,231
Shares and other equity instruments sold short	1,466	-	-	1,466	1,248	-	-	1,248
Borrowings and securities sold under repurchase agreements	-	96,631	1,189	97,820	-	97,330	969	98,299
Other trading liabilities	-	1,372	-	1,372	-	1,490	-	1,490
Trading derivatives	216	132,371	5,533	138,120	81	123,075	3,790	126,946
Interest rate instruments	31	85,177	3,293	88,501	6	70,986	2,843	73,835
Foreign exchange instruments	175	18,064	115	18,354	5	19,346	115	19,466
Equity and index instruments	-	24,529	1,612	26,141	-	23,103	572	23,675
Commodity instruments	-	2,131	70	2,201	-	6,041	40	6,081
Credit derivatives	-	1,594	443	2,037	-	2,484	220	2,704
Other forward financial instruments	10	876	-	886	70	1,115	-	1,185
Financial liabilities measured using fair value option through profit or loss	-	38,160	44,723	82,883	265	39,408	37,932	77,605
Hedging derivatives	-	10,212	-	10,212	-	5,993	-	5,993
Interest rate instruments	-	10,045	-	10,045	-	5,905	-	5,905
Foreign exchange instruments	-	154	-	154	-	62	-	62
Equity and index instruments	-	13	-	13	-	26	-	26
TOTAL	5,217	317,543	51,581	374,341	8,133	318,252	42,691	369,076

NOTE 3.4.3 VARIATION IN LEVEL 3 FINANCIAL INSTRUMENTS

FINANCIAL ASSETS AT FAIR VALUE

(In EURm)	Balance at 31.12.2018	Acqui- sitions	Disposal/ redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2019
Trading portfolio	1,470	4,355	(1,147)	(1,328)	165	483	19	-	4,017
Bonds and other debt securities	270	1,156	(976)	(42)	-	40	11	-	459
Shares and other equity securities	1	54	(1)	-	55	-	-	-	109
Loans, receivables and securities purchased under resale agreements	1,199	3,145	(170)	(1,286)	110	443	8	-	3,449
Other trading assets	-	-	-	-	-	-	-	-	-
Trading derivatives	3,500	209	(101)	(370)	303	(475)	20	-	3,086
Interest rate instruments	2,617	35	(22)	(343)	294	(317)	8	-	2,272
Foreign exchange instruments	200	7	(1)	(3)	1	(67)	-	-	137
Equity and index instruments	239	161	(78)	(22)	5	64	11	-	380
Commodity instruments	42	6	-	-	-	28	-	-	76
Credit derivatives	398	-	-	(2)	3	(180)	1	-	220
Other forward financial instruments	4	-	-	-	-	(3)	-	-	1
Financial assets measured mandatorily at fair value through profit or loss	2,849	297	(106)	(705)	8	530	19	(11)	2,881
Bonds and other debt securities	110	17	(12)	-	-	7	-	-	122
Shares and other equity securities	1,697	258	(94)	(22)	8	124	8	(11)	1,968
Loans, receivables and securities purchased under resale agreements	1,042	22	-	(683)	-	399	11	-	791
Financial assets measured using fair value option through profit or loss	353	-	(50)	-	-	(191)	1	-	113
Bonds and other debt securities	-	-	-	-	-	-	-	-	-
Loans, receivables and securities purchased under resale agreements*	353	-	(50)	-	-	(191)	1	-	113
Other financial assets	-	-	-	-	-	-	-	-	-
Separate assets for employee benefit plans	-	-	-	-	-	-	-	-	-
Hedging derivatives	-	-	-	-	-	-	-	-	-
Financial assets measured at fair value option through other comprehensive income	290	3	-	-	-	(49)	-	-	244
Debt instruments	-	-	-	-	-	-	-	-	-
Equity instruments	290	3	-	-	-	(49)	-	-	244
Loans and receivables	-	-	-	-	-	-	-	-	-
TOTAL	8,462	4,864	(1,404)	(2,403)	476	298	59	(11)	10,341

FINANCIAL LIABILITIES AT FAIR VALUE

(In EURm)	Balance at 31.12.2018	Issues	Redemptions	Transfer to Level 2	Transfer from Level 2	Gains and losses	Translation differences	Change in scope and others	Balance at 31.12.2019
Trading portfolio	969	1,119	(6)	(10)	105	(854)	2	-	1,325
Debt securities issued	-	-	-	-	-	-	-	-	-
Amounts payable on borrowed securities	-	31	-	-	105	(2)	2	-	136
Bonds and other debt instruments sold short	-	-	-	-	-	-	-	-	-
Shares and other equity instruments sold short	-	-	-	-	-	-	-	-	-
Borrowings and securities sold under repurchase agreements	969	1,088	(6)	(10)	-	(852)	-	-	1,189
Other trading liabilities	-	-	-	-	-	-	-	-	-
Trading derivatives	3,790	896	(74)	(549)	47	1,168	156	99	5,533
Interest rate instruments	2,843	31	-	(474)	1	648	145	99	3,293
Foreign exchange instruments	115	6	-	-	-	(5)	(1)	-	115
Equity and index instruments	572	856	(74)	(75)	4	318	11	-	1,612
Commodity instruments	40	3	-	-	-	27	-	-	70
Credit derivatives	220	-	-	-	42	180	1	-	443
Other forward financial instruments	-	-	-	-	-	-	-	-	-
Financial liabilities measured using fair value option through profit or loss	37,932	18,855	(15,510)	(1,659)	218	4,414	552	(79)	44,723
Hedging derivatives	-	-	-	-	-	-	-	-	-
TOTAL	42,691	20,870	(15,590)	(2,218)	370	4,728	710	20	51,581

NOTE 3.4.4 VALUATION METHODS OF FINANCIAL INSTRUMENTS CARRIED AT FAIR VALUE ON THE BALANCE SHEET

For financial instruments recognised at fair value on the balance sheet, fair value is determined primarily on the basis of the prices quoted in an active market. These prices can be adjusted if none are available on the balance sheet date or if the clearing value does not reflect transaction prices.

However, due notably to the varied characteristics of financial instruments traded over-the-counter on the financial markets, a large number of financial products traded by the Group does not have quoted prices in the markets.

For these products, fair value is determined using models based on valuation techniques commonly used by market participants to measure financial instruments, such as discounted future cash flows for swaps or the Black & Scholes formula for certain options, and using valuation parameters that reflect current market conditions at the balance sheet date. These valuation models are validated independently by the experts from the Market Risk Department of the Group's Risk Division.

Furthermore, the inputs used in the valuation models, whether derived from observable market data or not, are checked by the Finance Division of Market Activities, in accordance with the methodologies defined by the Market Risk Department.

If necessary, these valuations are supplemented by additional reserves (such as bid-ask spreads and liquidity) determined reasonably and appropriately after an analysis of available information.

Derivatives and security financing transactions are subject to a Credit Valuation Adjustment (CVA) or Debt Valuation Adjustment (DVA). The Group includes all clients and clearing houses in this adjustment,

which also reflects the netting agreements existing for each counterparty.

The CVA is determined on the basis of the Group entity's expected positive exposure to the counterparty, the counterparty's probability of default and the amount of the loss given default. The DVA is determined symmetrically based on the negative expected exposure. These calculations are carried out over the life of the potential exposure, with a focus on the use of relevant and observable market data.

Similarly, an adjustment to take into account the costs or profits linked to the financing of these transactions (FVA, Funding Value Adjustment) is also performed.

Observable data must be: independent, available, publicly distributed, based on a narrow consensus and/or backed up by transaction prices.

For example, consensus data provided by external counterparties are considered observable if the underlying market is liquid and if the prices provided are confirmed by actual transactions. For long maturities, these consensus data are not observable. This is the case for the implied volatility used for the valuation of equity options with maturities of more than five years. However, when the residual maturity of the instrument falls below five years, its fair value becomes sensitive to observable inputs.

In the event of unusual tensions on the markets, leading to a lack of the usual reference data used to measure a financial instrument, the Risk Division may implement a new model in accordance with pertinent available data, similar to methods used by other market players.

SHARES AND OTHER EQUITY SECURITIES

For listed shares, fair value is taken to be the quoted price on the balance sheet date. For unlisted shares, fair value is determined depending on the type of financial instrument and according to one of the following methods:

- valuation based on a recent transaction involving the issuing company (third party buying into the issuing company's capital, appraisal by a professional valuation agent, etc.);
- valuation based on a recent transaction in the same sector as the issuing company (income multiple, asset multiple, etc.);
- proportion of net asset value held.

For unlisted securities in which the Group has significant holdings, valuations based on the above methods are supplemented by a discounted future cash flow valuation based on business plans or on valuation multiples of similar companies.

DEBT INSTRUMENTS HELD IN PORTFOLIO, ISSUES OF STRUCTURED SECURITIES MEASURED AT FAIR VALUE AND FINANCIAL DERIVATIVES

The fair value of these financial instruments is determined based on the quoted price on the balance sheet date or prices provided by brokers on the same date, when available. For unlisted financial instruments, fair value is determined using valuation techniques. Concerning liabilities measured at fair value, the on-balance sheet amounts include changes in the Group's issuer credit risk.

OTHER DEBTS

For listed financial instruments, fair value is taken as their closing quoted price on the balance sheet date. For unlisted financial instruments, fair value is determined by discounting future cash flows to present value at market rates (including counterparty risks, non-performance and liquidity risks).

CUSTOMER LOANS

The fair value of loans and receivables is calculated, in the absence of an actively traded market for these loans, by discounting the expected cash flows to present value at a discount rate based on interest rates prevailing on the market at the reporting date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

NOTE 3.4.5 ESTIMATES OF MAIN UNOBSERVABLE INPUTS

The following table provides the valuation of Level 3 instruments on the balance sheet and the range of values of the most significant unobservable inputs by main product type.

(In EURm)		Value in balance sheet						
Cash instruments and derivatives ⁽¹⁾	Assets	Liabilities	Main products	Valuation techniques used	Significant unobservable inputs	Range of inputs min & max		
Equities/funds	844	32,586	Simple and complex instruments or derivatives on funds, equities or baskets of stocks	Various option models on funds, equities or baskets of stocks	Equity volatilities	3.8%; 90.5%		
					Equity dividends	0%; 21.3%		
					Correlations	-80.0%; 97.8%		
					Hedge fund volatilities	8.5%; 20%		
					Mutual fund volatilities	1.7%; 42.2%		
Rates and Forex	7,344	18,483	Hybrid forex/interest rate or credit/interest rate derivatives	Hybrid forex interest rate or credit interest rate option pricing models	Correlations	-47.3%; 90%		
			Forex derivatives	Forex option pricing models	Forex volatilities	1%; 32.8%		
			Interest rate derivatives whose notional is indexed to prepayment behaviour in European collateral pools	Prepayment modelling	Constant prepayment rates	0%; 20%		
			Inflation instruments and derivatives	Inflation pricing models	Correlations	50.5%; 88.9%		
			Collateralised Debt Obligations and index tranches	Recovery and base correlation projection models	Time to default correlations	0%; 100%		
Credit	220	442	Other credit derivatives	Credit default models	Recovery rate variance for single name underlyings	0%; 100%		
					Time to default correlations	0%; 100%		
					Quanto correlations	-50%; 40%		
					Credit spreads	0 bps; 1,000 bps		
Commodities	76	70	Derivatives on commodities baskets	Option models on commodities	Commodities correlations	9.88%; 96.4%		
Long term equity investments	1,857	-	Securities held for strategic purposes	Net Book Value/Recent transactions	Non applicable	-		
TOTAL	10,341	51,581						

(1) Hybrid instruments are broken down by main unobservable inputs.

NOTE 3.4.6 SENSITIVITY OF FAIR VALUE FOR LEVEL 3 INSTRUMENTS

Unobservable inputs are assessed carefully, particularly in this persistently uncertain economic environment and market. However, by their very nature, unobservable inputs inject a degree of uncertainty into the valuation of Level 3 instruments.

To quantify this, fair value sensitivity was estimated at 31 December 2019 on instruments whose valuation requires certain unobservable inputs. This estimate was based either on a “standardised” variation in unobservable inputs, calculated for each input on a net position, or on

assumptions in line with the additional valuation adjustment policies for the financial instruments in question.

The “standardised” variation is:

- either the standard deviation of consensus prices (TOTEM, etc.) used to measure an input nevertheless considered as unobservable; or
- the standard deviation of historic data used to measure the input.

SENSITIVITY OF LEVEL 3 FAIR VALUE TO A REASONABLE VARIATION IN UNOBSERVABLE INPUTS

	31.12.2019		31.12.2018	
	Negative impact	Positive impact	Negative impact	Positive impact
<i>(In EURm)</i>				
Shares and other equity instruments and derivatives	(9)	79	(13)	96
Equity volatilities	0	19	0	19
Dividends	(1)	13	(3)	9
Correlations	(8)	43	(9)	62
Hedge Fund volatility	0	0	0	0
Mutual Fund volatility	0	4	(1)	6
Rates or Forex instruments and derivatives	(6)	43	(6)	58
Correlations between exchange rates and/or interest rates	(4)	41	(4)	55
Forex volatilities	(1)	2	(1)	2
Constant prepayment rates	0	0	0	0
Inflation/inflation correlations	(1)	0	(1)	1
Credit instruments and derivatives	(3)	13	(4)	14
Time to default correlations	(3)	7	(2)	4
Recovery rate variance for single name underlyings	0	0	0	0
Quanto correlations	0	5	(2)	10
Credit spreads	0	1	0	0
Commodity derivatives	0	1	0	1
Commodities correlations	0	1	0	1
Long term securities	NA	NA	NA	NA

It should be noted that, given the already conservative valuation levels, this sensitivity is higher for a favourable impact on results than for an unfavourable impact. Moreover, the amounts shown above illustrate the uncertainty of the valuation as of the computation date

on the basis of a reasonable variation in inputs. Future variations in fair value or consequences of extreme market conditions cannot be deduced or forecast from these estimates.

NOTE 3.4.7 DEFERRED MARGIN RELATED TO MAIN UNOBSERVABLE INPUTS

The remaining amount to be recorded in the income statement, resulting from the difference between the transaction price and the amount determined at this date using valuation techniques, minus the

amounts recorded in the income statement after initial recognition, is shown in the table below. This amount is recorded in the income statement over time, or when the inputs become observable.

<i>(In EURm)</i>	2019	2018
Deferred margin at 1 January	1,237	1,281
Deferred margin on new transactions during the period	693	744
Margin recorded in the income statement during the period	(779)	(788)
<i>o/w amortisation</i>	(473)	(479)
<i>o/w switch to observable inputs</i>	(16)	(45)
<i>o/w disposed, expired or terminated</i>	(290)	(264)
Deferred margin at 31 December	1,151	1,237

NOTE 3.5 Loans, receivables and securities at amortised cost**OVERVIEW OF FINANCIAL ASSETS AT AMORTISED COST**

(In EURm)	31.12.2019		31.12.2018	
	Carrying amount	o/w impairment	Carrying amount	o/w impairment
Due from banks	56,366	(24)	60,588	(32)
Customer loans	450,244	(10,727)	447,229	(11,435)
Securities	12,489	(10)	12,026	(10)
TOTAL	519,099	(10,761)	519,843	(11,477)

ACCOUNTING PRINCIPLES

Loans, receivables and debt securities are measured at amortised cost where their contractual cash flows are consistent with basic lending arrangements (SPPI) and they are managed under a “Hold to Collect” business model.

Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, and their accrued or earned income are recorded in the income statement under *Interest and similar income*. Furthermore, as these financial assets are subject to impairment for credit risk, changes in expected credit losses are recorded in profit or loss under *Cost of risk* with a corresponding impairment of the amortised cost on the asset side of the balance sheet. The applicable impairment rules are described in Note 3.8. When a loan or a receivable is classified in Stage 3 for impairment (doubtful outstanding), subsequent accrued interest incremented to the carrying amount of the financial asset before impairment is limited to interest recognised in profit or loss. The amount of such interest is then calculated by applying the effective interest rate to the net carrying amount of the financial asset (cf. Note 3.7).

Loans granted by the Group may be subject to renegotiations for commercial reasons, where the borrowing customer is not experiencing financial difficulties or insolvency. Such efforts are undertaken for customers for which the Group agrees to renegotiate their debt in the interest of preserving or developing a business relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest. Except in specific cases where the modification due to the renegotiation would not be considered significant, renegotiated loans are derecognised at the renegotiation date, and the new loans contractualised under the renegotiated terms and conditions replace the previous loans in the balance sheet at this same date. The new loans are subject to the SPPI test to determine how they are classified in the balance sheet. If a loan qualifies as basic instrument (SPPI), renegotiation fees received are included in the effective interest rate of the new instrument.

Customer loans at amortised cost include lease receivables where they are classified as finance leases. Leases granted by the Group are classified as finance leases if they transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. Otherwise, they are classified as operating leases (see Note 4.2).

These finance lease receivables represent the Group's net investment in the lease, calculated as the present value of the minimum payments to be received from the lessee, plus any unguaranteed residual value, discounted at the interest rate implicit in the lease. In the event of a subsequent reduction in the estimated unguaranteed residual value used to calculate the lessor's investment in the finance lease, the present value of this reduction is recognised as a loss under *Expenses from other activities* in the income statement and as a reduction of finance lease receivables on the asset side of the balance sheet.

BUSINESS MODEL “HOLD TO COLLECT”

Under this model, financial assets are managed to obtain cash flows by collecting contractual payments over the life of the instrument.

To achieve the objective of this business model, it is not necessary for the entity to hold all the instruments until maturity. Selling assets remains consistent with a business model whose objective is to collect contractual cash flows in the following cases:

- the financial asset is sold following an increase in the asset's credit risk; or
- the sale of the financial asset occurs close to its maturity and the proceeds from the sale are similar to the amount to be collected from the remaining contractual cash flows.

Other sales can be consistent with the objective of collecting contractual cash flows, as well, provided they are infrequent (even if significant in value) or insignificant in value, both individually and in aggregate terms (even if frequent). Such other sales include sales made to manage credit concentration risk (without an increase in the asset's credit risk). The Group has set up procedures for reporting and analysing all significant projected sales of financial assets held for collecting contractual cash flows, as well as a periodic review of sales that have occurred.

**Financing activities**

Within the Group, the “hold to collect” business model is mainly applied by financing activities managed by French Retail Banking, International Retail Banking and Financial Services and by Global Banking and Investor Solutions, except for the part of syndicated loans that is expected to be sold.

NOTE 3.5.1 DUE FROM BANKS

(In EURm)	31.12.2019	31.12.2018
Current accounts	20,717	23,958
Deposits and loans	17,269	18,453
Securities purchased under resale agreements	18,168	18,000
Subordinated and participating loans	88	91
Related receivables	118	99
Due from banks before impairments⁽¹⁾	56,360	60,601
Credit loss impairment	(24)	(32)
Revaluation of hedged items	30	19
TOTAL	56,366	60,588

(1) At 31 December 2019, the amount due from banks classified as Level 3 impairment (credit impaired) was EUR 38 million compared to EUR 51 million at 31 December 2018. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the net carrying amount of the financial asset (see Note 3.7).

NOTE 3.5.2 CUSTOMER LOANS

(In EURm)	31.12.2019	31.12.2018
Overdrafts	19,181	21,230
Other customer loans	388,167	375,982
Lease financing agreements	30,761	32,345
Securities purchased under resale agreements	19,541	26,078
Related receivables	2,937	2,692
Customer loans before impairments⁽¹⁾	460,587	458,327
Credit loss impairment	(10,727)	(11,435)
Revaluation of hedged items	384	337
TOTAL	450,244	447,229

(1) At 31 December 2019, the amount due from customers classified as Level 3 impairment (credit impaired) was EUR 15,976 million compared to EUR 17,818 million at 31 December 2018. The accrued interests included in this amount are limited to interests recognised in net income by applying the effective interest rate to the carrying amount to the net carrying amount of the financial asset (see Note 3.7).

BREAKDOWN OF OTHER CUSTOMER LOANS

<i>(In EURm)</i>	31.12.2019	31.12.2018
Trade notes	9,700	10,056
Short-term loans	123,452	118,978
Export loans	11,582	11,485
Equipment loans	58,683	57,253
Housing loans	136,333	126,160
Loans secured by notes and securities	98	92
Other loans	48,319	51,958
TOTAL	388,167	375,982

ADDITIONAL INFORMATION ON LEASE FINANCING AND SIMILAR AGREEMENTS

<i>(In EURm)</i>	31.12.2019	31.12.2018
Gross investments	33,517	34,562
<i>less than one year</i>	8,490	8,243
<i>1-5 years</i>	19,105	20,847
<i>more than five years</i>	5,922	5,472
Present value of minimum payments receivable	29,110	30,233
<i>less than one year</i>	7,889	7,576
<i>1-5 years</i>	17,096	18,291
<i>more than five years</i>	4,125	4,366
Unearned financial income	2,754	2,217
Unguaranteed residual values receivable by the lessor	1,652	2,112

NOTE 3.5.3 SECURITIES

<i>(In EURm)</i>	31.12.2019	31.12.2018
Government securities	6,005	5,826
Negotiable certificates, bonds and other debt securities	6,390	6,106
Related receivables	85	79
Securities before impairments	12,480	12,011
Impairment	(10)	(10)
Revaluation of hedged items	19	25
TOTAL	12,489	12,026

NOTE 3.6 Debts**ACCOUNTING PRINCIPLES**

Debts include non-derivative financial liabilities that are not measured at fair value through profit or loss.

They are recognised in the balance sheet according to the type of instrument and counterparty, under *Due to banks*, *Customer deposits*, *Debt securities issued* or *Subordinated debt*.

Subordinated debts are all dated or undated borrowings, whether or not in the form of debt securities, which in the event of the liquidation of the borrowing company may only be redeemed after all other creditors have been paid.

Debts are initially recognised at cost, this valuation being the fair value of the amount borrowed net of transaction fees. These liabilities are measured at reporting date at amortised cost using the effective interest rate method. As a result, issue or redemption premiums on bonds are amortised over the lifetime of the instruments concerned. Accrued or paid expenses are recorded in profit or loss under *Interest and similar expense*.

The Group's obligations arising from mortgage savings accounts and plans are recorded under *Customer deposits – Regulated savings accounts*. A provision may be recorded in respect of such mortgage savings instruments (see Note 8.3).

NOTE 3.6.1 DUE TO BANKS

(In EURm)	31.12.2019	31.12.2018
Demand deposits and current accounts	11,577	13,875
Overnight deposits and borrowings and others	3,680	2,248
Term deposits ⁽¹⁾	82,893	72,965
Related payables	186	130
Revaluation of hedged items	308	129
Securities sold under repurchase agreements	9,285	5,359
TOTAL	107,929	94,706

(1) Including deposits linked to governments and central administrations.

NOTE 3.6.2 CUSTOMER DEPOSITS

(In EURm)	31.12.2019	31.12.2018
Regulated savings accounts	96,642	93,230
<i>Demand</i>	70,610	68,082
<i>Term</i>	26,032	25,148
Other demand deposits ⁽¹⁾	229,756	222,642
Other term deposits ⁽¹⁾	82,817	82,932
Related payables	441	387
Revaluation of hedged items	196	219
TOTAL CUSTOMER DEPOSITS	409,852	399,410
Securities sold to customers under repurchase agreements	8,760	17,408
TOTAL	418,612	416,818

(1) Including deposits linked to governments and central administrations.

BREAKDOWN OF OTHER DEMAND DEPOSITS BY CUSTOMER TYPE

<i>(In EURm)</i>	31.12.2019	31.12.2018
Professionals and corporates	111,079	98,459
Individual customers	76,135	72,372
Financial customers	29,093	38,413
Others ⁽¹⁾	13,449	13,398
TOTAL	229,756	222,642

(1) Including deposits linked to governments and central administrations.

NOTE 3.6.3 DEBT SECURITIES ISSUED

<i>(In EURm)</i>	31.12.2019	31.12.2018
Term savings certificates	510	474
Bond borrowings	23,847	24,381
Interbank certificates and negotiable debt instruments	99,107	89,913
Related payables	776	804
Revaluation of hedged items	928	767
TOTAL	125,168	116,339
<i>o/w floating-rate securities</i>	<i>49,343</i>	<i>39,121</i>

NOTE 3.7 Interest income and expense**MAKE IT SIMPLE**

Interest is compensation for a financial service, consisting in a lender making a certain amount of cash available to a borrower for an agreed period of time. Such compensated financing arrangements can be loans, deposits or securities (bonds, negotiable debt securities...).

This compensation is a consideration for the time value of money, and additionally for credit risk, liquidity risk and administrative costs, all borne by the lender for the duration of the financing agreement. The interest can also include a margin used by the lending bank to remunerate equity instruments (such as ordinary shares) that are required by prudential regulation to be issued in relation to the amount of financing granted, so as to guarantee its own solvency.

Interest is recognised as expense or income over the life of the financing service granted or received, proportionally to the principal amount outstanding.

ACCOUNTING PRINCIPLES

Interest income and expense are recorded in the income statement under *Interest and similar income* and *Interest and similar expense* for all financial instruments measured using the effective interest method (instruments at amortised cost and debt instruments at fair value through other comprehensive income) and for all financial instruments mandatorily measured at fair value through profit and loss and interest rate risk hedging derivatives for the portion of income or expenses representative of the effective interest rate. Negative interest incomes on financial assets are recorded under *Interest and similar expense*; negative interest expenses on financial liabilities are recorded under *Interest and similar income*.

The effective interest rate is taken to be the rate used to net discount future cash inflows and outflows over the expected life of the instrument in order to establish the net book value of the financial asset or liability. The calculation of this rate considers the future cash flows estimated on the basis of the contractual provisions of the financial instrument without taking account of possible future credit losses and also includes commissions paid or received between the parties where these may be assimilated to interest, directly linked transaction costs, and all types of premiums and discounts.

Where a financial asset is classified in Stage 3 for impairment, subsequent interest income is recognised in profit or loss by applying the effective interest rate to the net carrying amount of the financial asset with an offsetting entry equal to the outstanding financial asset before impairment.

Moreover, except for those related to employee benefits, provisions recognised as balance sheet liabilities generate interest expenses that are calculated using the same risk-free interest rate as that used to discount the expected outflow of resources.

(In EURm)	2019			2018		
	Income	Expense	Net	Income	Expense	Net
Financial instruments at amortised cost	14,907	(7,850)	7,057	14,030	(7,021)	7,009
Central banks	427	(181)	246	575	(151)	424
Bonds and other debt securities	318	(2,096)	(1,778)	257	(1,931)	(1,674)
Due from/to banks	1,010	(1,632)	(622)	1,077	(1,354)	(277)
Customer loans and deposits	12,053	(3,123)	8,930	11,435	(2,889)	8,546
Subordinated debt	-	(516)	(516)	-	(542)	(542)
Securities lending/borrowing	10	(6)	4	7	(5)	2
Repo transactions	1,089	(296)	793	679	(149)	530
Hedging derivatives	6,433	(4,632)	1,801	6,358	(4,638)	1,720
Financial instruments at fair value through other comprehensive income	752	(1)	751	622	-	622
Lease agreements ⁽¹⁾	1,178	(44)	1,134	1,126	-	1,126
Real estate lease agreements	189	(43)	146	194	-	194
Non-real estate lease agreements	989	(1)	988	932	-	932
Subtotal interest income/expense on financial instruments using the effective interest method	23,270	(12,527)	10,743	22,136	(11,659)	10,477
Financial instruments mandatorily at fair value through profit or loss	442	-	442	542	-	542
TOTAL INTEREST INCOME AND EXPENSE	23,712	(12,527)	11,185	22,678	(11,659)	11,019
o/w interest income from impaired financial assets	280	-	280	357	-	357

(1) Lease agreements include, in income, interests from finance lease receivables. As a result of the application of IFRS 16 "Leases" as from 1st January 2019, lease agreements also include interests on lease liabilities as expense.

These interest expenses include the refinancing cost of financial instruments at fair value through profit or loss, the results of which are classified in net gains or losses on these instruments (see Note 3.1). Given that income and expenses booked in the income statement are

classified by type of instrument rather than by purpose, the net income generated by activities in financial instruments at fair value through profit or loss must be assessed as a whole.

BREAKDOWN OF INCOME OF CUSTOMER LOANS AT AMORTISED COST

(In EURm)	2019	2018
Trade notes	511	479
Other customer loans	10,361	9,773
Short-term loans	4,572	4,153
Export loans	375	321
Equipment loans	1,529	1,396
Housing loans	2,985	3,182
Other customer loans	900	721
Overdrafts	909	835
Doubtful outstandings (Stage 3)	272	348
TOTAL	12,053	11,435

NOTE 3.8 Impairment and provisions**MAKE IT SIMPLE**

Some financial assets (loans, debt securities) involve credit risk which exposes the Group to a potential loss if the counterparty or the securities issuer were to be unable to respect their financial commitments. To bear this risk, a portion of the contractual interest received by the Bank on those assets, called credit margin, compensates it.

This potential loss, or expected credit loss, is recognised in profit or loss without waiting the occurrence of a default event on a specific counterparty.

For loans, receivables and debt securities measured at amortised cost or fair value through other comprehensive income, the expected credit loss, as assessed by the Group, is recognised in profit or loss together with interest income. On balance sheet, this potential loss is recognised as an impairment that reduces the carrying amount of assets measured at amortised cost. Impairment are written-back in case of a subsequent decrease of credit risk.

Potential losses recognised in profit or loss represent initially the credit losses expected by the Group over the year to come. Subsequently, the amount is increased by the expected loss at maturity of the instrument in case of significant increase of risk. The losses are then reassessed if the counterparty or issuer of the security is in default.

For financial assets measured at fair value through profit or loss (including instruments hold by global markets activities), their fair value includes already the expected credit loss, as assessed by the market participant, on the residual lifetime of the instrument.

ACCOUNTING PRINCIPLES**Recognition of expected credit losses**

Debt instruments classified as financial assets at amortised cost or as financial assets at fair value through other comprehensive income, operating lease receivables, customer receivables and income to be received included amongst *Other assets*, as well as loan commitments granted and guarantee commitments issued, are systematically subject to impairment or provisions for expected credit losses. These impairments and provisions are recognised as the loans are granted, the commitments undertaken, or the debt securities purchased, without waiting for the occurrence of an objective evidence of impairment.

To determine the amount of impairment or provision to be recorded at each reporting date, these exposures are split among three categories based on the increase in credit risk observed since initial recognition. An impairment or provision shall be recognised for the exposures in each category as follows:

Observed deterioration in credit risk since initial recognition of the financial asset			
Credit risk category	Stage 1 Performing assets	Stage 2 Under-performing or downgraded assets	Stage 3 Credit-impaired or defaulted assets
Transfer criteria	Initial recognition of the instrument in stage 1 ► Maintained if the credit risk has not increased significantly	Credit risk on the instrument has increased significantly since initial recognition / 30 days past due	Evidence that the instrument is become credit-impaired / 90 days past due
Measurement of credit risk	12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses
Interest income recognition basis	Gross carrying amount of the asset before impairment	Gross carrying amount of the asset before impairment	Net carrying amount of the asset after impairment

Exposures classified in Stage 1

At the initial recognition date, the exposures are systematically classified in Stage 1, unless they are purchased or originated credit-impaired instruments.

Exposures classified in Stage 2

To identify Stage 2 exposures, the significant increase in credit risk is assessed by the Group using all available past and forward-looking data (behavioural scores, loan to value indicators, macroeconomic forecast scenarios, etc.). This assessment of changes in credit risk takes into account the three following criteria:

THE COUNTERPARTY'S CREDIT RATING

The Group analyses changes in the counterparty's credit rating, as well as any changes in its operating sector, in macroeconomic conditions and in the behaviours of the counterparty that may, above and beyond the review of the credit rating, be a sign of deteriorating credit risk.

If, after a review, a counterparty is deemed "sensitive" (notion of watch list), all existing contracts between the Group and this counterparty are transferred into Stage 2 (to the extent that this approach does not lead to a distortion compared with an analysis of the change in credit risk since initial recognition on each financial instrument) and the related impairment and provisions are increased up to the lifetime expected credit losses. Once a counterparty has been placed on a watch list, all new transactions originated with that counterparty are recorded in Stage 1.

THE MAGNITUDE OF THE CHANGE IN A COUNTERPARTY'S CREDIT RATING

This magnitude is assessed from contract to contract, from the date of their initial recognition to the balance sheet date.

To determine whether a deterioration or improvement in the credit rating between the date of initial recognition and the balance sheet date is significant enough to prompt a change in the impairment Stage, thresholds are set once a year by the Risk Division. These transfer thresholds between Stage 1 and Stage 2 are determined for each homogeneous portfolio of contracts (notion of risk segment based on the customer typology and the credit quality) and are calculated based on their specific probability-of-default curves (thus, the threshold is different depending on whether it is a Sovereign portfolio or a Large Corporates portfolio, for instance). These thresholds may be expressed as an absolute or relative increase in the probability of default.

From 2019 the thresholds are differentiated based on the lifetime probability-of-default curves for the Group's main portfolios. The transition from one-year probability-of-default curves to lifetime probability-of-default curves is ongoing for the remaining portfolios, assuming that there is no distortion with respect to any comparison made with the lifetime probability-of-default curves.

THE EXISTENCE OF PAYMENTS MORE THAN THIRTY DAYS PAST DUE

There is a (rebuttable) presumption of a significant deterioration in credit risk when a payment on an asset is more than thirty days past due.

Once any one of these three criteria is met, the instrument is transferred from Stage 1 to Stage 2, and the related impairments or provisions are adjusted accordingly.

The first two criteria are symmetrical: a sufficient improvement in the credit rating, or removal from the watch list of sensitive counterparties, results in a return to Stage 1, without any probation period in Stage 2.

For exposures to counterparties for which a credit rating is not available (retail customers and a limited portion of the "small- and medium-sized companies" segment), the transfer into Stage 2 is based on:

- the Basel behavioural score or the existence of payments more than thirty days past due for retail customers;
- the classification into watch list and the existence of payments more than thirty days past due for small- and medium-sized companies.

Exposures classified in Stage 3

To identify Stage 3 exposures (doubtful exposures), the Group determines whether there is an objective evidence of impairment (default events):

- payments more than ninety days past due (with the exception of restructured loans during the two-year probation period which are retransferred into Stage 3 as of payments more than thirty days past due), whether or not a collection procedure is instigated. To assess this criteria, the Group does not apply any threshold, except if such threshold is requested by local authority. In addition, only missed payments related to business litigations, specific contractual features or IT failures cannot lead to a transfer into Stage 3;
- identification of other criteria that evidence, even in the absence of missed payments, that this is unlikely that the counterparty could meet all its financial obligations:
 - a significant deterioration in the counterparty's financial situation creates a strong probability that it will not be able to meet all of its commitments and thus represents a risk of loss for the Group,
 - concessions are granted to the clauses of the loan agreement, in light of the borrower's financial difficulties, that would not have been granted in other circumstances (restructured loans),
 - the existence of probable credit risk or litigious proceedings (ad hoc mandate, bankruptcy, court-ordered settlement or compulsory liquidation or other similar proceedings in local jurisdictions).

The Group applies the impairment contagion principle to all of the defaulting counterparty's exposures. When a debtor belongs to a group, the impairment contagion principle may also be applied to all of the Group's exposures.

In the case of a return in Stage 2, the exposures are kept in Stage 2 during a probation period before assessing whether they could be transferred in Stage 1. This probation period in Stage 2 is from six months to two years according to the nature of the risk portfolio to which the exposures belong.

Measurement of depreciation and provision

Stage 1 exposures are impaired for the amount of credit losses that the Group expects to incur within twelve months (12-month expected credit losses), based on past data and the current situation. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring within the next twelve months.

Stage 2 and 3 exposures are impaired for the amount of credit losses that the Group expects to incur over the life of the exposures (lifetime expected credit losses), taking into consideration past data, the present situation and reasonable forecast changes in economic conditions, and relevant macroeconomic factors through to maturity. Accordingly, the amount of impairment is the difference between the gross carrying amount of the asset and the present value of future cash flows deemed to be recoverable, taking into account the impact of collateral called up or liable to be called up and the probability of a default event occurring through to the instrument's maturity.

Financial guarantees are taken into account in the estimation of the recoverable cash flows when they are integral part of the contractual characteristics of the related loans and they are not recognised separately.

If the financial guarantees don't meet these criteria and as a consequence their effects cannot be taken into account in the calculation of impairment (example: financial guarantee aimed at compensating the first losses suffered on a given portfolio of loans), a separate asset is recorded in the balance sheet under *Other Assets*. The book value of this asset is representative of the expected credit losses, recorded in the balance sheet within the impairment of assets, for which the Group is almost certain to receive a compensation. Changes in the carrying amount of this asset are recorded in the income statement under *Cost of risk*.

Calculation methods used to measure credit losses are disclosed in Chapter 4 of the present Universal Registration Document (Risk factors and capital adequacy).

Irrespective of the Stage in which the exposures are classified, cash flows are discounted using the initial effective interest rate of the financial asset. The amount of impairment is included in the net carrying amount of the credit impaired financial asset. Impairment allocations/reversals are recorded in profit or loss under *Cost of risk*.

For operating leases and trade receivables, the Group uses the "simplified" approach, under which impairments are calculated as lifetime expected credit losses since their initial recognition, regardless of any subsequent changes in the counterparty's credit risk. The assessment of depreciation is mainly based on historical data on default rates and incurred losses in the event of default. Adjustments to take into account forward-looking information on economic conditions and macro-economic factors are determined by an expert. The impairment is calculated using historical data related to default rates and losses on default. Adjustments made to take into account prospective data related to macro-economic forecasts are determined by an expert.

Restructured loans

Loans issued or acquired by the Group may be restructured due to financial difficulties. This takes the shape of a contractual modification of the initial terms of the loan (e.g. lower interest rates, rescheduled loan payments, partial debt forgiveness, or additional collateral). This adjustment of the contractual terms is strictly linked to the borrower's financial difficulties and/or insolvency (whether they have already become insolvent or are certain to do so if the loan is not restructured).

Where they still pass the SPPI test, restructured loans are still recognised in the balance sheet and their amortised cost before credit risk allowance is adjusted for a discount representing the restructuring loss. This discount is equal to the difference between the present value of the new contractual cash flows resulting from the restructuring of the loan and the amortised cost before credit risk allowance less any partial debt forgiveness; it is booked to *Cost of risk* in the income statement. As a result, the amount of interest income subsequently recognised into income is still computed using the initial effective interest rate of the loan and based on the net carrying amount of the asset after impairment during at least the first year following the restructuring.

Post-restructuring, these financial assets are systematically classified in Stage 3 for impairment (credit-impaired exposures), as the borrowers are deemed to be in default. Stage 3 classification is maintained for at least one year, or longer if the Group is uncertain that the borrowers will be able to meet their commitments. Once the loan is no longer classified in Stage 3, the assessment of the significant increase of credit risk will be performed by comparing the characteristics of the instrument at the closing date and the characteristics at the initial recognition date of the loan before restructuring, applying the transfer rules to Stage 1 and 2 previously mentioned in this note with specific conditions during the probation period (during the first two-years following the restructuring loans are retransferred into Stage 3 as of payments more than thirty days past due).

The criteria to return to Stage 1 for the restructured loans are similar to those of all the other exposures, after a probation period in Stage 3 of a minimum of one year.

Where they no longer pass the SPPI test, restructured loans are derecognised and replaced by new loans recognised according to the restructured terms and conditions. These new loans are then classified as Financial assets measured mandatorily at fair value through profit or loss.

Restructured loans do not include loans and receivables subject to commercial renegotiations that are loans to customers for which the Group has agreed to renegotiate the debt with the aim of maintaining or developing a commercial relationship, in accordance with the credit approval procedures in force and without relinquishing any principal or accrued interest.

OVERVIEW OF IMPAIRMENT AND PROVISIONS

(In EURm)	31.12.2019	31.12.2018
Impairment of financial assets at fair value through other comprehensive income	9	11
Impairment of financial assets at amortised cost	10,976	11,673
Loans and receivables at amortised cost	10,761	11,477
Other assets at amortised cost ⁽¹⁾	215	196
TOTAL IMPAIRMENT OF FINANCIAL ASSETS	10,985	11,684
Provisions on financing commitments	244	252
Provisions on guarantee commitments	396	386
TOTAL CREDIT RISK PROVISIONS	640	638

(1) o/w EUR 145 million of impairment on operating lease receivables as at 31st December 2019 (vs. EUR 131 million as at 31st December 2018); this impairment is calculated as lifetime expected credit losses since their initial recognition in compliance with the "simplified" approach permitted by the standard. Those receivables are presented under Miscellaneous receivables (see Note 4.4).

NOTE 3.8.1 IMPAIRMENT OF FINANCIAL ASSETS

BREAKDOWN OF FINANCIAL ASSETS IMPAIRMENT

(In EURm)	Amount at 31.12.2018	Allocations	Write-backs available	Net impairment losses	Write-backs used	Currency and scope effects	Amount at 31.12.2019
Financial assets at fair value through other comprehensive income							
Impairment on performing outstandings (Stage 1)	3	1	(3)	(2)	-	-	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	-	8
TOTAL	11	1	(3)	(2)	-	-	9
Financial assets measured at amortised cost							
Impairment on performing outstandings (Stage 1)	887	581	(552)	29	-	(14)	902
Impairment on underperforming outstandings (Stage 2)	1,038	885	(873)	12	-	(8)	1,042
Impairment on doubtful outstandings (Stage 3)	9,748	4,286	(3,123)	1,163	(1,858)	(21)	9,032
TOTAL	11,673	5,752	(4,548)	1,204	(1,858)	(43)	10,976
o/w lease financing and similar agreements	767	266	(181)	85	(64)	(46)	742
Impairment on performing outstandings (Stage 1)	83	38	(23)	15	-	(8)	90
Impairment on underperforming outstandings (Stage 2)	98	48	(49)	(1)	-	(6)	91
Impairment on doubtful outstandings (Stage 3)	586	180	(109)	71	(64)	(32)	561

VARIATION OF IMPAIRMENT ACCORDING TO CHANGES IN THE CARRYING AMOUNT OF FINANCIAL ASSETS

(In EURm)	Amount at 31.12.2018	Production & Acquisition	Derecognition ⁽¹⁾	Transfer between stages of impairment	Other variations	Amount at 31.12.2019
Financial assets at fair value through other comprehensive income						
Impairment on performing outstandings (Stage 1)	3	-	-	-	(2)	1
Impairment on underperforming outstandings (Stage 2)	-	-	-	-	-	-
Impairment on doubtful outstandings (Stage 3)	8	-	-	-	-	8
TOTAL	11	-	-	-	(2)	9
Financial assets at amortised cost						
Impairment on performing outstandings (Stage 1)	887	288	(228)	(156)	111	902
Impairment on underperforming outstandings (Stage 2)	1,038	204	(213)	164	(151)	1,042
Impairment on doubtful outstandings (Stage 3)	9,748	128	(1,976)	682	450	9,032
TOTAL⁽²⁾	11,673	620	(2,417)	690	410	10,976
o/w lease financing and similar agreements	767	44	(8)	24	(85)	742
Impairment on performing outstandings (Stage 1)	83	25	(13)	(9)	4	90
Impairment on underperforming outstandings (Stage 2)	98	10	(17)	14	(14)	91
Impairment on doubtful outstandings (Stage 3)	586	9	22	19	(75)	561

(1) Including repayments, disposals and debt waivers.

(2) The impairment decrease of EUR 697 million during the year is linked to:

- the reduce of the exposition amount in default (Stage 3). This is in line with the Group strategy to reduce his portfolio of expositions in default which is strongly impaired;
- a slight increase of the impairment stock in Stage 1 and 2 due to an increase of the expositions and to a challenging economic environment.

NOTE 3.8.2 CREDIT RISK PROVISIONS

BREAKDOWN OF PROVISIONS ON FINANCING COMMITMENTS AND GUARANTEE COMMITMENTS

(In EURm)	Amount at 31.12.2018	Allocations	Write-backs available	Net impairment losses	Currency and scope effects	Amount at 31.12.2019
Financing commitments						
Provisions on performing outstandings (Stage 1)	98	78	(74)	4	-	102
Provisions on underperforming outstandings (Stage 2)	119	81	(95)	(14)	-	105
Provisions on doubtful outstandings (Stage 3)	35	96	(133)	(37)	39	37
TOTAL	252	255	(302)	(47)	39	244
Guarantee commitments						
Provisions on performing outstandings (Stage 1)	47	24	(37)	(13)	-	34
Provisions on underperforming outstandings (Stage 2)	68	53	(61)	(8)	20	80
Provisions on doubtful outstandings (Stage 3)	271	181	(125)	56	(45)	282
TOTAL	386	258	(223)	35	(25)	396

VARIATIONS OF PROVISIONS ACCORDING TO CHANGES IN THE AMOUNT OF FINANCING AND GUARANTEE COMMITMENTS

(In EURm)	Amount at 31.12.2018	Production & Acquisition	Dereco- gnition ⁽¹⁾	Transfer between stages of impairment	Other variations	Amount at 31.12.2019
Financing commitments						
Provisions on performing outstandings (Stage1)	98	40	(43)	(9)	16	102
Provisions on underperforming outstandings (Stage 2)	119	18	(32)	35	(35)	105
Provisions on doubtful outstandings (Stage 3)	35	13	(42)	10	21	37
TOTAL	252	71	(117)	36	2	244
Guarantee commitments						
Provisions on performing outstandings (Stage1)	47	13	(12)	(4)	(10)	34
Provisions on underperforming outstandings (Stage 2)	68	4	(16)	(2)	26	80
Provisions on doubtful outstandings (Stage 3)	271	21	(54)	64	(20)	282
TOTAL	386	38	(82)	58	(4)	396

(1) Including repayments, disposals and debt waivers.

NOTE 3.8.3 COST OF RISK

ACCOUNTING PRINCIPLES

Cost of risk only includes net reversals of impairments and loss allowances for credit risk, losses on irrecoverable loans and amounts recovered on amortised receivables.

The Group proceed to a write off by recognising a loss on the bad loan and a reversal of impairment in *Cost of risk* when a debt is forgiven or when there are no longer any hopes of future recovery. The lack of future hopes of recovery is documented when a certificate issued as proof that the debt is uncollectable is delivered by the relevant authority or when strong circumstantial evidences are identified (years in default, provisions at 100%, lack of recent recoveries, specificities of the case).

However, a write-off in accounting terms does not imply debt forgiveness in the legal sense as recovery actions on cash due by the counterparty are pursued particularly in case of return to better fortune. In case of recoveries on an exposure previously written-off, such recoveries are recognised as *Amounts recovered on irrecoverable loans* on the year of collection.

(In EURm)	2019	2018
Net allocation to impairment losses	(1,202)	(970)
<i>on financial assets at fair value through other comprehensive income</i>	2	-
<i>on financial assets at amortised cost</i>	(1,204)	(970)
Net allocations to provisions	12	59
<i>on financing commitments</i>	47	82
<i>on guarantee commitments</i>	(35)	(23)
Losses not covered on irrecoverable loans	(292)	(263)
Amounts recovered on irrecoverable loans	184	169
Income from guarantee not taken into account for the calculation of impairment ⁽¹⁾	20	
TOTAL	(1,278)	(1,005)

(1) The income from the guarantees not taken into account for the calculation of impairment corresponds for the year 2019 to the financial guarantees received by the Group in the context of credit risk transfer operations to entities external to the Group. These operations concerned two diversified portfolios of structured loans of EUR 4 billion and USD 3.4 billion granted by Wholesale Banking and two portfolios of capital loans of EUR 2.1 billion and EUR 1.4 billion granted by Retail Banking in France.

NOTE 3.9 Fair value of financial instruments measured at amortised cost**ACCOUNTING PRINCIPLES****Definition of fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In the absence of observable prices for identical assets or liabilities, the fair value of financial instruments is determined using another measurement technique that maximises the use of observable market inputs based on assumptions that market operators would use to set the price of the instrument in question.

For financial instruments that are not recognised at fair value on the balance sheet, the figures disclosed in this note and broken down according to the fair value hierarchy as described in Note 3.4, should not be taken as an estimate of the amount that would be realised if all such financial instruments were to be settled immediately.

The fair value of financial instruments includes accrued interest if applicable.

NOTE 3.9.1 FINANCIAL ASSETS MEASURED AT AMORTISED COST

	31.12.2019				
<i>(In EURm)</i>	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	56,366	56,370	-	41,233	15,137
Customer loans	450,244	451,398	-	179,364	272,034
Debt securities	12,489	12,705	4,156	7,095	1,454
TOTAL	519,099	520,473	4,156	227,692	288,625

	31.12.2018				
<i>(In EURm)</i>	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due from banks	60,588	60,674	-	43,844	16,830
Customer loans	447,229	451,366	-	187,421	263,945
Debt securities	12,026	12,113	4,007	7,312	794
TOTAL	519,843	524,153	4,007	238,577	281,569

NOTE 3.9.2 FINANCIAL LIABILITIES MEASURED AT AMORTISED COST

31.12.2019					
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	107,929	107,976	356	104,028	3,592
Customer deposits	418,612	418,705	-	408,597	10,108
Debt securities issued	125,168	125,686	20,856	104,462	368
Subordinated debt	14,465	14,467	-	14,467	-
TOTAL	666,174	666,834	21,212	631,554	14,068

31.12.2018					
(In EURm)	Carrying amount	Fair value	Level 1	Level 2	Level 3
Due to banks	94,706	94,564	244	90,037	4,283
Customer deposits	416,818	417,019	-	406,699	10,320
Debt securities issued	116,339	116,336	22,028	93,564	744
Subordinated debt	13,314	13,316	-	13,316	-
TOTAL	641,177	641,235	22,272	603,616	15,347

NOTE 3.9.3 VALUATION METHODS OF FINANCIAL INSTRUMENTS MEASURED AT AMORTISED COST

LOANS, RECEIVABLES AND LEASE FINANCING AGREEMENTS

The fair value of loans, receivables and lease financing transactions for large corporates and banks is calculated, in the absence of an actively traded market for these loans, by discounting expected cash flows to present value based on the market rates (the benchmark maturity yield published by the Banque de France and the zero-coupon yield) prevailing on the balance sheet date for loans with broadly similar terms and maturities. These discount rates are adjusted for borrower credit risk.

The fair value of loans, receivables and lease financing transactions for retail banking customers, essentially comprised of individuals and small or medium-sized companies, is determined, in the absence of an actively traded market for these loans, by discounting the associated expected cash flows to present value at the market rates prevailing on the balance sheet date for similar types of loans and similar maturities.

For all floating-rate loans, receivables and lease financing transactions and fixed-rate loans with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value net of impairment, assuming there has been no significant change in credit spreads on the counterparties in question since they were recognised in the balance sheet.

DEBTS

The fair value of debts, in the absence of an actively traded market for these liabilities, is taken to be the same as the value of future cash flows discounted to present value at the market rates prevailing on the balance sheet date.

When the debt is a listed instrument, its fair value is its market value.

For floating-rate deposits, demand deposits and borrowings with an initial maturity of less than or equal to one year, fair value is taken to be the same as book value. Similarly, the individual fair value of demand deposit accounts is equal to their book value.

SECURITIES

Provided that the security is an instrument traded on an active market, its fair value is equal to the market price.

If no active market exists, the fair value of the securities is calculated by discounting estimated future net cash flows from the asset at the market rate on the balance sheet date. For variable-rate securities and fixed-rate securities with an agreed duration of up to one year, the fair value is assumed to be the carrying amount minus impairments provided there have been no significant fluctuations in credit spreads involving the counterparties concerned since they were recorded on the balance sheet.

NOTE 3.10 Commitments and assets pledged and received as securities**ACCOUNTING PRINCIPLES****Loan commitments**

Loan commitments that are not considered as financial derivatives or that are not measured at fair value through profit or loss for trading purpose are initially recognised at fair value. Thereafter, they are provisioned as necessary in accordance with the accounting principles for impairment and provisions (see Note 3.8).

Guarantee commitments

When considered as non-derivative financial instruments, financial guarantees issued by the Group are initially recognised in the balance sheet at fair value. Thereafter, they are measured at either the amount of the obligation or the amount initially recognised (whichever is higher) less, when appropriate, the cumulative amortisation of a guarantee commission. Where there is objective evidence of impairment, a provision for financial guarantees given is recognised on the liabilities side of the balance sheet (see Note 3.8).

Securities commitments

Securities bought and sold, which are booked to Financial assets at fair value through profit or loss, *Financial assets at fair value through other comprehensive income* and *Financial assets at amortised cost* are recognised on the balance sheet at the settlement-delivery date. Between the trade date and the settlement-delivery date, securities receivable or deliverable are not recognised on the balance sheet. Changes in the fair value of securities measured at fair value through profit or loss and securities measured at fair value through other comprehensive income between the trade date and the settlement-delivery date are booked to profit or loss or equity, depending on the accounting classification of the securities in question.

NOTE 3.10.1 COMMITMENTS**COMMITMENTS GRANTED**

(In EURm)	31.12.2019	31.12.2018
Loan commitments		
To banks	50,589	19,174
To customers	184,305	199,663
<i>Issuance facilities</i>	83	-
<i>Confirmed credit lines</i>	166,168	181,015
<i>Others</i>	18,054	18,648
Guarantee commitments		
On behalf of banks	10,572	5,020
On behalf of customers ⁽¹⁾	42,248	57,251
Securities commitments		
Securities to be delivered	31,121	38,066

(1) Including capital and performance guarantees given to the holders of UCITS managed by entities of the Group.

COMMITMENTS RECEIVED

(In EURm)	31.12.2019	31.12.2018
Loan commitments		
From banks	84,990	62,447
Guarantee commitments		
From banks	110,395	104,845
Other commitments ⁽¹⁾	125,771	136,702
Securities commitments		
Securities to be received	30,874	41,857

(1) Including guarantees granted by government and official agencies and other guarantees granted by customers for EUR 73,133 million at 31st December 2019 versus EUR 72,768 million at 31st December 2018.

NOTE 3.10.2 FINANCIAL ASSETS PLEDGED AND RECEIVED AS SECURITY

FINANCIAL ASSETS PLEDGED

(In EURm)	31.12.2019	31.12.2018
Book value of assets pledged as security for liabilities ⁽¹⁾	391,820	348,262
Book value of assets pledged as security for transactions in financial instruments ⁽²⁾	56,891	55,957
Book value of assets pledged as security for off-balance sheet commitments	2,195	2,117
TOTAL	450,906	406,336

(1) Assets pledged as security for liabilities mainly include loans given as guarantees for liabilities (guarantees notably provided to the central banks).

(2) Assets pledged as security for transactions in financial instruments mainly include security deposits.

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2019	31.12.2018
Fair value of securities purchased under resale agreements	111,818	129,628

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 3.11 Transferred financial assets

ACCOUNTING PRINCIPLES

Transferred financial assets that are not derecognised include securities lending transactions and repurchase agreements as well as certain loans transferred to consolidated securitization vehicles.

The tables below show securities lending and repurchase agreements that only concern securities recognised on the asset side of the balance sheet.

Securities involved in a repurchase agreement or securities lending transaction are held in their original position on the asset side of the Group's balance sheet. For repurchase agreements, the obligation to return the amounts deposited is recorded under *Liabilities* on the liabilities side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial liabilities at fair value through profit or loss*.

Securities involved in a reverse repurchase agreement or securities borrowing transaction are not recorded in the Group's balance sheet. For securities received under a reverse repurchase agreement, the right to recover the amounts delivered by the Group is recorded under *Customer Loans and receivables* or *Due from banks* on the asset side of the balance sheet, with the exception of transactions initiated under trading activities, which are recorded under *Financial assets at fair value through profit or loss*. In the event the borrowed securities are subsequently sold, a debt representing the return of these securities to their lender is recorded on the liabilities side of the Group's balance sheet, under *Financial liabilities at fair value through profit or loss*.

Securities lending and securities borrowing transactions that are fully matched by cash are assimilated to repurchase and reverse repurchase agreements and are recorded and recognised as such in the balance sheet.

With securities lending and repurchase agreements, the Group remains exposed to issuer default (credit risk) and to increases or decreases of securities value (market risk). The underlying securities cannot simultaneously be used as collateral in other transactions.

NOTE 3.11.1 TRANSFERRED FINANCIAL ASSETS NOT DERECOGNISED

REPURCHASE AGREEMENTS

	31.12.2019		31.12.2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
(In EURm)				
Securities at fair value through profit or loss	23,691	20,486	19,515	15,371
Securities at fair value through other comprehensive income	13,057	10,476	11,903	9,743
TOTAL	36,748	30,962	31,418	25,114

SECURITIES LENDING

	31.12.2019		31.12.2018	
	Carrying amount of transferred assets	Carrying amount of associated liabilities	Carrying amount of transferred assets	Carrying amount of associated liabilities
(In EURm)				
Securities at fair value through profit or loss	13,297	54	11,347	51
Securities at fair value through other comprehensive income	132	-	368	-
TOTAL	13,429	54	11,715	51

SECURITISATION ASSETS FOR WHICH THE COUNTERPARTIES TO THE ASSOCIATED LIABILITIES HAVE RECOURSE ONLY TO THE TRANSFERRED ASSETS

	31.12.2019	31.12.2018
(In EURm)		
Customers loans		
Carrying amount of transferred assets	1,629	1,249
Carrying amount of associated liabilities	1,545	1,086
Fair value of transferred assets (A)	1,639	1,253
Fair value of associated liabilities (B)	1,555	1,090
NET POSITION (A)-(B)	84	163

The Group remains exposed to the majority of the risks and rewards associated with these receivables; furthermore, these receivables may not be used as collateral or sold outright as part of another transaction.

NOTE 3.11.2 TRANSFERRED FINANCIAL ASSETS PARTIALLY OR FULLY DERECOGNISED

At 31st December 2019, the Group carried out no material transactions resulting in the partial or full derecognition of financial assets leaving the Group with a continuing involvement in said assets.

NOTE 3.12 Offsetting of financial assets and financial liabilities**ACCOUNTING PRINCIPLES**

A financial asset and a financial liability are offset and the net amount presented on the balance sheet when the Group has a legally enforceable right to set off the recognised amounts and intends either to settle the asset and liability on a net basis, or to realise the asset and settle the liability simultaneously. The legal right to set off the recognised amounts must be enforceable in all circumstances, in both the normal course of business and in the event of default of one of the counterparties. In this respect, the Group recognises in its balance sheet the net amount of derivative financial instruments traded with certain clearing houses where they achieve net settlement through a daily cash margining process, or where their gross settlement system has features that eliminate or result in insignificant credit and liquidity risk, and that process receivables and payables in a single settlement process or cycle.

The following tables present the amounts of financial assets and financial liabilities set off on the Group's consolidated balance sheet. The gross outstanding amounts of these financial assets and financial liabilities are matched with the consolidated outstanding amounts presented in the balance sheet (net balance sheet amounts), after indicating the amounts set off on the balance sheet for these various instruments (amounts offset) and aggregating them with the outstanding amounts of other financial assets and financial liabilities not subject to a Master Netting Agreement or similar agreement (amounts of assets and liabilities not eligible for offsetting).

These tables also indicate the amounts which may be offset, as they are subject to a Master Netting Agreement or similar agreement, but whose characteristics make them ineligible for offsetting in the

consolidated financial statements under IFRS. This information is provided in comparison with the accounting treatment applied under US GAAP. This affects in particular financial instruments that may only be offset in the event of the default, insolvency or bankruptcy of one of the counterparties, as well as instruments pledged by cash or securities collateral. These mainly include over-the-counter interest rate options, interest rate swaps and securities purchased/sold under resale/repurchase agreements.

Net positions resulting from these various offsetting are not intended to represent the Group's actual exposure to counterparty risk through these financial instruments, insofar as counterparty risk management uses other risk mitigation strategies in addition to netting and collateral agreements.

NOTE 3.12.1 AT 31ST DECEMBER 2019**ASSETS**

(In EURm)	Impact of offsetting on the balance sheet			Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾				Net amount
	Amount of assets not subject to offsetting	Gross amount	Amount offset	Net amount presented on the balance sheet	Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	
Derivative financial instruments (see Notes 3.1 and 3.2)	28,345	210,193	(85,852)	152,686	(100,225)	(16,360)	-	36,101
Securities lent (see Notes 3.1 and 3.3)	8,275	5,552	-	13,827	(2,171)	(5)	(487)	11,164
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	44,054	196,583	(91,110)	149,527	(14,459)	(112)	(40,544)	94,412
Guarantee deposits pledged (see Note 4.4)	32,118	16,512	-	48,630	-	(16,512)	-	32,118
Other assets not subject to offsetting	991,633	-	-	991,633	-	-	-	991,633
TOTAL	1,104,425	428,840	(176,962)	1,356,303	(116,855)	(32,989)	(41,031)	1,165,428

LIABILITIES

(In EURm)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
Derivative financial instruments (see Notes 3.1 and 3.2)	27,848	206,337	(85,852)	148,333	(100,225)	(16,512)	-	31,596
Amount payable on borrowed securities (see Note 3.1)	28,000	10,950	-	38,950	(2,171)	-	-	36,779
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	55,793	151,257	(91,110)	115,940	(14,459)	-	(35,880)	65,601
Guarantee deposits received (see Note 4.4)	32,844	16,477	-	49,321	-	(16,477)	-	32,844
Other liabilities not subject to offsetting	935,189	-	-	935,189	-	-	-	935,189
TOTAL	1,079,674	385,021	(176,962)	1,287,733	(116,855)	(32,989)	(35,880)	1,102,009

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any overcollateralisation effect.

NOTE 3.12.2 AT 31ST DECEMBER 2018

ASSETS

(In EURm)	Amount of assets not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral received	Financial instruments received as collateral	
Derivative financial instruments (see Notes 3.1 and 3.2)	25,601	166,618	(57,337)	134,882	(81,559)	(13,720)	(31)	39,572
Securities lent (see Notes 3.1 and 3.3)	9,367	3,527	-	12,894	(1,745)	(2)	(732)	10,415
Securities purchased under resale agreements (see Notes 3.1 and 3.5)	46,526	224,992	(97,812)	173,706	(21,581)	(304)	(51,925)	99,896
Guarantee deposits pledged (see Note 4.4)	33,099	13,595	-	46,694	-	(13,595)	-	33,099
Other assets not subject to offsetting	941,252	-	-	941,252	-	-	-	941,252
TOTAL	1,055,845	408,732	(155,149)	1,309,428	(104,885)	(27,621)	(52,688)	1,124,234

LIABILITIES

(In EURm)	Amount of liabilities not subject to offsetting	Impact of offsetting on the balance sheet		Net amount presented on the balance sheet	Impact of Master Netting Agreements (MNA) and similar agreements ⁽¹⁾			Net amount
		Gross amount	Amount offset		Financial instruments recognised in the balance sheet	Cash collateral pledged	Financial instruments pledged as collateral	
Derivative financial instruments (see Notes 3.1 and 3.2)	27,918	162,357	(57,337)	132,938	(81,559)	(13,595)	-	37,784
Amount payable on borrowed securities (see Note 3.1)	33,731	17,533	-	51,264	(1,745)	-	-	49,519
Securities sold under repurchase agreements (see Notes 3.1 and 3.6)	45,391	174,062	(97,812)	121,641	(21,581)	-	(22,956)	77,104
Guarantee deposits received (See Note 4.4)	29,417	14,026	-	43,443	-	(14,026)	-	29,417
Other liabilities not subject to offsetting	894,333	-	-	894,333	-	-	-	894,333
TOTAL	1,030,790	367,978	(155,149)	1,243,619	(104,885)	(27,621)	(22,956)	1,088,157

(1) Fair value of financial instruments and collateral, capped at the net book value of the balance sheet exposure, so as to avoid any overcollateralisation effect.

NOTE 3.13 Contractual maturities of financial liabilities

<i>(In EURm)</i>	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2019
Due to central banks	4,097	-	-	-	4,097
Financial liabilities at fair value through profit or loss	249,776	28,702	37,998	47,653	364,129
Due to banks	69,156	20,306	17,267	1,200	107,929
Customer deposits	372,573	20,385	16,319	9,335	418,612
Debt securities issued	28,142	24,948	56,099	15,979	125,168
Subordinated debt	5	2	2,746	11,712	14,465
Other liabilities	74,712	2,479	5,264	2,607	85,062
TOTAL LIABILITIES	798,461	96,822	135,693	88,486	1,119,462
Loan commitment granted	104,243	24,848	88,188	17,615	234,894
Guarantee commitments granted	25,906	8,772	10,101	8,041	52,820
TOTAL COMMITMENTS GRANTED	130,149	33,620	98,289	25,656	287,714

The flows presented in this note are based on contractual maturities. However, for certain elements of the balance sheet, assumptions could be applied.

When there is no contractual terms, as well as for trading financial instruments (e.g.: derivatives), maturities are presented in the first column (up to 3 months).

The guarantee commitments given are scheduled on the basis of the best possible estimate of disposal; if not available, they are presented in the first column (up to 3 months).

NOTE 4 OTHER ACTIVITIES

NOTE 4.1 Fee income and expense

ACCOUNTING PRINCIPLES

Fee income and *Fee expense* combine fees on services rendered and received, as well as fees on commitments, that cannot be assimilated to interest. Fees that can be assimilated to interest are integrated into the effective interest rate on the associated financial instrument and are recorded under *Interest and similar income* and *Interest and similar expense* (see Note 3.7).

Transactions with customers include the fees from retail customers from the Group retail banking activities (in particular credit card fees, account management fees or application fees outside the effective interest rate).

Sundry services provided include the fees from customers from the other Group activities (in particular, interchange fees, funds management fees or fees on insurance products sold within the network).

The Group recognises fee income or expense for an amount equivalent to the remuneration for the service provided and depending on the progress transferring control of these services:

- fees for ongoing services, such as some payment services, custody fees, or digital service subscriptions are recognised as income over the life of the service;
- fees for one-off services, such as fund activity, finder's fees received, arbitrage fees, or penalties on payment incidents are recognised as income when the service is provided.

The amount equivalent to the remuneration for the service provided is composed of fixed and variable contractual compensation whether they are paid in kind or in cash, less any payments due to customers (for example, in case of promotional offers). The variable compensation (for example, discounts based on the provided services volume over a period of time or fees payable subject to the achievement of a performance target, etc.) are included in the amount equivalent to the remuneration for the service provided if and only if this compensation is highly probable not to be subsequently reduced significantly.

The possible mismatch between the payment date of the service provided and the date of execution of the service gives assets and liabilities depending on the type of contract and mismatch which are recognised under *Other Assets* and *Other Liabilities* (see Note 4.4):

- customer contracts generate trade receivables, accrued income or prepaid income;
- supplier contracts generate trade payables, accrued expenses or prepaid expenses.

In syndication deals, the effective interest rate for the share of the issuance retained on the Group's balance sheet is comparable to that applied to the other members of the syndicate including, when needed, a share of the underwriting fees and participation fees; the balance of these fees for services rendered is then recorded under *Fee income* at the end of the syndication period. Arrangement fees are recorded as income when the placement is legally complete.

(In EURm)	2019			2018		
	Income	Expense	Net	Income	Expense	Net
Transactions with banks	157	(149)	8	148	(182)	(34)
Transactions with customers	3,072	-	3,072	3,187	-	3,187
Financial instruments operations	2,261	(2,351)	(90)	2,308	(2,334)	(26)
Securities transactions	523	(1,019)	(496)	539	(1,030)	(491)
Primary market transactions	126	-	126	136	-	136
Foreign exchange transactions and financial derivatives	1,612	(1,332)	280	1,633	(1,304)	329
Loan and guarantee commitments	772	(213)	559	711	(78)	633
Various services	2,806	(1,098)	1,708	2,770	(1,006)	1,764
Asset management fees	610	-	610	634	-	634
Means of payment fees	914	-	914	847	-	847
Insurance product fees	241	-	241	228	-	228
Underwriting fees of UCITS	80	-	80	85	-	85
Other fees	961	(1,098)	(137)	976	(1,006)	(30)
TOTAL	9,068	(3,811)	5,257	9,124	(3,600)	5,524

NOTE 4.2 Income and expense from other activities**ACCOUNTING PRINCIPLES****Leasing activities**

Leases granted by the Group which do not transfer to the lessee virtually all the risks and benefits associated with ownership of the leased asset are classified as operating leases.

Assets held under operating leases, including investment property, are recorded on the balance sheet under *Tangible and intangible fixed assets* at their acquisition cost, less depreciation and impairment (see Note 8.4).

Leased assets are depreciated, excluding residual value, over the life of the lease. Lease payments are recognised as income according to the straight-line method over the term of the lease. Meanwhile, the purpose of the accounting treatment of income invoiced in respect of maintenance services related to operating lease activities is to reflect a constant margin between this income and the expenses incurred in providing the service over the term of the service agreement.

Income and expenses, and capital gains or losses on investment properties and leased assets, are recorded under *Income and expenses from other activities* on the *Real estate leasing* and *Equipment leasing* lines, as well as income and expense on maintenance services related to operating lease activities.

These lines also include losses incurred in the event of a decline in the unguaranteed residual value of finance-lease transactions, and capital gains or losses on disposal related to unleased assets once the lease finance agreements are terminated.

Leases granted by the Group entities may include maintenance service for the leased equipment. In this case, the portion of rentals corresponding to this maintenance service is spread over the duration of the service (generally the lease contract duration) and, when necessary, considers the progress of the service provided when it is not linear.

Real estate development activities

As the sale of real estate off plan (housing, office property, retail areas, etc.) is an ongoing service, the margin of this activity is progressively recognised over the construction programme's duration until the delivery date to the customer. It is recognised under income when this margin is positive and under expenses when this margin is negative.

The margin recognised at each closing period reflects the programme's estimated margin forecast and its stage of completion at the end of the period which depends on the progress in terms of marketing and the project.

(In EURm)	2019			2018		
	Income	Expense	Net	Income	Expense	Net
Real estate development	96	-	96	76	(2)	74
Real estate leasing	48	(34)	14	34	(40)	(6)
Equipment leasing ⁽¹⁾	10,889	(7,758)	3,131	10,102	(7,156)	2,946
Other activities	596	(1,993)	(1,397)	549	(1,814)	(1,265)
TOTAL	11,629	(9,785)	1,844	10,761	(9,012)	1,749

(1) The amount recorded under this heading is mainly due to income and expenses related to long-term leasing and car fleet management businesses.

NOTE 4.3 Insurance activities**MAKE
IT SIMPLE**

Insurance activities (life insurance, personal protection and non-life insurance) add to the range of products included in the banking services offered to Group customers.

These activities are carried out by dedicated subsidiaries, subject to regulations specific to the insurance sector.

The rules for measuring and accounting for risks associated with insurance contracts are specific to the Insurance sector as well as the presentation of income and expenses on the Group's insurance activities that are disclosed in this note and which are classified on the basis of their function.

DEFERRED APPLICATION OF IFRS 9 BY INSURANCE SUBSIDIARIES

The amendments to IFRS 4 (Applying IFRS 9, "Financial Instruments", with IFRS 4, "Insurance Contracts") allow entities having insurance as their primary activity to delay the application of IFRS 9 until 1st January 2021, meaning they may continue applying the current standard, IAS 39. The European Regulation 2017/1988 also extended the deferral option to allow financial conglomerates falling within the scope of Directive 2002/87/EC to elect that all their entities operating in the insurance sector within the meaning of that Directive will defer the effective date of IFRS 9 until 1st January 2021.

The Group has elected that all its insurance subsidiaries will defer the effective date of IFRS 9 and will continue to apply IAS 39 as adopted by the European Union. The Group has made the necessary arrangements to forbid all transfers of financial instruments between its insurance sector and any other sector in the Group that would lead to a derecognition of the instrument by the seller, except for transfers of financial instruments measured at fair value through profit or loss by both sectors involved in such transfers.

Insurance activities are presented on separate lines in the consolidated financial statements for clarification purposes: *Investments of insurance activities* under balance sheet assets, *Insurance contracts related liabilities* under balance sheet liabilities and *Net income from insurance activities* under *Net banking income* in the income statement.

The main subsidiaries concerned are Sogecap, Antarius, Sogelife, Oradea Vie, Komerční Pojistovna A.S. and Sogessur.

NOTE 4.3.1 INSURANCE CONTRACTS RELATED LIABILITIES**ACCOUNTING PRINCIPLES****Underwriting reserves of insurance companies**

Underwriting reserves correspond to the commitments of insurance companies with respect to policyholders and the beneficiaries of policies.

In accordance with IFRS 4 on insurance policies, life and non-life underwriting reserves continue to be measured under the same local regulations, with the exception of certain prudential provisions that are cancelled (liquidity risk provision) or recalculated economically (mainly, overall management reserve).

Risks covered by non-life insurance policies are principally linked to home, car and accident protection guarantees. Underwriting reserves comprise reserves for unearned premiums (share of premium income relating to subsequent financial years) and for outstanding claims.

Risks covered by life insurance policies are principally death, invalidity and incapacity for work. Life insurance underwriting reserves mainly comprise actuarial reserves, which correspond to the difference between the present value of commitments falling to the insurer and those falling to the policyholder, and the reserve for claims incurred but not settled.

In saving-life insurance products:

- underwriting reserves of saving-life insurance contracts invested in EUR-denominated policies with profit sharing clauses consist primarily of mathematical provisions and provisions for profit-sharing;
- underwriting reserves of saving-life insurance contracts invested in unit-linked policies or with a significant insurance clause (mortality, invalidity, etc.) are measured at the inventory date according to the realisation value of the assets underlying these contracts.

Under the principles defined in IFRS 4, and in compliance with local regulations applicable with respect thereto, life insurance policies with discretionary profit-sharing features are subject to "mirror accounting", whereby any changes in the value of financial assets liable to affect policyholders are recorded in *Deferred profit-sharing*. This reserve is calculated to reflect the potential rights of policyholders to unrealised gains on financial instruments measured at fair value or their potential share of unrealised losses.

To demonstrate the recoverability of the deferred profit-sharing asset in the event of an unrealised net loss, two approaches are verified by the Group in order to show that the liquidity requirements caused by an unfavourable economic environment would not require assets to be sold in the event of unrealised losses:

- the first approach consists in simulating deterministic ("standardised" or extreme) stress scenarios. This is used to show that in these scenarios no significant losses would be realised on the assets existing at the balance sheet date for the scenarios tested;
- the aim of the second approach is to ensure that in the long or medium term, the sale of assets to meet liquidity needs would not generate any significant losses. The approach is verified considering projections based on extreme scenarios.

Moreover, a Liability Adequacy Test (LAT) is also carried out quarterly at the level of each consolidated entities operating in the insurance. This test involves comparing the carrying amount of insurance liabilities with the average economic value using a stochastic model of future cash flows. This test takes into account all of the future cash flows from policies, including benefits, management charges, fees, policy options and guarantees related to the contracts; It does not include future premiums. If the test concludes that the book value is insufficient, the value of insurance liabilities will be adjusted with a corresponding entry in the income statement.

Classification of financial liabilities

At initial recognition, financial liabilities resulting from the Group's insurance activities are classified in the following accounting categories:

- financial liabilities measured at fair value through profit or loss: these are derivative financial liabilities;
- financial liabilities measured at fair value option through profit or loss: these are non-derivative financial liabilities that were initially designated by the Group to be measured at fair value through profit or loss (using the option). These include investment contracts without both discretionary profit-sharing clauses and insurance component, that do not meet the definition of an insurance contract under IFRS 4 (unit-linked insurance contracts only) and are thus governed by IAS 39.

BREAKDOWN OF INSURANCE CONTRACTS RELATED LIABILITIES

(In EURm)	31.12.2019	31.12.2018 *
Underwriting reserves of insurance companies	140,155	127,386
Financial liabilities of insurance companies	4,104	2,157
Financial liabilities at fair value through profit or loss	834	774
Financial liabilities at fair value through profit or loss (fair value option)	3,270	1,383
TOTAL	144,259	129,543

* The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.

UNDERWRITING RESERVES OF INSURANCE COMPANIES

(In EURm)	31.12.2019	31.12.2018*
Life insurance underwriting reserves for unit-linked policies	32,611	27,467
Other life insurance underwriting reserves	94,714	90,992
Non-life insurance underwriting reserves	1,556	1,418
Deferred profit-sharing booked in liabilities	11,274	7,509
Total	140,155	127,386
Attributable to reinsurers	(750)	(703)
UNDERWRITING RESERVES OF INSURANCE NET OF THE SHARE ATTRIBUTABLE TO REINSURERS	139,405	126,683

* The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.

STATEMENT OF CHANGES IN UNDERWRITING RESERVES

<i>(In EURm)</i>	Life insurance underwriting reserves for unit-linked policies	Other life insurance underwriting reserves	Non-life insurance underwriting reserves
Reserves at 1st January 2019	27,467	90,992	1,418
Allocation to insurance reserves	1,770	2,067	161
Revaluation of unit-linked policies	4,268	-	-
Charges deducted from unit-linked policies	(193)	-	-
Transfers and allocation adjustments	(637)	630	-
New customers	26	(1)	9
Profit-sharing	(95)	957	-
Others	5	69	(32)
Reserves at 31st December 2019	32,611	94,714	1,556

In accordance with IFRS 4 and Group accounting standards, the Liability Adequacy Test (LAT) was performed at 31st December 2019. This test assesses whether recognised insurance liabilities are

adequate, using current estimates of future cash flows under insurance policies. The result of the test at 31st December 2019 does not show any insufficiency of technical liabilities.

UNDERWRITING RESERVES OF INSURANCE COMPANIES BY REMAINING MATURITY

<i>(In EURm)</i>	Up to 3 months	3 months to 1 year	1 to 5 years	More than 5 years	31.12.2019
Underwriting reserves of insurance companies	15,288	9,291	37,018	78,558	140,155

NOTE 4.3.2 INVESTMENTS OF INSURANCE ACTIVITIES

ACCOUNTING PRINCIPLES**Classification of financial instruments**

When initially recognised, financial assets from Group insurance activities are classified into one of the following categories:

- *Financial assets at fair value through profit or loss*: these are financial assets held for trading purposes (see definition in Note 3.1), which by default include derivative financial assets not qualifying as hedging instruments and non-derivative financial assets designated by the insurance entity upon initial recognition to be carried at fair value through profit or loss (using the option). In particular, insurance entities measure at fair value using the option the financial assets representing unit-linked contracts in order to eliminate the accounting mismatch with the related insurance liabilities, as well as interests in UCITS over which a significant influence exists;
- *available-for-sale financial assets*: these are non-derivative financial assets held for an indeterminate period, which the insurance entity may sell at any time. By default, they are assets that do not fall into one of the other categories. These instruments are measured at fair value against *Unrealised or deferred gains and losses*. Interests accrued or paid on debt securities are recognised in the income statement using the effective interest rate method while dividend income earned on equity securities is recorded in the income statement under *Net gains and losses on available-for-sale financial assets*. If there is an objective evidence on an individual basis, the total accumulated unrealised loss previously recorded in shareholders' equity is reclassified in the income statement under *Net income from insurance activities*;
- *loans and receivables*: these include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are not held for trading purposes, not held for sale from the time they are originated or acquired, and not designated upon initial recognition to be carried at fair value through profit or loss (in accordance with the fair value option). They are measured at amortised cost, and impairment, determined on an individual or a collective basis, may be recorded if appropriate;
- *held-to-maturity financial assets*: these are non-derivative financial assets with fixed or determinable payments and a fixed maturity, that are quoted in an active market and which the Group has the intention and ability to hold to maturity. They are measured at their amortised cost and may be subject to impairment as appropriate whether objective evidence of impairment exists individually.

All these categories are presented on the insurance entity's balance sheet under *the Investments of insurance companies*, which also includes investment properties held by insurance entities and hedge derivatives assessed in accordance with the accounting principles presented in Note 3.2.

Reclassification of financial assets

After their initial recognition, financial assets may not be later reclassified as *Financial assets at fair value through profit or loss*.

A non-derivative financial asset initially recognised under *Financial assets at fair value through profit or loss* as an asset held for trading purposes may only be reclassified out of this category under specific conditions framed by IAS 39 standard.

IMPAIRMENT**Impairment of financial assets measured at amortised cost**

For debt instruments not measured at fair value through net income, the criteria used by the insurance entities to assess individually objective evidence of impairment include the following conditions:

- a significant decline in the counterparty's financial situation leads to a high probability of said counterparty being unable to fulfil its overall commitments, implying then a risk of loss for the insurance entity (the appreciation of this deterioration can be based on the evolution of the rating of the issuers or the variations of the credit spreads changes observed on these markets);
- the occurrence of late payment of coupons and more generally of arrears of more than 90 days;
- or, regardless of whether or not any past-due payments are recorded, there is objective evidence of impairment or legal proceedings have been initiated (bankruptcy, legal settlement, compulsory liquidation).

If there is objective evidence that loans or other receivables, or financial assets classified as held-to-maturity financial assets, are impaired, an impairment is recognised for the difference between the carrying amount and the present value of estimated future recoverable cash flows, taking into account any guarantees. This discount is calculated using the financial assets' original effective interest rate. The amount of this impairment is deducted from the carrying value of the impaired financial asset.

The allocations and reversals of impairments are recorded in the income statement under net income from investments in the *Net income from insurance activities*. The impaired loans or receivables are remunerated for accounting purposes by the reversal over time of the discounting to present value, which is recorded under interest income in the *Net income from insurance activities*.

Where there is no objective evidence that an impairment loss has been incurred on a financial asset considered individually, be it significant or not, insurance entity includes that financial asset in a group of financial assets having similar characteristics in terms of credit risk and tests the whole group for impairment. In a homogeneous portfolio, as soon as a credit risk is incurred on a group of financial instruments, impairment is recognised without waiting for the risk to individually affect one or more receivables.

Impairment of available-for-sale financial assets

An available-for-sale financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of this asset.

For listed equity instruments, a significant or prolonged decline in their price below their acquisition cost constitutes objective evidence of impairment. For this purpose, insurance entities consider as impaired listed shares showing an unrealised loss greater than 50% of their acquisition price on the balance sheet date, as well as listed shares for which the quoted prices have been below their acquisition price on every trading day for at least the last 24 months before the balance sheet date. Further factors, such as the financial situation of the issuer or its development outlook, can lead the insurance entities to consider that the cost of its investment may not be recovered even if the abovementioned criteria are not met. An impairment loss is then recorded through net income equal to the difference between the last quoted price of the security on the balance sheet date and its acquisition price.

For unlisted equity instruments, the criteria used to assess the evidence of impairment are identical to those mentioned above. The value of these instruments at the balance sheet date is determined using the valuation methods described in Note 3.4.

The criteria for the impairment of debt instruments are similar to those for the impairment of financial assets measured at amortised cost.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in shareholders' equity under *Unrealised or deferred gains and losses* and subsequent objective evidence of impairment emerges, insurance entities recognise the total accumulated unrealised loss previously recorded in shareholders' equity in the income statement among under net income from investments in the *Net income from insurance activities* as far as debt instruments and equity instruments are concerned.

This cumulative loss is measured as the difference between the acquisition cost (net of any repayments of principal and amortisation) and the present fair value, less any impairment of the financial asset that has already been recorded through profit or loss.

Impairment losses recognised through profit or loss on an equity instrument classified as available-for-sale are only reversed through profit or loss when the instrument is sold. Once an equity instrument has been recognised as impaired, any further loss of value is recorded as an additional impairment loss. For debt instruments, however, an impairment loss is reversed through profit or loss if they subsequently recover in value following an improvement in the issuer's credit risk.

OTHER ACCOUNTING PRINCIPLES

Accounting principles relative to fair value, initial recognition of financial instruments, derecognition of financial instruments, derivative financial instruments, interest income and expense, transferred financial assets and offsetting of financial instruments are similar to those described in Note 3 (Financial instruments).

OVERVIEW OF INVESTMENTS OF INSURANCE ACTIVITIES

(In EURm)	31.12.2019	31.12.2018 *
Financial assets at fair value through profit or loss (trading portfolio)	268	462
<i>Shares and other equity instruments</i>	37	29
<i>Trading derivatives</i>	231	433
Financial assets at fair value through profit or loss (fair value option)	65,718	54,715
<i>Bonds and other debt instruments</i>	31,719	26,356
<i>Shares and other equity instruments</i>	33,694	28,085
<i>Loans, receivables and repo transactions</i>	305	274
Hedging derivatives	438	401
Available for sale financial assets	91,899	84,668
<i>Debt instruments</i>	75,839	70,982
<i>Equity instruments</i>	16,060	13,686
Due from banks ⁽²⁾	5,867	5,794
Customer loans	92	119
Held to maturity financial assets	80	-
Real estate investments	576	609
TOTAL INVESTMENTS OF INSURANCE ACTIVITIES⁽¹⁾⁽²⁾	164,938	146,768

* Amounts restated in order to present the amounts of investments of insurance activities after elimination of intercompany transactions.

(1) Investments in other Group companies that are made in representation of unit-linked liabilities are kept in the Group's consolidated balance sheet without any significant impact thereon.

(2) o/w EUR 1,126 million of current accounts at 31st December 2019 vs. EUR 710 million at 31st December 2018.

ANALYSIS OF FINANCIAL ASSETS DEPENDING ON THEIR CONTRACTUAL CHARACTERISTICS

The following table shows the carrying value of the financial assets included in *Net investments from insurance activities*, whereby those assets whose contractual conditions give rise to cash-flows on set dates which are solely payments of principal and interest (basic instruments).

(In EURm)	31.12.2019					
	Carrying amount			Fair value		
	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	65,986	65,986	-	65,986	65,986
Hedging derivatives	-	438	438	-	438	438
Available-for-sale financial assets	72,349	19,550	91,899	72,349	19,550	91,899
Due from banks	2,805	3,062	5,867	3,012	3,178	6,190
Customer loans	92	-	92	90	-	90
Held-to-maturity financial assets	-	80	80	-	80	80
TOTAL FINANCIAL INVESTMENTS	75,246	89,116	164,362	75,451	89,232	164,683

(In EURm)	31.12.2018					
	Carrying amount			Fair value		
	Basic instruments	Other instruments	Total	Basic instruments	Other instruments	Total
Financial assets at fair value through profit or loss	-	55,177	55,177	-	55,177	55,177
Hedging derivatives	-	401	401	-	401	401
Available-for-sale financial assets	68,261	16,407	84,668	68,261	16,407	84,668
Due from banks	2,122	3,672	5,794	2,259	3,880	6,139
Customer loans	119	-	119	117	-	117
Held-to-maturity financial assets	-	-	-	-	-	-
TOTAL FINANCIAL INVESTMENTS	70,502	75,657	146,159	70,637	75,865	146,502

FAIR VALUE OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

(In EURm)	31.12.2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	37	190	41	268
Financial assets at fair value through profit or loss using the fair value option	58,874	6,483	361	65,718
Hedging derivatives	-	438	-	438
Available-for-sale financial assets	84,435	7,252	212	91,899
TOTAL	143,346	14,363	614	158,323

(In EURm)	31.12.2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss (trading portfolio)	29	384	49	462
Financial assets at fair value through profit or loss using the fair value option	48,821	5,516	378	54,715
Hedging derivatives	-	401	-	401
Available-for-sale financial assets	79,104	5,466	98	84,668
TOTAL	127,954	11,767	525	140,246

CHANGES IN AVAILABLE FOR SALE FINANCIAL ASSETS

(In EURm)	2019
Balance as of 1st January	84,668
Acquisitions	15,602
Disposals/redemptions	(11,393)
Transfers to held-to-maturity financial assets	(80)
Change in scope and others	154
Gains and losses on changes in fair value recognised directly in equity during the period	2,984
Impairment losses on equity instruments recognised in profit or loss	(91)
Translation differences	55
Balance as of 31st December	91,899

UNREALISED GAINS AND LOSSES ON AVAILABLE FOR SALE FINANCIAL ASSETS RECOGNISED IN OTHER COMPREHENSIVE INCOME

(In EURm)	31.12.2019		
	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	556	(30)	526
On equity instruments available-for-sale	2,047	(75)	1,972
On debt instruments available-for-sale and assets reclassified as loans and receivables	7,921	(240)	7,681
Deferred profit-sharing	(9,412)	285	(9,127)

(In EURm)	31.12.2018		
	Capital gains	Capital losses	Net revaluation
Unrealised gains and losses of insurance companies	384	(47)	337
On available-for-sale equity instruments	1,114	(391)	723
On available-for-sale debt instruments and assets reclassified as loans and receivables	6,338	(477)	5,861
Deferred profit-sharing	(7,068)	821	(6,247)

FINANCIAL ASSETS RECEIVED AS SECURITY AND AVAILABLE FOR THE ENTITY

(In EURm)	31.12.2019	31.12.2018
Fair value of securities purchased under resale agreements	7	8

The Group generally purchases securities under resale agreements under normal market terms and conditions. It may re-use the securities received under resale agreement by selling them outright, selling them under repurchase agreements or pledging them as security, provided that it returns these or equivalent securities to the counterparty to the resale agreement at its term.

Securities purchased under resale agreements are not recognised on the balance sheet. Their fair value, as shown above, includes securities sold or pledged as collateral.

NOTE 4.3.3 NET INCOME FROM INSURANCE ACTIVITIES**ACCOUNTING PRINCIPLES****Income and expense related to insurance contracts**

Income and expense related to insurance contracts issued by Group insurance companies, associated fee income and expense, and income and expense related to investments of insurance companies are recorded under *Net income from insurance activities* in the income statement.

Other income and expense are recorded under the appropriate headings.

Changes in the provision for deferred profit-sharing are recorded under *Net income from insurance activities* in the income statement or under *Unrealised or deferred gains and losses* under the appropriate headings for the underlying assets in question.

The following table shows the breakdown of income and expense from insurance activities and associated investments on a separate line under *Net banking income: Net income from insurance activities* (after eliminating intercompany transactions).

(In EURm)	2019	2018*
Net premiums	14,188	12,562
Net income from investments	3,655	1,928
Cost of benefits (including changes in reserves) ⁽¹⁾	(15,736)	(12,429)
Other net technical income (expense)	(182)	(337)
Net income from insurance activities	1,925	1,724
Funding costs	(5)	(7)
Net banking income of insurance companies	1,920	1,717

* The amounts have been restated following the reclassification of investment contracts to Financial liabilities of insurance companies.

(1) o/w: EUR -3,557 million in respect of deferred profit-sharing at 31st December 2019.

NET INCOME FROM INVESTMENTS

(In EURm)	2019	2018
Dividend income on equity instruments	719	617
Interest income	1,912	2,011
On available-for-sale financial assets	1,675	1,706
On loans and receivables	194	293
Other net interest income	43	12
Net gains or losses on financial instruments at fair value through profit or loss	764	(776)
Net gains or losses on available-for-sale financial instruments	237	62
Capital gain or loss on sale of debt instruments	141	(5)
Capital gain or loss on sale of equity instruments	187	174
Impairment values on equity instruments	(91)	(107)
Net gains or losses on real estate investments	23	14
TOTAL	3,655	1,928

NOTE 4.3.4 MANAGEMENT OF INSURANCE RISKS

The Group carries out its insurance activities through the distribution and reinsurance acceptance of a wide range of life insurance, protection and health insurance, and non-life insurance policies. Since the life insurance business is predominant on the French market in the Group's insurance activities, the market risks of financial assets in terms of technical liabilities constitute the most significant exposure. Within market risks, the insurance business line is sensitive to shocks in interest rates, equity markets and credit spreads. In connection with the life insurance savings activity, the risk of withdrawals is also significant.

Managing these risks is key to the Insurance business line's activity. It is carried out by qualified and experienced teams, with major bespoke IT resources. Risks undergo regular monitoring and are reported to the General Management of both the entities concerned and the business lines.

Risk management techniques are based on the following:

- heightened security for the risk acceptance process, with the aim of guaranteeing that the price schedule matches the policyholder's risk profile and the guarantees provided;

- regular monitoring of indicators on product claims rates in order to adjust certain product parameters, such as pricing or the level of guarantee, if necessary;
- implementation of a reinsurance plan to protect the business line from major/serial claims;
- application of policies on risk, provisioning and reinsurance.

Management of risks linked to the financial markets and to ALM is an integral part of the investment strategy just like objectives on long-term performance. The optimisation of these two factors is highly influenced by the asset/liability balance. Liability commitments (guarantees offered to customers, maturity of policies), as well as the amounts booked under the major items on the balance sheet (shareholders' equity, income, provisions, reserves, etc.) are analysed by the Finance and Risk Department of the insurance business line.

Risk management related to financial markets (interest rates, credit and shares) and to ALM is based on the following:

- monitoring short and long-term cash flows (match between the term of a liability and the term of an asset, liquidity risk management);

- particular monitoring of policyholder behaviour (redemption);
- close monitoring of financial markets;
- hedging of exchange rate risks (both rising and falling);
- defining thresholds and limits per counterparty, per rating issuer and per category of assets;
- stress tests, the results of which are presented annually at entities' Board of Directors' meetings, as part of the ORSA report (Own Risk and Solvency Assessment), transferred to the ACPR after approval by the Board;
- application of policies related to ALM and investment risks.

BREAKDOWN OF NET INVESTMENTS BY RATING OF BASIC INSTRUMENTS

The following table shows the gross carrying amounts after eliminating intercompany transactions.

	31.12.2019			
(In EURm)	Available-for-sale financial assets	Due from banks	Customer loans	Total
AAA	4,064	1,033	-	5,097
AA+/AA/AA-	38,016	370	-	38,386
A+/A/A-	14,863	1,051	-	15,914
BBB+/BBB/BBB-	14,789	265	-	15,054
BB+/BB/BB-	289	-	-	289
B+/B/B-	5	-	-	5
CCC+/CCC/CCC-	-	-	-	-
CC+/CC/CC-	-	-	-	-
Lower than CC-	-	-	-	-
Without rating	323	86	92	501
TOTAL BEFORE IMPAIRMENT	72,349	2,805	92	75,246
Impairment	-	-	-	-
CARRYING AMOUNT	72,349	2,805	92	75,246

The rating scale is the scale used for Solvency 2 purposes, which calls for the second highest rating determined by the rating agencies (Standard & Poor's, Moody's Investors Service and Fitch Ratings) to be used. The ratings in question apply to issues or, where these are not available, to issuers.

NOTE 4.4 Other assets and liabilities**NOTE 4.4.1 OTHER ASSETS**

(In EURm)	31.12.2019	31.12.2018
Guarantee deposits paid ⁽¹⁾	48,630	46,694
Settlement accounts on securities transactions	6,915	6,645
Prepaid expenses	1,084	1,057
Miscellaneous receivables ⁽²⁾	10,065	11,817
Miscellaneous receivables - insurance	1,653	1,511
GROSS AMOUNT	68,347	67,724
Impairments ⁽³⁾	(302)	(278)
NET AMOUNT	68,045	67,446

(1) Mainly relates to guarantee deposits paid on financial instruments, the fair value of which is taken to be the same as their book value net of impairment for credit risk.

(2) Miscellaneous receivables primarily include trade receivables, fee income and income from other activities to be received. The operating leases receivables equal to EUR 918 million as of 31st December 2019.

(3) Impairments on other assets are related to:
- credit risk on operating lease receivables for an amount of EUR 145 million as of 31st December 2019 and EUR 131 million as of 31st December 2018;
- credit risk on assets acquired by adjudication and sundry debtors for an amount of EUR 123 million as of 31st December 2019 and EUR 110 million as of 31st December 2018;
- other risks for an amount of EUR 34 million as of 31st December 2019 and EUR 37 million as of 31st December 2018.

NOTE 4.4.2 OTHER LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Guarantee deposits received ⁽¹⁾	49,321	43,443
Settlement accounts on securities transactions	7,356	6,904
Expenses payable on employee benefits	2,364	2,396
Lease liability ⁽²⁾	2,251	
Deferred income	1,596	1,620
Miscellaneous payables ⁽³⁾	13,194	15,609
Miscellaneous payables - insurance	8,980	6,657
TOTAL	85,062	76,629

(1) Mainly relates to guarantee deposits received on financial instruments, their fair value is taken to be the same as their book value.

(2) Lease liability recorded as a result of the application of IFRS 16 "Leases" as from 1st January 2019 (see Note 1).

(3) Miscellaneous payables primarily include trade payables, fee expense and expense from other activities to be paid.

NOTE 5 PERSONNEL EXPENSES AND EMPLOYEE BENEFITS



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Employee benefits correspond to the compensation granted by the Group to its employees in exchange for work carried out during the annual reporting period.

All forms of compensation for work rendered are recorded in the expenses:

- whether it is paid to employees or to outside social security agencies;
- whether it is paid during the annual reporting period or to be paid by the Group in the future as entitlements to employees (pension plans, retirement benefits...);
- whether it is paid in cash or in Societe Generale shares (free share plans, stock options).

ACCOUNTING PRINCIPLES

Employee benefits are divided into four categories:

- short-term employee benefits which are employee benefits expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service, such as fixed and variable compensation, annual leave, taxes and social security contributions, mandatory employer contributions and profit-sharing;
- post-employment benefits, including defined contributions plans and defined benefit plans such as pension plans and retirement benefits;
- long-term employee benefits which are employee benefits not expected to be settled wholly before twelve months, such as defined variable compensation paid in cash and not indexed to the Societe Generale share, long service awards and time saving accounts;
- termination benefits.

Information related to the Group headcount is presented in the Chapter 5 of the Universal Registration Document (Corporate Social Responsibility).

NOTE 5.1 Personnel expenses and related party transactions**ACCOUNTING PRINCIPLES**

Personnel expenses include all expenses related to personnel, including employee benefits and expenses related to payments based on Societe Generale shares.

Short-term employee benefits are recorded under *Personnel expenses* during the period according to the services provided by the employee.

The accounting principles relating to post-employment benefits and other long-term benefits are described in Note 5.2. Those related to share-based payments are described in Note 5.3.

Personnel expenses include related party transactions, within the meaning of IAS 24.

The Group's related parties include the members of the Board of Directors, corporate officers (the Chairman, the Chief Executive Officer and the four Deputy Chief Executive Officers), their respective spouses and any children residing in the family home, subsidiaries which are either controlled exclusively or jointly by the Group, and companies over which Societe Generale exercises significant influence.

NOTE 5.1.1 PERSONNEL EXPENSES

(In EURm)	2019	2018
Employee compensation	(7,240)	(6,925)
Social security charges and payroll taxes	(1,660)	(1,648)
Net pension expenses - defined contribution plans	(759)	(724)
Net pension expenses - defined benefit plans	(10)	78
Employee profit-sharing and incentives	(286)	(342)
TOTAL	(9,955)	(9,561)
<i>Including net expenses from share-based payments</i>	<i>(171)</i>	<i>(171)</i>

NOTE 5.1.2 RELATED PARTY TRANSACTIONS**REMUNERATION OF THE GROUP'S MANAGERS**

This includes amounts effectively paid by the Group to Directors and corporate officers as remuneration (including employer contributions) and other benefits as indicated below.

(In EURm)	2019	2018
Short-term benefits	13.6	17.9
Post-employment benefits	0.7	0.7
Long-term benefits	-	-
Termination benefits	-	1.6
Share-based payments	3.0	2.8
TOTAL	17.4	23.0

RELATED PARTY TRANSACTIONS

The transactions with members of the Board of Directors, Chief Executive Officers and members of their families included in this note only comprise loans and guarantees outstanding at 31st December 2019 for a total amount of EUR 3.9 million. All other transactions with these individuals are insignificant.

TOTAL AMOUNTS PROVISIONED OR BOOKED BY THE SOCIETE GENERALE GROUP FOR THE PAYMENT OF PENSIONS AND OTHER BENEFITS

The total amount provisioned or booked by the Societe Generale Group at 31st December 2019 under IAS 19 for the payment of pensions and other benefits to Societe Generale's Chief Executive Officers (Ms Lebot and Mr. Aymerich, Mr. Cabannes, and Mr. Heim and the two staff-elected Directors) is EUR 11.5 million.

NOTE 5.2 Employee benefits

Group entities in France and abroad, may award their employees:

- post-employment benefits, such as pension plans or retirement benefits;
- other long-term benefits: these benefits include deferred compensation programs settled in cash and not indexed to the Societe Generale share, such as long-term deferred variable remuneration, CET (*Comptes Épargne Temps*) flexible working provisions, or long service awards;
- termination benefits.

DETAIL OF PROVISIONS FOR EMPLOYEE BENEFITS

(In EURm)	Provisions at 31.12.2018	Allocations	Write-backs available	Net allocation	Write-backs used	Actuarial gains and losses	Currency and scope effects	Provisions at 31.12.2019
Post-employment benefits ⁽¹⁾	1,574	92	(89)	3	(76)	34	85	1,620
Other long-term benefits	435	93	(57)	36	(39)	-	8	440
Termination benefits	332	331	(62)	269	(260)	-	15	356
TOTAL	2,341	516	(208)	308	(375)	34	108	2,416

(1) The write-backs available of post-employment benefits include the freezing of rights under the additional plan for the supplementary retirement allowance for executives, implemented in France in 1991.

On 9th April 2019, Societe Generale announced two transformation projects including a strategic adjustment of its Global Banking and Investor Solutions activities and a more operational project aimed at adapting the organisation of the Retail Banking and International Financial Services headquarters.

These projects led to an adjustment of the restructuring provisions with an allocation of EUR 243 million, of which EUR 236 million were recorded under *Personnel expenses* and EUR 7 million were recorded

under *Other operating expenses*. Most of these provisions were used during the second half of 2019.

Provisions also include a restructuring provision related to planned changes that could concern part of French Retail Banking's head office, the platforms for processing customer transactions (back offices) and certain network support functions. This project resulted in an allocation of EUR 55 million, of which EUR 44 million were recorded under *Personnel expenses* and EUR 11 million were recorded under *Other operating expenses*.

ACCOUNTING PRINCIPLES**Post-employment benefits**

Post-employment benefits can be broken down into two categories: defined contribution pension plans or defined benefit pension plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans limit the Group's liability to the subscriptions paid into the plan but do not commit the Group to a specific level of future benefits. Contributions paid are recorded as an expense for the current year.

DEFINED BENEFIT PLANS

Defined benefit plans commit the Group, either formally or constructively, to pay a certain amount or level of future benefits and therefore bear the associated medium or long-term risk.

Provisions are recognised on the liabilities side of the balance sheet under *Provisions*, to cover the whole of these retirement obligations. These provisions are assessed regularly by independent actuaries using the projected unit credit method. This valuation technique incorporates assumptions about demographics, early retirement, salary rises and discount and inflation rates.

Group can choose to finance defined benefit plans by assets held by a long-term employee benefit fund or by qualifying insurance policies.

Funding assets, made by funds or insurance policies, are classified as plan assets if assets are held by an entity (fund) that is legally separate from the reporting entity and are available to be used only to pay employee benefits.

When these plans are financed from external funds classified as plan assets, the fair value of these funds is subtracted from the provision to cover the obligations.

When these plans are financed from funds not classified as plan assets, these funds, classified as separate assets, are displayed separately in the assets of the balance sheet under *Financial assets at fair value through profit or loss*.

Differences arising from changes in calculation assumptions (early retirements, discount rates, etc.) and differences between actuarial assumptions and real performance are recognised as actuarial gains and losses. Actuarial gains and losses, as well as the return on plan assets excluding amounts expensed as net interest on the net defined benefit liability (or asset) and any change in the effect of the asset ceiling are components used to remeasure the net defined benefit liability (or asset). These components are immediately and fully recognised in shareholder's equity among *Unrealised or deferred gains and losses* and they cannot be subsequently reclassified as income.

In the Group consolidated financial statements, these items that cannot be subsequently reclassified as income are displayed separately in the Statement of net income and unrealised or deferred gain and losses, but are transferred immediately to retained earnings in the Statement of changes in shareholder's equity so that they are presented directly under *Retained earnings* on the liabilities side of the balance sheet.

When a new or amended plan comes into force, past service cost is immediately recognised in profit or loss.

An annual charge is recorded under *Personnel expenses* for defined benefit plans consisting of:

- the additional entitlements vested by each employee (current service cost);
- past service cost resulting from a plan amendment or a curtailment;
- the financial expense resulting from the discount rate and the interest income on plan assets (net interest on the net defined benefit liability or asset);
- plan settlements.

OTHER LONG-TERM BENEFITS

Other long-term employee benefits are benefits other than post-employment and termination benefits, that are paid to employees more than twelve months after the end of the annual period in which they provided the related services.

Other long-term benefits are measured and recognised in the same way as post-employment benefits, with the exception of actuarial gains and losses, which are immediately recognised as profit or loss.

DEFINED CONTRIBUTION PLANS

The main defined contribution plans provided to employees of the Group are located in France, in the United Kingdom and in the United States.

In France, they include state pension plans and other national pension plans such as AGIRC-ARRCO, as well as pension schemes put in place by certain Group entities whose only commitment is to pay annual contributions (PERCO).

In the United Kingdom, the employer pays contributions according to the age of the employees (from 2.5 to 10% of the salary) and can make extra contributions up to 4.5% for the voluntary additional employee contributions.

In the United States, employers fully match the first 8% of employee contributions, within the limit of USD 10,000.

POST-EMPLOYMENT DEFINED BENEFIT PLANS

Post-employment pension plans include schemes offering annuities, plans offering retirement bonuses and mixed plans (cash balance). Benefits paid out in annuities supplement the pensions paid by the mandatory basic plans.

The main defined benefit plans are located in France, Switzerland, the United Kingdom and the United States.

In France, the supplementary pension plan for executive managers, set up in 1991, allocates an annual allowance to beneficiaries covered by Societe Generale as described in the Chapter 3 (Corporate

Governance) of the present Universal Registration Document. This allowance depends in particular on the beneficiary's seniority within Societe Generale.

This allowance depends in particular on the beneficiary's seniority within Societe Generale. Since 4th July 2019, date of publication of the ordinance ending the so-called "random rights" defined benefit pension plans in application of the Loi Pacte, this plan is closed to new employees and the rights of beneficiaries were frozen on 31st December 2019.

In Switzerland, the plan is managed by a personal protection insurance institution (the Foundation), comprised of employer and employee representatives. The employer and its employees pay contributions to the Foundation. Pension benefits are revalued at a guaranteed rate of return and converted to annuities (or lump-sum payment) also at a guaranteed conversion rate (cash balance scheme). Because of this minimum guaranteed return, the plan is considered similar to a defined benefit plan.

In recent years, the Societe Generale Group has actively implemented a policy of converting defined benefit plans to defined contribution plans.

In the United Kingdom, the defined benefit plan has been closed to new employees for nearly twenty years, and the benefits of the last beneficiaries were frozen in 2015. The plan is managed by an independent institution (Trustee).

Similarly, in the United States, defined benefit plans were closed to new employees in 2015 and the vesting of new benefits was frozen.

RECONCILIATION OF ASSETS AND LIABILITIES RECORDED IN THE BALANCE SHEET

	31.12.2019				
(In EURm)	France	United Kingdom	United States	Others	Total
A - Present value of defined benefit obligations	1,226	891	300	805	3,221
B - Fair value of plan assets	188	976	280	279	1,723
C - Fair value of separate assets	963	-	-	-	963
D - Change in asset ceiling	-	-	-	-	-
A - B - C + D = Net balance	75	(85)	20	526	535
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	1,070	-	20	529	1,619
ON THE ASSETS SIDE⁽¹⁾ OF THE BALANCE SHEET	995	85	-	3	1,084

(1) o/w EUR 963 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 121 million linked to surplus assets under Other assets.

	31.12.2018				
(In EURm)	France	United Kingdom	United States	Others	Total
A - Present value of defined benefit obligations	1,244	792	251	742	3,029
B - Fair value of plan assets	196	843	223	272	1,534
C - Fair value of separate assets	902	-	-	-	902
D - Change in asset ceiling	-	-	-	-	-
A - B - C + D = Net balance	146	(51)	28	470	593
ON THE LIABILITIES SIDE OF THE BALANCE SHEET	1,076	-	28	473	1,577
ON THE ASSETS SIDE⁽¹⁾ OF THE BALANCE SHEET	930	51	-	3	984

(1) o/w EUR 902 million of separate assets recorded under Financial assets at fair value through profit or loss and EUR 82 million linked to surplus assets under Other assets.

COMPONENTS OF THE COST OF DEFINED BENEFITS

(In EURm)	2019	2018
Current service cost including social security contributions	79	106
Employee contributions	(5)	(5)
Past service cost/curtailments ⁽¹⁾	(80)	(212)
Transfer via the expense	-	(3)
Net interest	8	11
A - Components recognised in income statement	2	(103)
Actuarial gains and losses on assets	(257)	119
Actuarial gains and losses due to changes in demographic assumptions	(2)	1
Actuarial gains and losses due to changes in economic and financial assumptions	295	(148)
Actuarial gains and losses due to experience	(32)	(3)
Change in asset ceiling	-	0
B - Components recognised in unrealised or deferred gains and losses	4	(31)
C = A + B TOTAL COMPONENTS OF THE COST OF DEFINED BENEFITS	6	(134)

(1) Mainly due to the publication of the ordinance ending the "random rights" defined benefit pension plans under the Loi Pacte.

CHANGES IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS

(In EURm)	2019	2018
Balance at 1st January	3,029	3,381
Current service cost including social security contributions	79	106
Past service cost/curtailments	(80)	(212)
Settlements	-	(3)
Net interest	57	60
Actuarial gains and losses due to changes in demographic assumptions	(2)	1
Actuarial gains and losses due to changes in economic and financial assumptions	295	(148)
Actuarial gains and losses due to experience	(32)	(3)
Foreign exchange adjustment	58	12
Benefit payments	(149)	(165)
Change in consolidation scope	(29)	-
Transfers and others	(6)	-
Balance at 31st December	3,221	3,029

CHANGES IN THE FAIR VALUE OF FUNDING ASSETS

(In EURm)	Plan assets		Separate assets	
	2019	2018	2019	2018
Balance at 1st January	1,534	2,212	902	398
Interest expenses on assets	37	44	12	6
Actuarial gains and losses on assets ⁽¹⁾	164	(86)	93	(33)
Foreign exchange adjustment	58	11	-	-
Employee contributions	5	5	-	-
Employer contributions to plan assets	23	22	-	-
Benefit payments	(76)	(112)	(45)	(23)
Change in consolidation scope	(21)	-	-	-
Transfers and others	-	(562)	-	554
Change in asset ceiling	-	-	-	-
Balance at 31st December	1,723	1,534	963	902

GENERAL INFORMATION REGARDING FUNDING ASSETS (FOR ALL BENEFITS AND FUTURE CONTRIBUTIONS)

Funding assets include plan assets and separate assets.

Funding assets represent around 83% of Group obligations, with different rates depending on the country.

Accordingly defined benefit plan obligations in the United Kingdom are fully hedged, those in the United States and in France hedged 94%, while they are not funded in Germany.

The breakdown of the fair value of plan assets is as follows: 77% bonds, 11% equities and 12% other investments. Directly held Societe Generale shares are not significant.

Funding assets excess is EUR 200 million.

Employer contributions to be paid to post-employment defined benefit plans for 2020 are estimated at EUR 15 million.

Plan hedging strategies are defined locally in connection with the Finance and Human Resources Departments of the entities, by ad hoc structures (Trustees, Foundations, Joint structures etc.) if necessary. Besides, liability investment or financing strategies are monitored at Group level through a global governance system. Committee meetings, with the participation of representatives of the Human Resources Department, the Finance Department and the Risk Division, are organised in order to define Group guidelines for employee benefits investment and management, to validate decisions and to follow up the associated risks for the Group.

Depending on the duration of each plan and local regulations, funding assets are invested in equities and/or in fixed income products, whether guaranteed or not.

The actual returns on plan and separate assets can be broken down as follows:

(In EURm)	2019	2018
Plan assets	201	(42)
Separate assets	106	(27)

MAIN ASSUMPTIONS DETAILED BY GEOGRAPHICAL AREA

	31.12.2019	31.12.2018
Discount rate		
France	0.82%	1.50%
United Kingdom	2.00%	2.70%
United States	3.19%	4.29%
Others	0.73%	1.39%
Long-term inflation		
France	1.28%	1.44%
United Kingdom	2.92%	3.14%
United States	N/A	N/A
Others	1.22%	1.38%
Future salary increase		
France	0.82%	0.78%
United Kingdom	N/A	N/A
United States	N/A	N/A
Others	1.20%	1.12%
Average remaining working lifetime of employees (in years)		
France	9.24	9.11
United Kingdom	5.17	6.00
United States	7.87	7.85
Others	9.97	10.24
Duration (in years)		
France	13.79	14.01
United Kingdom	16.28	16.28
United States	15.28	15.59
Others	14.69	13.99

Assumptions by geographical area are weighted average by the defined benefit obligations (DBO).

The discount yield curves used are AA corporate bonds yield curves (source: Merrill Lynch) observed at the end of October for USD, GBP and EUR, and corrected at the end of December if the change in discount rates had a significant impact.

Inflation rates used for EUR and GBP monetary areas are market rates observed at the end of October, and corrected at the end of December

if the change had a significant impact. Inflation rates used for the other monetary areas are the long-term targets of the central banks.

The average remaining working lifetime of employees is calculated taking into account turnover assumptions.

The assumptions described above have been applied to post-employment benefit plans.

SENSITIVITIES OF DEFINED BENEFIT OBLIGATIONS TO MAIN ASSUMPTION RANGES

(Percentage of item measured)	31.12.2019	31.12.2018
Variation in discount rate	+0.5%	+0.5%
Impact on the present value of defined benefit obligations at 31 st December N	-7%	-7%
Variation in long-term inflation	+0.5%	+0.5%
Impact on the present value of defined benefit obligations at 31 st December N	5%	5%
Variation in future salary increase	+0.5%	+0.5%
Impact on the present value of defined benefit obligations at 31 st December N	2%	2%

Disclosed sensitivities are averages of the variations weighted by the present value of the defined benefit obligations.

BREAKDOWN OF FUTURE PAYMENTS OF BENEFITS

(In EURm)	2019	2018
N+1	160	160
N+2	148	143
N+3	154	154
N+4	163	164
N+	169	168
N+6 à N+10	851	871

NOTE 5.3 Share-based payment plans**ACCOUNTING PRINCIPLES**

Societe Generale, and its subsidiaries, share-based payments include:

- payments in equity instruments;
- cash payments whose amount depends on the performance of equity instruments.

Share-based payments systematically give rise to an operating expense recognised as *Personnel expenses* in the amount of the fair value of the share-based payments granted to employees and according to their terms of settlement.

For equity-settled share-based payments (free shares, stock purchase or subscription options), the fair value of these instruments, measured at the vesting date, is spread over the vesting period and recorded in shareholders' equity under *Issued common stocks* and *capital reserves*. At each accounting date, the number of these instruments is revised in order to take into account performance and service conditions and adjust the overall cost of the plan as originally determined. Expenses recognised under *Personnel expenses* from the start of the plan are then adjusted accordingly.

For cash-settled share-based payments (stock-options granted by unlisted companies or compensation indexed on Societe Generale, or one of its subsidiary, shares), the fair value of the amounts payable is recorded under *Personnel expenses* as an expense over the vesting period against a corresponding liabilities entry recognised in the balance sheet under *Other liabilities – Expenses payable on employee benefits*. This payables item is then remeasured to take into account performance and presence conditions, as well as changes in the value of the underlying shares. When the expense is hedged by an equity derivative instrument, the effective portion of the change in the fair value of the hedging derivative is recorded in profit or loss under *Personnel expenses*, as well.

The Group may award some of its employees stock purchase or subscription options, free shares or rights to a future cash payment indexed to the Societe Generale, or one of its subsidiary, share price.

The options are measured at their fair value when the employees are first notified, without waiting for the conditions that trigger the award to be met, or for the beneficiaries to exercise their options.

Group stock-option plans are measured using a binomial formula when the Group has adequate statistics to take into account the behaviour of the option beneficiaries. When such data are not available, the Black & Scholes model or *Monte Carlo* model is used. Valuations are performed by independent actuaries.

EXPENSES RECORDED IN THE INCOME STATEMENT

(In EURm)	2019			2018		
	Cash settled plans	Equity settled plans	Total plans	Cash settled plans	Equity settled plans	Total plans
Net expenses from purchase plans, stock-option and free share plans	111	60	171	112	59	171

The description of Societe Generale stock-options plans and free share plans, which supplements this note, is presented in Chapter 3 of the present Universal Registration Document.

NOTE 6 INCOME TAX



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Income tax expenses are presented separately from other taxes which are classified among *Other operating expenses*. They are calculated according to the rates and tax regulations applicable in the countries where each consolidated entity is located.

Income tax presented in the income statement includes current taxes and deferred taxes:

- current taxes correspond to the amount of taxes due (or refundable) as calculated according to the taxable profit base for the reporting period.
- deferred taxes correspond to the amount of taxes resulting from past transactions and that will be payable (or refundable) in a future reporting period.

ACCOUNTING PRINCIPLES

Current taxes

Current tax is based on the taxable profits of each consolidated taxable entity and determined in accordance with the rules established by the local taxation authorities, upon which income taxes are payable. This tax expense also includes net allowances for tax adjustments pertaining to income tax.

Tax credits arising in respect of interest from loans and income from securities are recorded in the relevant interest account as they are applied in settlement of income taxes for the year. The related tax charge is included under *Income tax* in the consolidated income statement.

Deferred taxes

Deferred taxes are recognised whenever the Group identifies a temporary difference between the book value and tax value of balance sheet assets and liabilities that will affect future tax payments.

Deferred tax assets and liabilities are measured in each consolidated taxable entity and in accordance with the rules established by the local taxation authorities, upon which their income taxes are payable. This amount is based on the tax rate enacted or substantively enacted which is expected to apply when the asset is realised or the liability settled. These deferred taxes are adjusted in the event of changes to tax rates. This amount is not discounted to present value.

Deferred tax assets can result from deductible temporary differences or from tax loss carry-forwards. These deferred tax assets are recorded only if the entity concerned is likely to recover these assets within a set time. These temporary differences or tax loss carry-forwards can also be used against future taxable profit.

Tax loss carry-forwards are subject to an annual review taking into account the tax system applicable to each relevant tax entity and a realistic projection of their tax income or expense: any previously unrecognised deferred tax assets are recorded in the balance sheet to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered; however, the carrying value of deferred tax assets already recognised in the balance sheet is reduced where a risk of total or partial non-recovery occurs.

Current and deferred taxes are recognised in the consolidated income statement under *Income tax*. However, deferred taxes related to gains and losses recorded under *Unrealised or deferred gains and losses* are also recognised under the same heading in shareholders' equity.

Provisions for tax adjustments

Provisions represent liabilities whose timing or amount cannot be precisely determined.

Provisions may be recorded:

- where, by virtue of a commitment to a third-party, the Group will probably or certainly incur an outflow of resources to this third-party without receiving at least the equivalent value in exchange; and
- when the amount of probable outflow of resources can be reliably estimated.

The expected outflows are then discounted to present value to determine the amount of the provision, where this discounting has a significant impact. Allocations to and reversals of provisions for tax adjustments are booked to *Current taxes* in the income statement under *Income tax*.

Information on the nature and the amount of the associated risks is not disclosed when the Group considers that such disclosure could seriously undermine its position in a dispute with other parties on the object of the provision.

NOTE 6.1 Income tax

(In EURm)	2019	2018
Current taxes*	(968)	(947)
Deferred taxes	(296)	(357)
TOTAL*	(1,264)	(1,304)

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

RECONCILIATION OF THE DIFFERENCE BETWEEN THE GROUP'S STANDARD TAX RATE AND ITS EFFECTIVE TAX RATE

(In EURm)	2019	2018
Income before tax, excluding net income from companies accounted for using the equity method and impairment losses on goodwill	5,339	6,061
Normal tax rate applicable to French companies (including 3.3% national contribution)	34.43%	34.43%
Permanent differences*	(4.34)%	(2.66)%
Differential on securities with tax exemption or taxed at reduced rate	2.74%	(0.10)%
Tax rate differential on profits taxed outside France	(9.13)%	(10.11)%
Impact of non-deductible losses and use of tax losses carried forward	(0.03)%	(0.04)%
GROUP EFFECTIVE TAX RATE*	23.67%	21.52%

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

In France, the standard corporate income tax rate is 33.33%. A national contribution payment based on pre-tax earnings (contribution sociale) was introduced in 2000 equal to 3.3% (after a deduction of EUR 0.76 million from basic taxable income).

Long-term capital gains on equity investments are exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate. In accordance with the 2013 French Finance Act, this portion of fees and expenses is 12% of gross capital gains.

Furthermore, under the parent-subsidiary regime, dividends from companies in which Societe Generale's equity interest is at least 5% are tax exempt, subject to taxation of a portion of fees and expenses at the full statutory tax rate.

The 2018 French Finance Act, adopted on 21st December 2017, includes a gradual reduction in French tax rate (amended by the Law 2019-759

of 24th July 2019 regarding 2019 tax rate, and by the 2020 French Finance Act concerning 2020 and 2021 tax rates).

Between now and 2022, the standard Corporate Income Tax of 33.33% will be brought down to 25%, plus the existing national contribution of 3.3%.

Deferred taxes on French companies are determined by applying the tax rate in effect at the reversal of the temporary difference. Regarding the gradual reduction in French tax rate until 2022:

- for income taxed at the ordinary tax rate, the rate is between 34.43% or 32.02% in 2019 and 25.83% from 2022;
- for income taxed at reduced rate, the rate is between 4.13% or 3.84% in 2019 and 3.10% from 2022.

NOTE 6.2 Tax assets and liabilities**TAX ASSETS**

(In EURm)	31.12.2019	31.12.2018
Current tax assets	1,038	1,066
Deferred tax assets	4,741	4,753
o/w deferred tax assets on tax loss carry-forwards	2,659	2,895
o/w deferred tax assets on temporary differences	2,082	1,858
TOTAL	5,779	5,819

TAX LIABILITIES

(In EURm)	31.12.2019	31.12.2018
Current tax liabilities	602	552
Provisions for tax adjustments ⁽¹⁾	101	
Deferred tax liabilities	706	605
TOTAL	1,409	1,157

(1) Since 1st January 2019, provisions for income tax adjustments are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments" (see Note 1).

Each year, the Group performs a review of tax loss carry-forwards, according to the tax system applicable for each relevant tax entity and a realistic forecast of its tax results. For this purpose, tax results are determined based on the forecast of the performance of each business line entering in the Group budgetary path and/or on the strategic review of countries, after being approved by authorising management bodies. In addition, they include accounting and tax adjustments (of which the reversal of deferred tax assets and liabilities bases on temporary differences) applicable to concerned entities and jurisdictions. These adjustments are determined based on historical tax results and on the Group's tax expertise. Beyond the Group budgetary path and/or the strategic review, extrapolations are performed particularly from macro-economic assumptions (for example, the evolution of interest rates).

By nature, the appreciation of the selected macro-economic factors and the internal estimations used to determine the tax results contain risks and uncertainties on their realisation over the estimated horizon of the absorption of losses. These risks and uncertainties concern the possible changes in applicable tax rules (tax result computation, as well as rules of imputation of tax losses carried forward) or the achievement of the strategic assumptions.

To ensure the robustness of the tax result projections, the Group realises sensitivity analyses on the achievement of budgetary and strategic assumptions.

At 31st December 2019, these analyses confirm the probability for the Group of using tax loss carry-forwards subject to deferred tax assets against future taxable profit.

NOTE 6.3 Deferred tax assets recognised on tax loss carry-forwards

At 31st December 2019, based on the tax system of each entity and a realistic projection of their tax income, the projected period for deferred tax asset recovery is indicated in the table below:

(In EURm)	31.12.2019	Statutory time limit on carry-forwards	Expected recovery period
Total deferred tax assets relating to tax loss carry-forwards	2,659	-	-
<i>o/w French tax group</i>	<i>2,168</i>	<i>Unlimited⁽¹⁾</i>	<i>8 years</i>
<i>o/w US tax group</i>	<i>418</i>	<i>20 years⁽²⁾</i>	<i>7 years</i>
<i>others</i>	<i>73</i>	-	-

(1) In accordance with the 2013 French Finance Act, the deduction of previous losses is limited to EUR 1 million plus 50% of the fraction of the taxable income for the fiscal year exceeding this limit. The non-deductible portion of losses may be carried forward to the following fiscal years with no time limit and under the same conditions.

(2) Tax losses generated before 31st December 2011.

At 31 December 2019, the main unrecognised deferred tax assets represent a total of EUR 467 million (compared to EUR 558 million at 31 December 2018). They are mostly related to the US tax group, with EUR 413 million (compared to EUR 500 million at 31 December 2018), and SG Singapore with EUR 35 million (compared to EUR 29 million at 31 December 2018).

With regard to the tax treatment of the loss caused by the actions of Jérôme Kerviel, Societe Generale considers that the judgment of the Versailles Court of Appeal of 23rd September 2016 is not likely to call into question its validity in light of the 2011 opinion of the French Supreme Administrative Court (Conseil d'État) and its established case law which was recently confirmed again in this regard. Consequently, Societe Generale considers there is no need to provision the corresponding deferred tax assets.

However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and recently confirmed that they intended to call into question the deductibility of the loss caused by the actions of Jérôme Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by a tax adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry-forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In the event that the authorities decide, in due course, to confirm their current position, the Societe Generale group will not fail to assert its rights before the competent courts.

NOTE 7 SHAREHOLDERS' EQUITY



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Equity are the resources contributed to the Group by external shareholders as capital, as well as the cumulative and undistributed results (retained earnings). It also includes resources received when financial instruments are issued and for which the issuer has no contractual obligation to deliver cash to the holders of these instruments.

Equity has no contractual maturity, and when compensation is awarded to shareholders or holders of other equity instruments, it does not affect the income statement but directly reduces the retained earnings in the equity.

The statement "Changes in Shareholders' Equity" presents the various changes that affect the components of equity over the reporting period.

NOTE 7.1 Treasury shares and shareholders' equity issued by the Group

ACCOUNTING PRINCIPLES

Treasury shares

Societe Generale shares held by the Group are deducted from consolidated equity irrespective of the purpose for which they are held. Income on these shares is eliminated from the consolidated income statement.

Recognition of shares issued by Group subsidiaries, which are bought and sold by the Group, is described in Note 2.

Shareholders' equity issued by the Group

Financial instruments issued by the Group are booked in whole or in part to debt or to equity depending on whether or not they contractually oblige the issuer to deliver cash to the holders of the securities.

When they are classified as equity, securities issued by Societe Generale are recorded under *Other equity instruments*. If they are issued by Group subsidiaries, these securities are recognised under *Non-controlling interests*. External costs associated with issuing equity instruments are deducted directly from equity at their after-tax amount.

When they are classified as debt instruments, securities issued by the Group are recorded under *Debt securities issued* or *Subordinated debt* depending on their characteristics. They are accounted for in the same way as other financial liabilities measured at amortised cost (see Note 3.6).

NOTE 7.1.1 ORDINARY SHARES AND CAPITAL RESERVES

(In EURm)	31.12.2019	31.12.2018
Issued capital	1,067	1,010
Issuing premiums and capital reserves	21,417	20,403
Elimination of treasury stock	(515)	(667)
TOTAL	21,969	20,746

ORDINARY SHARES ISSUED BY SOCIETE GENERALE S.A.

(Number of shares)	31.12.2019	31.12.2018
Ordinary shares	853,371,494	807,917,739
Including treasury stock with voting rights ⁽¹⁾	3,706,880	5,975,497
Including shares held by employees	57,369,330	51,668,863

(1) Excluding Societe Generale shares held for trading purposes or in respect of the liquidity contract.

During the first half of 2019, Societe Generale S.A. carried out a capital increase relating to the exercise by the shareholders of the option to pay dividends in Societe Generale shares, amounting to EUR 50 million with additional paid-in capital of EUR 839 million.

During the third quarter of 2019, Societe Generale S.A. carried out a capital increase reserved to the employees, amounting to EUR 7 million with additional paid-in capital of EUR 115 million.

At 31st December 2019, Societe Generale S.A.'s fully paid up capital amounted to EUR 1,066,714,367.50 and was made up of 853,371,494 shares with a nominal value of EUR 1.25.

TREASURY STOCK

At 31st December 2019, the Group held 8,231,355 of its own shares as treasury stock, for trading purposes or for the active management of shareholders' equity, representing 0.96% of the capital of Societe Generale S.A.

The amount deducted by the Group from its equity for treasury shares (and related derivatives) came to EUR 515 million, including EUR 375 million in shares held for trading purposes. The change in treasury stock over 2019 breaks down as follows:

(In EURm)	Liquidity contract	Trading activities	Treasury stock and active management of shareholders' equity	Total
Disposals net of purchases	4	49	99	152
Capital gains net of tax on treasury stock and treasury share derivatives, booked under shareholders' equity	-	18	(95)	(77)

NOTE 7.1.2 EQUITY INSTRUMENTS ISSUED

PERPETUAL SUBORDINATED NOTES

Perpetual subordinated notes issued by the Group, with some discretionary features governing the payment of interest, are classified as equity.

At 31st December 2019, perpetual subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 244 million, valued at historical rate.

Issuance Date	Amount in local currency at 31 st December 2018	Repurchases and redemptions in 2019	Amount in local currency at 31 st December 2019	Amount in millions of euros at historical rate	Remuneration
1 st July 1985	EUR 62m	-	EUR 62m	62	BAR (Bond Average Rate) -0.25% for the period from 1 st June to 31 st May before each due date
24 th November 1986	USD 248m	-	USD 248m	182	Average 6-month Euro/Dollar deposit rates communicated by reference banks +0.075%

PERPETUAL DEEPLY SUBORDINATED NOTES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual deeply subordinated notes have been classified as equity and recognised under *Other equity instruments*.

At 31st December 2019, perpetual deeply subordinated notes issued by the Group and recognised under Group shareholders' equity in *Other equity instruments* totalled EUR 8,889 million, valued at historical rate.

The change in the amount of perpetual deeply subordinated notes issued by the Group is explained by two issuances and one redemption at pair made over the year.

Issuance Date	Amount in local currency at 31 st December 2018	Repurchases and redemptions in 2019	Amount in local currency at 31 st December 2019	Amount in millions of euros at historical rate	Remuneration
4 th September 2009	EUR 905m	EUR 905 M	-	-	9.375%, from 2019 3-month Euribor +8.901% annually
18 th December 2013	USD 1,750m		USD 1,750m	1,273	7.875%, from 18 th December 2023 USD 5-year Mid Swap Rate +4.979%
25 th June 2014	USD 1,500m		USD 1,500m	1,102	6%, from 27 th January 2020 USD 5-year Mid Swap Rate +4.067%
7 th April 2014	EUR 1,000m		EUR 1,000m	1,000	6.75%, from 7 th April 2021 EUR 5-year Mid Swap Rate +5.538%
29 th September 2015	USD 1,250m		USD 1,250m	1,111	8%, from 29 th September 2025 5-year Mid Swap rate +5.873%
13 th September 2016	USD 1,500m		USD 1,500m	1,335	7.375%, from 13 th September 2021 USD 5-year Mid Swap rate +6.238%
6 th April 2018	USD 1,250m		USD 1,250m	1,035	6.750%, from 6 th April 2028 5-year Mid Swap rate +3.929%
4 th October 2018	USD 1,250m		USD 1,250m	1,105	7.375%, from 4 th October 2023 5-year Mid Swap rate +4.302%
16 th April 2019			SGD 750m	490	6.125%, from 16 th April 2024 5-year Mid Swap rate +4.207%
12 th September 2019			AUD 700m	439	4.875%, from 12 th September 2024 5-year Mid Swap rate +4.036%

OTHER EQUITY INSTRUMENTS ISSUED BY SUBSIDIARIES

Given the discretionary nature of the decision to pay dividends to shareholders, perpetual subordinated notes issued by the Group's subsidiaries are classified as equity.

At 31st December 2019, other equity instruments issued by the Group's subsidiaries and recognised under *Non-controlling interests* totalled EUR 800 million.

Issuance Date	Amount	Remuneration
18 th December 2014 (step-up clause after 12 years)	EUR 800m	4.125%, from 2026 5-year Mid-Swap rate +4.150% annually

SUMMARY OF CHANGES IN EQUITY INSTRUMENTS ISSUED

Changes related to the perpetual subordinated notes and deeply subordinated notes included in *Shareholder's equity*, *Group share* are detailed below:

	2019			2018		
	Deeply subordinated notes	Perpetual subordinated notes	Total	Deeply subordinated notes	Perpetual subordinated notes	Total
(In EURm)						
Remuneration paid booked under reserves	(717)	(7)	(724)	(700)	(5)	(705)
Changes in nominal values	23	-	23	544	-	544
Tax savings on remuneration payable to shareholders and recorded under profit or loss ⁽¹⁾	257	2	259	255	2	257
Issuance fees relating to subordinated notes	(4)	-	(4)	(10)	-	(10)

(1) Since 1st January 2019, tax savings on remuneration payable to shareholders has been restated and is recorded under profit or loss following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

NOTE 7.2 Earnings per share and dividends**ACCOUNTING PRINCIPLES**

Earnings per share are measured by dividing net income attributable to ordinary shareholders by the weighted average number of shares outstanding over the period, excluding treasury shares. Net income attributable to ordinary shareholders takes account of remuneration rights of preferred shareholders, such as holders of preferred shares, subordinated securities or deeply subordinated notes classified in equity. Diluted earnings per share take into account the potential dilution of shareholders' interests in the event dilutive instruments (stock options or free share plans) are converted into ordinary shares. This dilutive effect is determined using the share buyback method.

NOTE 7.2.1 EARNINGS PER SHARE

(In EURm)	2019	2018
Net income, Group share *	3,248	4,121
Attributable remuneration to subordinated and deeply subordinated notes *	(708)	(709)
Issuance fees related to subordinated and deeply subordinated notes	(4)	(10)
Net income attributable to ordinary shareholders	2,536	3,402
Weighted average number of ordinary shares outstanding ⁽¹⁾	829,901,725	801,909,473
Earnings per ordinary share (in euros)	3.05	4.24
Average number of ordinary shares used in the dilution calculation	-	-
Weighted average number of ordinary shares used in the calculation of diluted net earnings per share	829,901,725	801,909,473
Diluted earnings per ordinary share (in euros)	3.05	4.24

* The amounts have been restated following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

(1) Excluding treasury shares.

NOTE 7.2.2 DIVIDENDS PAID

Dividends paid by the Group in 2019 amounted to EUR 2,149 million and are detailed in the following table:

(In EURm)	2019			2018		
	Group Share	Non-controlling interests	Total	Group Share	Non-controlling interests	Total
Paid in shares	(889)	-	(889)	-	-	-
Paid in cash	(881)	(379)	(1,260)	(1,764)	(368)	(2,132)

The dividend per share paid in 2019 out of the 2018 net income amounted to EUR 2.20, compared with EUR 2.20 paid in 2018 out of the 2017 net income.

NOTE 7.3 Unrealised or deferred gains and losses**BREAKDOWN OF CHANGES OF UNREALISED OR DEFERRED GAINS AND LOSSES**

(In EURm)	31.12.2019				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	(811)	(3)	(814)	(753)	(61)
Revaluation of debt instruments at fair value through other comprehensive income	205	(44)	161	136	25
Revaluation of available-for-sale financial assets ⁽¹⁾	525	(144)	381	383	(2)
Revaluation of hedging derivatives	30	22	52	56	(4)
Unrealised gains and losses of entities accounted for using the equity method	-	-	-	-	-
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	(51)	(169)	(220)	(178)	(42)
Actuarial gains and losses on defined benefit plans ⁽²⁾	(2)	(2)	(4)	2	(6)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss ⁽³⁾	(317)	81	(236)	(241)	5
Revaluation of equity instruments at fair value through other comprehensive income	33	(2)	31	36	(5)
Unrealised gains and losses of entities accounted for using the equity method	-	-	-	-	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	(286)	77	(209)	(203)	(6)
TOTAL	(337)	(92)	(429)	(381)	(48)

(In EURm)	Changes 2018 - 2019				
	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	563	(2)	561	545	16
Revaluation of debt instruments at fair value through other comprehensive income	(28)	13	(15)	(33)	18
Revaluation of available-for-sale financial assets ⁽¹⁾	188	(48)	140	140	-
Revaluation of hedging derivatives	153	4	157	156	1
Unrealised gains and losses of entities accounted for using the equity method	1	-	1	-	1
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	877	(33)	844	808	36
Actuarial gains and losses on defined benefit plans ⁽²⁾	(32)	2	(30)	(22)	(8)
Revaluation of own credit risk of financial liabilities at fair value through profit or loss ⁽³⁾	(121)	32	(89)	(85)	(4)
Revaluation of equity instruments at fair value through other comprehensive income	(48)	4	(44)	(49)	5
Unrealised gains and losses of entities accounted for using the equity method	3	-	3	3	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	(198)	38	(160)	(153)	(7)
TOTAL	679	5	684	655	29

31.12.2018					
(In EURm)	Gross value	Tax	Net value	o/w	
				Net Group share	Non-controlling interests
Translation differences	(1,374)	(1)	(1,375)	(1,298)	(77)
Revaluation of debt instruments at fair value through other comprehensive income	233	(57)	176	169	7
Revaluation of available-for-sale financial assets ⁽¹⁾	337	(96)	241	243	(2)
Revaluation of hedging derivatives	(123)	18	(105)	(100)	(5)
Unrealised gains and losses of entities accounted for using the equity method	(1)	-	(1)	-	(1)
Subtotal of unrealised gains and losses with subsequent recycling in the income statement	(928)	(136)	(1,064)	(986)	(78)
Actuarial gains and losses on defined benefit plans ⁽²⁾	30	(4)	26	24	2
Revaluation of own credit risk of financial liabilities at fair value through profit or loss ⁽³⁾	(196)	49	(147)	(156)	9
Revaluation of equity instruments at fair value through other comprehensive income	81	(6)	75	85	(10)
Unrealised gains and losses of entities accounted for using the equity method	(3)	-	(3)	(3)	-
Subtotal of unrealised gains and losses without subsequent recycling in the income statement	(88)	39	(49)	(50)	1
TOTAL	(1,016)	(97)	(1,113)	(1,036)	(77)

(1) Unrealised gains and losses on available-for-sale financial assets are related exclusively to insurance activities from the 2018 financial year.

(2) Gains and losses presented in these items are transferred into Retained earnings for the next financial year opening.

(3) During the derecognition of a financial liability, potential realised gains and losses attributable to Group own credit risk are subject to transfer into Retained earnings, Group share for the next financial year opening (see Note 3.1).

NOTE 8 ADDITIONAL DISCLOSURES

NOTE 8.1 Segment reporting

NOTE 8.1.1 DEFINITION OF SEGMENT REPORTING

The Group is managed on a matrix basis that takes into account its different business lines and the geographical breakdown of its activities. Segment reporting information is therefore presented under both criteria.

The Group includes in the results of each sub-division all operating income and expenses directly related to its activity. Income for each sub-division, except for the Corporate Centre, also includes the return on equity allocated to it, based on the estimated rate of return on Group equity. The return on the sub-division's book equity is then reallocated to the Corporate Centre. Transactions between sub-divisions are carried out under the same terms and conditions as those applying to non-Group customers.

The Group's core businesses are managed through three strategic pillars:

- French Retail Banking, which includes the domestic networks Societe Generale, Crédit du Nord and Boursorama;
- International Retail Banking & Financial Services, which consists of:
 - International Retail Banking, including consumer finance activities;
 - Financial Services to Corporates (operational vehicle leasing and fleet management, equipment and vendor finance);
 - Insurance activities;

- Global Banking and Investor Solutions which comprises:

- Global Markets and Investors Services;
- Financing and Advisory;
- Asset and Wealth Management.

In addition to the strategic pillars, the Corporate Centre acts as the Group's Central Funding Department. As such, it recognises the carrying cost of equity investments in subsidiaries and related dividend payments, as well as income and expenses stemming from the Group's Asset and Liability Management (ALM) and income from the Group's management of its assets (management of its industrial and bank equity portfolio and of its real estate assets). Income or expenses that do not relate directly to the activity of the core businesses are also allocated to the Corporate Centre.

Segment income take intra-group transactions into account, while these transactions are eliminated from segment assets and liabilities. The tax rate levied on each business line is based on the standard tax rate applicable in each country where the division makes profits. Any difference with respect to the Group's tax rate is allocated to the Corporate Centre.

For the purpose of segment reporting by geographical region, segment profit or loss and assets and liabilities are presented based on the location of the booking entities.

The amounts presented under Income tax, *Net income* and *Net income, Group share* have been restated compared with the 2018 published consolidated financial statements following the first-time application of an amendment to IAS 12 "Income taxes" (see Note 1).

NOTE 8.1.2 SEGMENT REPORTING BY DIVISION AND SUB-DIVISION

	Societe Generale Group		French Retail Banking		Corporate Centre ⁽¹⁾	
(In EURm)	2019	2018	2019	2018	2019	2018
Net banking income	24,671	25,205	7,746	7,860	(152)	182
Operating expenses ⁽²⁾	(17,727)	(17,931)	(5,700)	(5,629)	(94)	(535)
Gross operating income	6,944	7,274	2,046	2,231	(246)	(353)
Cost of risk	(1,278)	(1,005)	(467)	(489)	(17)	(19)
Operating income	5,666	6,269	1,579	1,742	(263)	(372)
Net income from investments accounted for using the equity method	(129)	56	8	28	(152)	7
Net income/expense from other assets	(327)	(208)	58	74	(394)	(274)
Earnings before tax	5,210	6,117	1,645	1,844	(809)	(639)
Income tax	(1,264)	(1,304)	(514)	(607)	184	425
Consolidated net income	3,946	4,813	1,131	1,237	(625)	(214)
Non-controlling interests	698	692	-	-	171	164
Net income, Group share	3,248	4,121	1,131	1,237	(796)	(378)

International Retail Banking & Financial Services

	International Retail Banking		Financial Services to Corporates		Insurance		Total	
(In EURm)	2019 ⁽³⁾	2018	2019	2018	2019	2018	2019 ⁽³⁾	2018
Net banking income	5,592	5,608	1,872	1,822	909	887	8,373	8,317
Operating expenses ⁽²⁾	(3,252)	(3,238)	(980)	(955)	(349)	(333)	(4,581)	(4,526)
Gross operating income	2,340	2,370	892	867	560	554	3,792	3,791
Cost of risk	(504)	(335)	(84)	(69)	-	-	(588)	(404)
Operating income	1,836	2,035	808	798	560	554	3,204	3,387
Net income from investments accounted for using the equity method	11	14	1	1	-	-	12	15
Net income/expense from other assets	3	7	-	1	-	-	3	8
Earnings before tax	1,850	2,056	809	800	560	554	3,219	3,410
Income tax	(410)	(474)	(176)	(184)	(174)	(183)	(760)	(841)
Consolidated net income	1,440	1,582	633	616	386	371	2,459	2,569
Non-controlling interests	394	395	107	106	3	3	504	504
Net income, Group share	1,046	1,187	526	510	383	368	1,955	2,065

Global Banking and Investor Solutions

	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total	
(In EURm)	2019	2018	2019	2018	2019	2018	2019	2018
Net banking income	5,210	5,414	2,547	2,466	947	966	8,704	8,846
Operating expenses ⁽²⁾	(4,788)	(4,706)	(1,676)	(1,630)	(888)	(905)	(7,352)	(7,241)
Gross operating income	422	708	871	836	59	61	1,352	1,605
Cost of risk	(13)	(25)	(195)	(49)	2	(19)	(206)	(93)
Operating income	409	683	676	787	61	42	1,146	1,512
Net income from investments accounted for using the equity method	4	9	(1)	(2)	-	(1)	3	6
Net income/expense from other assets	4	(1)	-	(1)	2	(14)	6	(16)
Earnings before tax	417	691	675	784	63	27	1,155	1,502
Income tax	(89)	(180)	(70)	(93)	(15)	(8)	(174)	(281)
Consolidated net income	328	511	605	691	48	19	981	1,221
Non-controlling interests	20	20	-	1	3	3	23	24
Net income, Group share	308	491	605	690	45	16	958	1,197

(1) Income and expense not directly related to business line activities are recorded in the Corporate Centre income. The operating expenses include an income related to an operating tax adjustment of EUR 241 million for the second quarter 2019.

(2) These amounts include Personnel expenses, Other operating expenses and Amortisation, depreciation and impairment of tangible and intangible fixed assets.

(3) The International Retail Banking & Financial Services division includes also EUR -34 million of restructuring costs in operating expenses (and EUR +11 million of related income tax) not allocated to the business lines. These costs are added to the results of the International Retail Banking sub-division whose Net income, Groupe share 2019 is, without these costs, EUR 1,069 million.

(In EURm)	Societe Generale Group		French Retail Banking		Corporate Centre ⁽²⁾	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Segment assets	1,356,303	1,309,428	232,648	222,086	115,555	106,392
Segment liabilities ⁽¹⁾	1,287,733	1,243,619	225,848	216,934	107,558	91,819

International Retail Banking & Financial Services							
(In EURm)	International Retail Banking		Financial Services to Corporates		Insurance		Total
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2018
Segment assets	122,695	128,303	43,730	42,868	167,249	148,999	320,170
Segment liabilities ⁽¹⁾	89,754	94,454	13,980	13,641	156,212	138,959	247,054

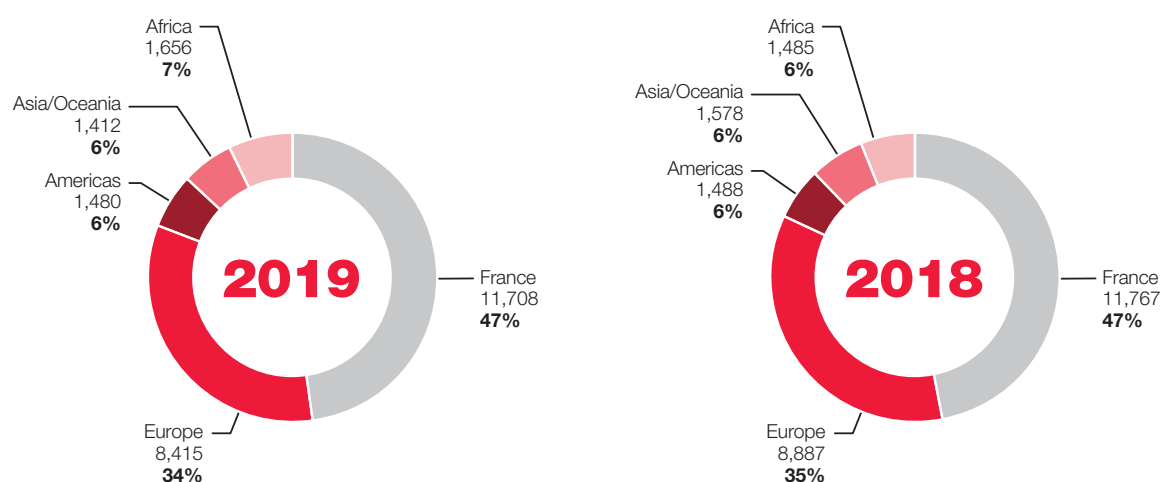
Global Banking and Investor Solutions							
(In EURm)	Global Markets and Investors Services		Financing and Advisory		Asset and Wealth Management		Total
	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2019	31.12.2018	31.12.2018
Segment assets	505,413	489,757	133,132	137,064	35,881	33,959	660,780
Segment liabilities ⁽¹⁾	623,512	616,282	46,133	47,502	24,736	24,028	687,812

(1) Segment liabilities correspond to debts (i.e. total liabilities excluding equity).

(2) Assets and liabilities not directly related to the business line activities are recorded on the Corporate Centre's balance sheet.

NOTE 8.1.3 SEGMENT REPORTING BY GEOGRAPHICAL REGION

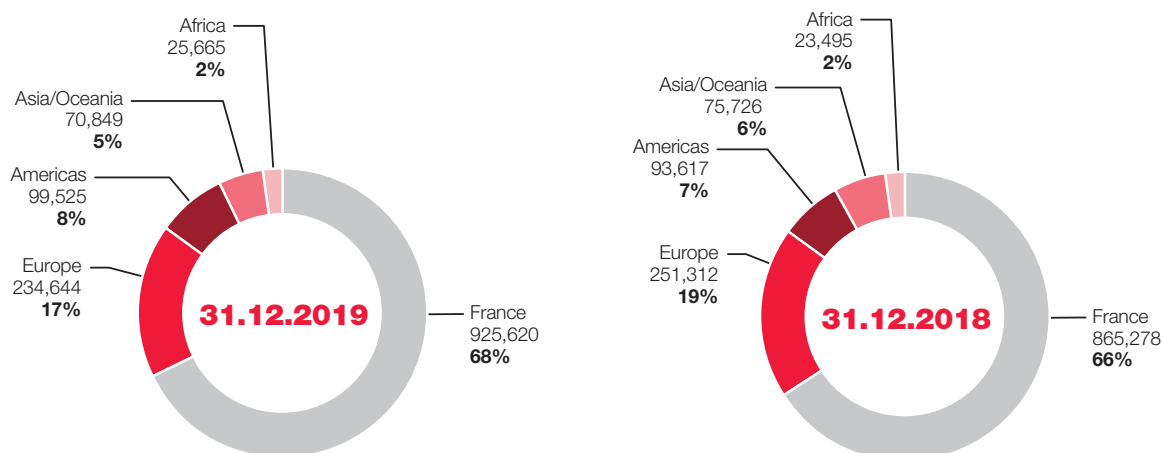
GEOGRAPHICAL BREAKDOWN OF NET BANKING INCOME (IN EURM)



At 31st December 2019, the amount of Net banking income was EUR 24,671 million compared to EUR 25,205 million at 31st December 2018.

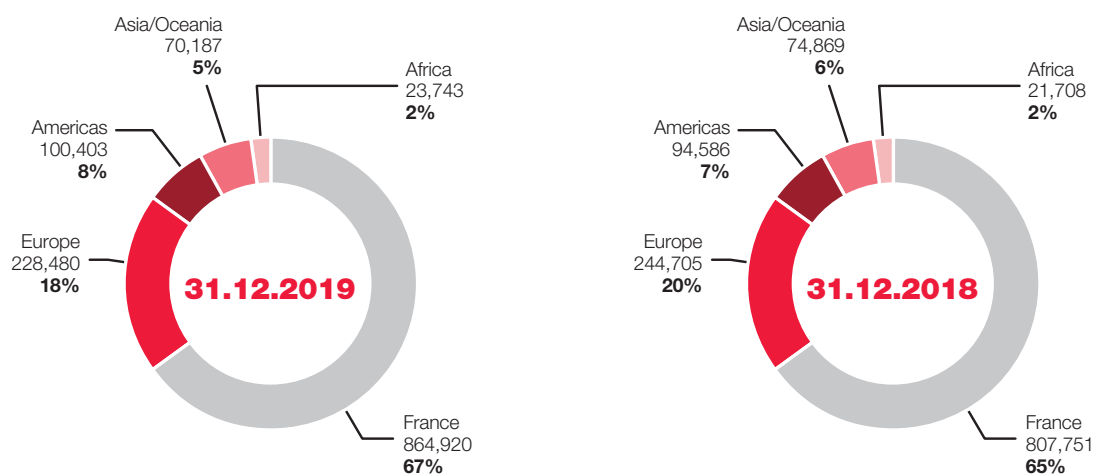
GEOGRAPHICAL BREAKDOWN OF BALANCE SHEET ITEMS (IN EURM)

ASSETS



At 31st December 2019, the amount of Assets was EUR 1,356,303 million compared to EUR 1,309,428 million at 31st December 2018.

LIABILITIES



At 31st December 2019, the amount of Liabilities (except shareholder equity) was EUR 1,287,733 million compared to EUR 1,243,619 million at 31st December 2018.

Segment liabilities correspond to debts (*i.e.* total liabilities excluding equity).

NOTE 8.2 Other operating expenses**ACCOUNTING PRINCIPLES**

The Group records operating expenses under expenses, according to the type of services to which they refer and the rate of use of said services.

Rentals include real estate and equipment leasing expenses, which do not result in a recognition of a lease liability and right-of-use asset (see Note 8.4)

Taxes and levies are only booked when the triggering event provided for by law occurs. If the obligation to pay the tax arises from the gradual operation of an activity, the expense must be spread out over the same period. Finally, if the obligation to pay is generated when a threshold is reached, the expense is only recorded once the threshold is reached.

Taxes and levies cover all contributions levied by a public authority and include the contributions paid to the Single Resolution Fund and the Deposit Insurance and Resolution Fund, the systemic risk tax, and contributions for ACPR control costs, which are recognised on the income statement at the start of the financial year. The company social solidarity contribution (C3S), based on income generated in previous financial year, is fully recognised on the income statement at 1st January of the current financial year.

Other mainly includes building maintenance and other costs, travel and business expenses, and advertising expenses.

(In EURm)	2019	2018
Rentals ⁽¹⁾	(353)	(752)
Taxes and levies	(887)	(901)
Data & telecom (excluding rentals)	(2,328)	(2,400)
Consulting fees	(1,370)	(1,338)
Other	(1,347)	(1,975)
TOTAL	(6,285)	(7,366)

(1) Decrease related to the first-time application of IFRS 16 "Leases" (see Note 1).

CONTRIBUTION TO BANK RESOLUTION MECHANISMS

The European regulatory framework designed to enhance financial stability was updated by the Directive 2014/49/UE of 16th April 2014 on deposit guarantee schemes and the Directive 2014/59/UE of 15th May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (Bank Recovery and Resolution Directive).

The European Regulation UE n° 806/2014 of 15th July 2014 then determined the financing means of resolution mechanisms within the European Banking Union through the establishment of a Single Resolution Fund (SRF). In addition to this instrument, the National Resolution Fund (NRF) exists for institutions subject to this resolution mechanisms, but that have no SRF.

The Single Resolution Fund, established in January 2016, shall receive annual contributions from the participating European financial institutions. By the end of 2023, the available financial means of the Fund shall reach at least 1% of the amount of covered deposits of all these participating financial institutions. A share of the annual contributions can be provided through irrevocable payment commitments.

For the year 2019, the Group's contributions to the SRF and the NRF were as follows:

- cash contributions (85%) for a total of EUR 340 million non-tax-deductible in France recorded in the income statement in *Other administrative expenses*, among Taxes and levies;
- irrevocable payment commitments (15%) backed by a cash collateral for EUR 60 million related to the SRF, recorded as an asset in the balance sheet, among *Other assets*.

NOTE 8.3 Provisions**ACCOUNTING PRINCIPLES**

Under balance sheet liabilities, *Provisions* are comprised of provisions for financial instruments, disputes and employee benefits.

BREAKDOWN OF PROVISIONS

(In EURm)	Provisions at 31.12.2018	Allocations	Write-backs available	Net allocation	Write- backs used	Currency and others	Provisions at 31.12.2019
Provisions for credit of risk on off balance sheet commitments (see Note 3.8)	638	513	(525)	(12)	-	14	640
Provisions for employee benefits (see Note 5.2)	2,341	516	(208)	308	(375)	142	2,416
Provisions for tax adjustments (see Note 6) ⁽¹⁾	135					(135)	
Provisions for mortgage savings plans and accounts commitments	171	122	(3)	119	(1)	-	289
Other provisions	1,320	261	(440)	(179)	(80)	(19)	1,042
TOTAL	4,605	1,412	(1,176)	236	(456)	2	4,387

(1) Since 1st January 2019, provisions for tax adjustments related to income tax are presented under "Tax liabilities" as a consequence of the application of IFRIC 23 "Uncertainty over income tax treatments" (see Note 1).

NOTE 8.3.1 COMMITMENTS UNDER MORTGAGE SAVINGS AGREEMENTS**ACCOUNTING PRINCIPLES**

In France, *Comptes d'épargne-logement* (CEL or mortgage savings accounts) and *Plans d'épargne-logement* (PEL or mortgage savings plans) are special savings schemes for individual customers which are governed by Law 65-554 of 10th July 1965. These products combine an initial deposit phase in the form of an interest-earning savings account, followed by a lending phase where the deposits are used to provide mortgage loans. The lending phase is subject to the prior existence of the savings phase and is therefore inseparable from it. The savings deposits collected and loans granted are measured at amortised cost.

These instruments create two types of commitments for the Group: the obligation to pay interest on customer savings for an indeterminate future period at an interest rate established at the inception of the mortgage savings agreement, and the obligation to subsequently lend to the customer at an interest rate also established at the inception of the savings agreement.

If it is clear that commitments under the PEL/CEL agreements will have negative consequences for the Group, a provision is recorded on the liabilities side of the balance sheet. Any changes in these provisions are recognised as *Net banking income* under net interest income. These provisions only relate to commitments arising from PEL/CEL that are outstanding at the date of calculation.

Provisions are calculated for each generation of mortgage savings plans (PEL), with no netting between different PEL generations, and for all mortgage saving accounts (CEL) making up a single generation.

During the deposit phase, the underlying commitment used to determine the amount to be provisioned is calculated as the difference between the average expected amount of deposits and the minimum expected amount. These two amounts are determined statistically on the basis of the historical observations of past customer behaviour.

During the lending phase, the underlying commitment to be provisioned includes loans already granted but not yet drawn at the date of calculation, and future loans that are considered statistically probable on the basis of deposits that are currently recognised in the balance sheet at the date of calculation and on the basis of historical observations of past customer behaviour.

A provision is recognised if the discounted value of expected future earnings for a given generation of PEL/CEL is negative. Earnings are estimated on the basis of interest rates available to individual customers for equivalent savings and loan products, with a similar estimated life and date of inception.

OUTSTANDING DEPOSITS IN PEL/CEL ACCOUNTS

(In EURm)	31.12.2019	31.12.2018
PEL accounts	19,195	19,186
<i>Less than 4 years old</i>	1,596	3,466
<i>Between 4 and 10 years old</i>	11,581	10,555
<i>More than 10 years old</i>	6,018	5,165
CEL accounts	1,333	1,346
TOTAL	20,528	20,532

OUTSTANDING HOUSING LOANS GRANTED WITH RESPECT TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2019	31.12.2018
Less than 4 years old	1	1
Between 4 and 10 years old	13	26
More than 10 years old	12	11
TOTAL	26	38

PROVISIONS FOR COMMITMENTS LINKED TO PEL/CEL ACCOUNTS

(In EURm)	31.12.2018	Allocations	Write-backs	31.12.2019
PEL accounts	158	122	(1)	279
<i>Less than 4 years old</i>	3	0	(1)	2
<i>Between 4 and 10 years old</i>	20	11	-	31
<i>More than 10 years old</i>	135	111	-	246
CEL accounts	13	0	(3)	10
TOTAL	171	122	(4)	289

The level of provisions is sensitive to long-term interest rates. Since long-term rates were low during 2019, the provisions for PEL and CEL mortgage savings accounts were mainly linked to the risks attached to the commitment to pay interest on the deposits. Provisioning for PEL/CEL savings amounted to 1.41% of total outstandings at 31st December 2019.

METHODS USED TO ESTABLISH PROVISION VALUATION INPUTS

The inputs used to estimate future customer behaviour are derived from historical observations of customer behaviour patterns over a long period (more than ten years). The values of these inputs can be

adjusted whenever changes are made to regulations that may undermine the effectiveness of past data as an indicator of future customer behaviour.

The values of the different market inputs used, notably interest rates and margins, are calculated on the basis of observable data and constitute a best estimate, at the date of valuation, of the future value of these items for the period in question, in line with the Retail Banking division's policy of interest rate risk management.

The discount rates used are derived from the zero coupon swaps vs. Euribor yield curve at the valuation date, averaged over a twelve month period.

NOTE 8.3.2 OTHER PROVISIONS

Other provisions include provisions for restructuring (except staff costs), provisions for commercial litigation and provisions for future repayment of funds in connection with customer financing transactions.

The Group is subject to an extensive legal and regulatory framework in the countries where it operates. In this complex legal context, the Group and some of its former and current representatives may be involved in various legal actions, including civil, administrative and criminal proceedings. The vast majority of these proceedings are part of the Group's current business. In recent years, litigation with investors and the number of disputes involving financial intermediaries such as banks and investment advisors has increased, partly due to a difficult financial environment.

It is by nature difficult to foresee the outcome of disputes, regulatory proceedings and acts involving Group entities, particularly if they are initiated by various categories of complainants, if the amount of claims for damages is not specified or is indeterminate or if the proceedings have no precedent.

In preparing its financial statements, the Group assesses the consequences of the legal, regulatory or arbitration proceedings in which it is involved. A provision is booked when losses from these proceedings become probable and the amount can be estimated reliably.

To assess the probability of losses and the amount of these losses, and thus to determine the amount of provisions to book, estimations are important. Management makes these estimates by exercising its judgment and taking into account all information available when financial statements are prepared. In particular, the Group takes into account the nature of the dispute, the underlying facts, ongoing proceedings and court decisions already taken, as well as its experience and the experiences of other companies dealing with similar cases (assuming that the Group has knowledge thereof) and, where appropriate, the opinion and reports of experts and independent legal advisers.

Each quarter the Group carries out a detailed examination of outstanding disputes that present a significant risk. The description of those disputes is presented in Note 9, Information on risks and litigation.

NOTE 8.4 Tangible and intangible fixed assets

As a result of the first application of IFRS 16 “Leases” as from 1st January 2019, the Group recognises right-of-use assets that represent its right to use the underlying leased assets under *Tangible and intangible fixed assets*.

ACCOUNTING PRINCIPLES**Tangible and intangible fixed assets**

Tangible and intangible fixed assets include operating and investment fixed assets. Equipment assets held for operating leases purpose are included in operating tangible assets, while buildings held for leasing purposes are included in investment property.

Tangible and intangible fixed assets are carried at their purchase price on the asset side of the balance sheet, less depreciation, amortisation and impairment.

The purchase price of fixed assets includes borrowing costs incurred to fund a lengthy construction period for the fixed assets, along with all other directly attributable expenses. Investment subsidies received are deducted from the cost of the relevant assets. Software developed internally is recorded on the asset side of the balance sheet in the amount of the direct cost of development.

As soon as they are fit for use, fixed assets are depreciated or amortised using the component-based approach. Each component is depreciated or amortised over its own useful life. The Group has applied this approach to its operating properties, breaking down its assets into components with depreciation periods of 10 to 50 years. Depreciation periods for fixed assets other than buildings depend on their useful life, which is usually estimated at 3 to 20 years.

Any residual value of the asset is deducted from its depreciable amount. If there is a subsequent decrease or increase in this initial residual value, the depreciable amount of the asset is adjusted, leading to a prospective modification of the depreciation schedule.

Depreciation and amortisation are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Fixed assets grouped into Cash Generating Units are tested for impairment whenever there is any indication that their value may have diminished. Allocations and reversals of provisions for impairment are recorded in the income statement under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

Realised capital gains and losses on operating fixed assets are recognised under *Net income from other assets*.

Investment properties are depreciated using the component based-method. Each component is depreciated over its own useful life, ranging from 10 to 50 years.

Profits or losses on operating lease assets and on investment property, including amortisation and depreciation, are recognised under *Income from other activities* and *Expense from other activities* (see Note 4.2).

Rights-of-use for assets leased by the Group**LEASE****Definition of the lease**

A contract is, or contains, a lease if it conveys to the lessor the right to control the use of an identified asset for a period of time in exchange for consideration:

- control is conveyed when the customer has both the right to direct the identified asset's use, and to obtain substantially all the economic benefits from that use throughout the lease period;
- the existence of an identified asset will depend on the absence, for the lessor, of substantive substitution rights for the leased asset; this condition is measured with regard to the facts and circumstances existing at the commencement of the contract. If the lessor has the option of freely substituting the leased asset, the contract can not be qualified as a lease, since its purpose is the provision of a capacity and not an asset;
- a capacity portion of an asset is still an identified asset if it is physically distinct (e.g. a floor of a building). Conversely, a portion of the capacity or of an asset that is not physically distinct does not constitute an identified asset (e.g. the lease of co-working area within a unit with no predefined location inside that unit).

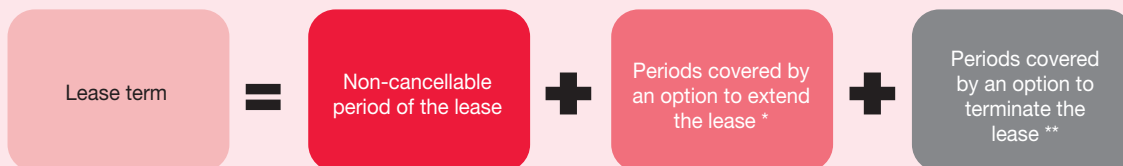
Separation of lease and non-lease components

A contract may cover the lease of an asset by the lessor as well as the supply of additional services by that lessor. In this scenario, the lessee can separate the lease components from the non-lease components of the contract and treat them separately. The rental payments stipulated in the contract must be separated between the lease components and the non-lease components based on their individual prices (as directly indicated in the contract or estimated on the basis on all of the observable information). If the lessee cannot separate the lease components from the non-lease components (or services), the entire contract is treated as a lease.

LEASE TERM**Definition of the lease term**

The lease period to be applied in determining the rental payments to be discounted matches the non-cancellable period of the lease adjusted for:

- options to extend the contract that the lessee is reasonably certain to exercise;
- and early termination options that the lessee is reasonably certain not to exercise.



* if the lessee is reasonably certain to exercise that option

** if the lessee is reasonably certain not to exercise that option

The measurement of the reasonable certainty of exercising or not exercising the extension or early termination options shall take into account all the facts and circumstances that may create an economic incentive to exercise or not these options, specifically:

- the conditions for exercising these options (including measurement of the amount of the rental payments in case of an extension, or of the amount of penalties that may be imposed for early termination);
- substantial changes made to the leased premises (specific layouts, such as a bank vault);
- the costs associated with terminating the contract (negotiation costs, moving costs, research costs for a new asset that meets the lessee's requirements, etc.);
- the importance of the leased asset for the lessee, in view of its specific nature, its location, or the availability of substitute assets (specifically for branches located in commercially strategic sites, given their accessibility, expected traffic, or the prestige of the location);
- the history of renewals of similar contracts, as well as the strategy for the future use of the assets (based on the prospect of redeployment or rearrangement of a commercial branch network, for example).

When the lessee and the lessor each have the right to terminate the lease without the prior agreement of the other party and with no penalty other than a negligible one, the contract is no longer binding, and thus it no longer creates a lease liability.

In France, the majority of property leases contracted are nine-year commercial leases with early termination options at three and six years (so-called "3/6/9" leases). If a new contract is not signed by the end of that nine-year period, the initial lease is automatically extended. These "3/6/9" commercial leases are generally enforceable for a term of nine years, with an initial three-year non-cancellation period.

Changing the lease term

The term must be modified in case of a change of circumstances which lead the lessee to revise the exercise of the options included in the lease contract or in case of events which contractually oblige the lessee to exercise (or not) an option that had not been included (or is included) in the lease contract.

Following a change in the lease term, the lease obligation must be reassessed to reflect those changes by using a revised discount rate for the remaining estimated term of the contract.

ACCOUNTING TREATMENT BY THE GROUP AS A LESSEE

On the commencement date (on which the leased asset is made available for use), the lessee must record a lease liability on the liabilities side of the balance sheet and a right-of-use asset on the assets side of the balance sheet except for the exemptions described below.

In the income statement, the lessee must recognise an interest expense calculated on the lease liability under net banking income and a depreciation of the right-of-use under *Amortisation, depreciation and impairment of tangible and intangible fixed assets*.

The rental payments will partly reduce the lease liability and partly remunerate this liability in the form of interest expense.

Exemptions and exclusions

The Group does not apply the new lease treatment to contracts with a term of less than one year (including renewal options), nor to contracts on low-value items by applying the exemption threshold of USD 5,000 as indicated in the standard's Basis for Conclusions (the threshold should be measured against the replacement cost per unit of the leased asset).

Rental payment amounts

The payments to be considered for the measurement of the lease liability include fixed and variable rental payments based on an index (e.g. consumer price index or construction cost index), plus, where applicable, the funds that the lessee expects to pay the lessor for residual value guarantees, purchase options, or early termination penalties.

However, variable lease payments that are indexed on the use of the leased asset (indexed on revenue or mileage, for example) are excluded from the measurement of lease liability. This variable portion of the rental payments is recorded in the net income over time according to fluctuations in contractual indexes fluctuations.

Rental payments have to be considered based on their amount net of value-added tax. In addition, for building leases, occupancy taxes and property taxes passed on by lessors will be excluded from lease liabilities because their amount, as set by the competent public authorities, is variable.

Recognition of the lease liability

The liability initial amount is equal to the discounted value of the rental payments that will be payable over the lease period.

This lease liability is then measured at the amortised cost using the effective interest rate method: part of each rental payment will then be booked as interest expenses in the income statement, and part will be gradually deducted from the lease liability on the balance sheet.

After the commencement date, the amount of the lease liability may be adjusted if the lease is amended, the lease period is re-estimated, or to account for contractual changes in the rental payments related to the application of indices or rates.

As applicable, the lessee must also recognise a provision in its liabilities to cover the costs of restoring the leased asset that would be assumed when the lease ends.

Recognition of the right-of-use

On the availability date of the leased asset, the lessee must enter a right-of-use asset, on the assets side of the balance sheet, for an amount equal to the initial value of the lease liability, plus, as applicable, initial direct costs (e.g. issuance of an authenticated lease, registration fees, negotiation fees, front-end fee, leasehold right, lease premium, etc.), advance payments, and restoration costs.

This asset is then depreciated on a straight-line basis over the lease period that is applied for measuring the lease liability.

After the commencement date, the asset's value may be adjusted if the lease is amended, as it is the case for the lease liability.

Rights-of-use are presented on the lessee's balance sheet under the items of fixed assets where properties of the same type that are held in full ownership are entered. If the lease stipulates the initial payment of a leasehold right to the former tenant of the premises, the amount of that right is stated as a separate component of the right of use and presented under the same heading as the latter.

Lease discount rates

The Group uses the lessees' incremental borrowing rate to discount the rental payments as well as the amount of lease liabilities. For the entities which can directly refinance themselves on their local markets, the incremental borrowing rate is set at the lessee entity level, not at the Group level, in consideration of the borrowing terms and that entity's credit risk. For the entities which refinance themselves through the Group, the incremental borrowing rate is set by the Group.

The discount rates are set according to the currency, the country of the lessee entities and the maturity estimated of the contracts.





CHANGES IN TANGIBLE AND INTANGIBLE FIXED ASSETS

(In EURm)	31.12.2018	Impacts of the first application of IFRS 16	Increases/ allowances	Disposals/ reversals	Other movements	31.12.2019
Intangible Assets						
Gross value	6,763	(107)	922	(91)	(247)	7,240
Amortisation and impairment	(4,565)	-	(496)	34	150	(4,877)
SUB-TOTAL	2,198	(107)	426	(57)	(97)	2,363
Tangible Assets (excluding assets under operating leases)						
Gross value	11,051	(11)	791	(403)	13	11,441
Depreciation and impairment	(6,113)	4	(563)	234	87	(6,351)
SUB-TOTAL	4,938	(7)	228	(169)	100	5,090
Assets under operating leases						
Gross value	26,781	-	10,224	(7,967)	(462)	28,576
Depreciation and impairment	(7,183)	-	(3,819)	3,113	362	(7,527)
SUB-TOTAL	19,598	-	6,405	(4,854)	(100)	21,049
Investment Property						
Gross value	40	-	1	(1)	(7)	33
Depreciation and impairment	(23)	-	(1)	1	3	(20)
SUB-TOTAL	17	-	-	-	(4)	13
Rights-of-use						
Gross value		2,129	513	(40)	(65)	2,537
Depreciation and impairment		(4)	(404)	10	(2)	(400)
SUB-TOTAL		2,125	109	(30)	(67)	2,137
TOTAL TANGIBLE AND INTANGIBLE FIXED ASSETS	26,751	2,011	7,168	(5,110)	(168)	30,652

BREAKDOWN OF MINIMUM PAYMENTS RECEIVABLE ON OPERATING LEASE ASSETS

(In EURm)	31.12.2019	31.12.2018
Payments due in less than one year	3,976	3,625
Payments due in 1-5 years	16,230	17,077
Payments due in more than five years	120	787
TOTAL	20,326	21,489

INFORMATION RELATIVE TO LEASES ON TANGIBLE ASSETS USED BY THE GROUP

   	Property Leases <p>Most of the leases (>90%) involve building leases contracted for the lease of commercial and office space:</p> <ul style="list-style-type: none"> ■ the commercial spaces are branches in the Group's French and international retail banking networks; ■ the office buildings are leased for certain departments reporting to the Group's French headquarters or the local head offices of the main foreign subsidiaries, and for certain locations in the main international financial centres: London, New York, Hong Kong... <p>Outside France, residual lease periods are generally below 10 years. In some countries, such as Russia, leases can be annual, with optional automatic renewal. In other locations, specifically London and New York, lease periods can be as long as 25 years.</p>
	Equipment Leases <p>Other leases (<10%) are mainly computer equipment leases and a very small percentage of vehicle leases.</p>

OVERVIEW TABLE OF LEASE TRANSACTION COSTS AND SUBLEASE INCOME

(In EURm)	31.12.2019			
	Real estate	IT	Others	Total
Lease	(522)	(33)	(11)	(566)
Interest expenses on lease liabilities	(43)	-	-	(43)
Allocation to depreciation for rights-of-use	(369)	(29)	(6)	(404)
Expense relating to short-term leases	(106)	-	(4)	(110)
Expense relating to leases of low-value assets	(3)	(4)	(1)	(8)
Expense relating to variable lease payments	(1)	-	-	(1)
Sublease income	16	-	-	16

NOTE 8.5 Foreign exchange transactions**ACCOUNTING PRINCIPLES**

At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the entity's functional currency at the prevailing spot exchange rate. Realised or unrealised foreign exchange losses or gains are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1).

Forward foreign exchange transactions are recognised at fair value based on the forward exchange rate for the remaining maturity. Spot foreign exchange positions are valued using the official spot rates prevailing at the end of the period. Unrealised gains and losses are recognised in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss* (see Note 3.1), except when hedge accounting is applied to a cash-flow hedge transaction or to a hedge of a net investment in a foreign currency operation (see Note 3.2).

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at fair value (in particular, shares and other equity instruments) are translated into the entity's functional currency at the prevailing spot exchange rate. Foreign exchange losses or gains are recognised either in the income statement under *Net gains and losses on financial instruments at fair value through profit or loss*, or under other comprehensive income (*Unrealised and deferred gains and losses*), depending on the accounting of the gains or losses relative to these assets/liabilities.

At the balance sheet date, non-monetary assets and liabilities denominated in foreign currencies measured at historical cost are translated into the entity's functional currency at the historical exchange rate on initial recognition.

	31.12.2019				31.12.2018*			
	Assets	Liabilities	Currencies to be received	Currencies to be delivered	Assets	Liabilities	Currencies to be received	Currencies to be delivered
(In EURm)								
EUR	830,196	840,597	24,494	29,622	764,581	793,962	28,393	32,198
USD	261,475	261,060	32,327	30,016	267,706	267,972	40,478	41,614
GBP	48,726	49,993	27,307	13,249	41,622	38,302	28,709	10,159
JPY	56,708	55,511	19,896	25,732	63,491	57,288	24,519	33,531
AUD	3,968	5,418	6,564	5,676	5,228	6,763	7,797	6,707
CZK	36,283	35,829	340	485	35,517	35,069	208	783
RUB	13,726	10,771	186	340	11,604	7,446	113	90
RON	5,984	8,070	122	87	8,156	7,859	56	49
Other currencies	99,237	89,054	18,000	18,938	111,523	94,767	24,179	18,479
TOTAL	1,356,303	1,356,303	129,236	124,145	1,309,428	1,309,428	154,452	143,610

* Amounts restated compared with the published consolidated statements for the year-ended 31st December 2018.

NOTE 8.6 Companies included in the consolidation scope

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
South Africa							
	(1)	SG JOHANNESBURG	Bank	FULL	100	100	100
Albania							
	(4)	BANKA SOCIETE GENERALE ALBANIA SH.A.	Bank	FULL	0	88.89	0
Algeria							
		ALD AUTOMOTIVE ALGÉRIE SPA	Specialist Financing	FULL	79.81	79.81	99.99
		SOCIÉTÉ GÉNÉRALE ALGÉRIE	Bank	FULL	100	100	100
Germany							
	(2)	AKRUN EINS GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH & CO. OBJEKT SEREN 1 KG	Real Estate and Real Estate Financing	FULL	0	100	0
		ALD AUTOLEASING D GMBH	Specialist Financing	FULL	79.82	79.82	100
		ALD INTERNATIONAL GMBH	Specialist Financing	FULL	79.82	79.82	100
		ALD INTERNATIONAL GROUP HOLDINGS GMBH	Specialist Financing	FULL	79.82	79.82	100
		ALD LEASE FINANZ GMBH	Specialist Financing	FULL	100	100	100
		BANK DEUTSCHES KRAFTFAHRZEUGGEWERBE GMBH	Specialist Financing	FULL	99.94	99.93	51
		BDK LEASING UND SERVICE GMBH	Specialist Financing	FULL	100	100	100
		CAR PROFESSIONAL FUHRPARKMANAGEMENT UND BERATUNGSGESELLSCHAFT MBH & CO. KG	Specialist Financing	FULL	79.82	79.82	100
		CARPOOL GMBH	Broker	FULL	79.82	79.82	100
	(2)	EUROPARC DREILINDEN GMBH	Group Real Estate Management Company	FULL	0	100	0
	(2)	EUROPARC GMBH	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	EUROPARC KERPEN GMBH	Group Real Estate Management Company	FULL	0	100	0
		GEFA BANK GMBH	Specialist Financing	FULL	100	100	100
		GEFA VERSICHERUNGSDIENST GMBH	Specialist Financing	EFS	100	100	100
		HANSEATIC BANK GMBH & CO KG	Specialist Financing	FULL	75	75	75
		HANSEATIC GESELLSCHAFT FUR BANKBETEILIGUNGEN MBH	Portfolio Management	FULL	75	75	100
		HSCE HANSEATIC SERVICE CENTER GMBH	Services	FULL	75	75	100
		INTERLEASING DELLO HAMBURG GMBH	Specialist Financing	FULL	79.82	79.82	100
	(1)(6)	LYXOR INTERNATIONAL ASSET MANAGEMENT GERMANY	Financial Company	FULL	100	0	100
	(4)	PEMA GMBH	Specialist Financing	FULL	0	100	0
	(2)	PODES DREI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 4 KG	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	PODES GRUNDSTUCKS - VERMIETUNGSGESELLSCHAFT MBH & CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	PODES ZWEI GRUNDSTUCKS-VERMIETUNGSGESELLSCHAFT MBH &CO OBJEKTE WEL 3 KG	Real Estate and Real Estate Financing	FULL	0	100	0
	(2)	RED & BLACK AUTO GERMANY 3 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	0	99.93	0
		RED & BLACK AUTO GERMANY 4 UG (HAFTUNGSBESCHRANKT)	Financial Company	FULL	100	100	100
		RED & BLACK AUTO GERMANY 5 UG (HAFTUNGSBESCHRANKT)	Specialist Financing	FULL	100	100	100
	(6)	RED & BLACK AUTO GERMANY 6 UG	Financial Company	FULL	100	0	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SG EQUIPMENT FINANCE GMBH	Specialist Financing	FULL	100	100	100	100
	(5) SG EQUIPMENT FINANCE INTERNATIONAL GMBH	Specialist Financing	FULL	0	100	0	100
	(1) SG FRANCFORT	Bank	FULL	100	100	100	100
	SOCIETE GENERALE EFFETEN GMBH	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES GMBH	Specialist Financing	FULL	100	100	100	100
	(1) SOGECAP DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
	(1) SOGESSUR DEUTSCHE NIEDERLASSUNG	Insurance	FULL	100	100	100	100
Australia							
	SOCIETE GENERALE SECURITIES AUSTRALIA PTY LTD	Broker	FULL	100	100	100	100
	(1)(6) SOCIETE GENERALE SYDNEY BRANCH	Bank	FULL	100	0	100	0
Austria							
	ALD AUTOMOTIVE FUHRPARKMANAGEMENT UND LEASING GMBH	Specialist Financing	FULL	79.82	79.82	100	100
	(1) SG VIENNE	Bank	FULL	100	100	100	100
Belgium							
	AXUS FINANCE SPRL	Specialist Financing	FULL	79.82	79.82	100	100
	AXUS SA/NV	Specialist Financing	FULL	79.82	79.82	100	100
	BASTION EUROPEAN INVESTMENTS S.A.	Financial Company	FULL	60.74	60.74	100	100
	PARCOURS BELGIUM	Specialist Financing	FULL	79.82	79.82	100	100
	(4) PEMA TRUCK TRAILER VERHUUR	Specialist Financing	FULL	0	100	0	100
	(1) SG BRUXELLES	Bank	FULL	100	100	100	100
	(1) SG EQUIPMENT FINANCE BENELUX B.V. BELGIAN BRANCH	Specialist Financing	FULL	100	100	100	100
	(2) SOCIÉTÉ GÉNÉRALE DE FINANCEMENT	Financial Company	FULL	0	100	0	100
	SOCIÉTÉ GÉNÉRALE IMMOBEL	Financial Company	FULL	100	100	100	100
	(4) SOCIÉTÉ GÉNÉRALE PRIVATE BANKING NV/SA	Bank	FULL	0	100	0	100
Benin							
	SOCIETE GENERALE BENIN	Bank	FULL	93.43	90.98	94.1	91.65
Bermuda							
	CATALYST RE INTERNATIONAL LTD.	Insurance	FULL	100	100	100	100
Brazil							
	ALD AUTOMOTIVE S.A.	Specialist Financing	FULL	79.82	79.82	100	100
	BANCO SOCIETE GENERALE BRASIL S.A.	Bank	FULL	100	100	100	100
	(2) MORDENO SOCIEDADES ANONIMAS	Financial Company	FULL	0	100	0	100
	SG EQUIPMENT FINANCE S.A. ARRENDAMENTO MERCANTIL	Specialist Financing	FULL	100	100	100	100
Bulgaria							
	(4) REGIONAL URBAN DEVELOPMENT FUND	Specialist Financing	FULL	0	51.86	0	52
	(4) SG EXPRESS BANK	Bank	FULL	0	99.74	0	99.74
	(4) SOCIETE GENERALE FACTORING EOOD	Specialist Financing	FULL	0	99.74	0	100
	(4) SOGELEASE BULGARIA	Specialist Financing	FULL	0	99.74	0	100
Burkina Faso							
	SOCIETE GENERALE BURKINA FASO	Bank	FULL	51.27	51.27	52.61	52.61
Cayman Islands							
	AEGIS HOLDINGS (OFFSHORE) LTD.	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE (NORTH PACIFIC) LTD	Bank	FULL	100	100	100	100
Cameroon							
	SOCIETE GENERALE CAMEROUN	Bank	FULL	58.08	58.08	58.08	58.08

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
Canada							
	KLEINWORT BENSON INTERNATIONAL TRUSTEES LIMITED	Bank	FULL	100	100	100	100
	SG CONSTELLATION CANADA LTD.	Specialist Financing	FULL	100	100	100	100
(1)	SOCIETE GENERALE (CANADA BRANCH)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE (CANADA)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE CAPITAL CANADA INC	Broker	FULL	100	100	100	100
China							
	ALD FORTUNE AUTO LEASING & RENTING SHANGHAI CO. LTD	Specialist Financing	ESI	39.91	39.91	50	50
	SOCIETE GENERALE (CHINA) LIMITED	Bank	FULL	100	100	100	100
	SOCIETE GENERALE LEASING AND RENTING CO. LTD	Specialist Financing	FULL	100	100	100	100
Congo							
(6)	SOCIETE GENERALE CONGO	Bank	FULL	93.47	0	93.47	0
South Korea							
	SG SECURITIES KOREA CO. LTD	Broker	FULL	100	100	100	100
(1)	SG SEOUL	Bank	FULL	100	100	100	100
Ivory Coast							
	SOCIETE GENERALE CAPITAL SECURITIES WEST AFRICA	Portfolio Management	FULL	71.25	71.25	99.98	99.98
	SOCIETE GENERALE COTE D'IVOIRE	Bank	FULL	73.25	73.25	73.25	73.25
Croatia							
	ALD AUTOMOTIVE D.O.O. ZA. OPERATIVNI I FINANCIJSKI LEASING	Specialist Financing	FULL	79.82	79.82	100	100
	ALD FLEET SERVICES D.O.O ZA TRGOVINU I USLUGE	Specialist Financing	FULL	79.82	79.82	100	100
Curaçao							
	SGA SOCIETE GENERALE ACCEPTANCE N.V	Financial Company	FULL	100	100	100	100
Denmark							
	ALD AUTOMOTIVE A/S	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET A/S	Specialist Financing	FULL	63.85	63.85	80	80
(4)	PEMA LAST OG- TRAILERUDLEJNING A/S	Specialist Financing	FULL	0	100	0	100
(1)	SG FINANS AS DANISH BRANCH	Specialist Financing	FULL	100	100	100	100
United Arab Emirates							
(1)	SOCIETE GENERALE DUBAI	Bank	FULL	100	100	100	100
Spain							
	ALD AUTOMOTIVE S.A.U	Specialist Financing	FULL	79.82	79.82	100	100
	ALTURA MARKETS. SOCIEDAD DE VALORES. SA	Broker	EJV	50	50	50	50
(1)	GENEFIM SUCURSAL EN ESPANA	Real Estate and Real Estate Financing	FULL	100	100	100	100
	REFLEX ALQUILER FLEXIBLE DE VEHICULOS	Specialist Financing	FULL	79.82	79.82	100	100
(4)	SELF TRADE BANK SA	Broker	FULL	0	100	0	100
	SG EQUIPMENT FINANCE IBERIA. E.F.C. S.A.	Specialist Financing	FULL	100	100	100	100
(6)	SOCGEN FINANCIACIONES IBERIA. S.L.	Bank	FULL	100	0	100	0
	SOCGEN INVERSIONES FINANCIERAS SA	Financial Company	FULL	100	100	100	100
(1)	SOCIETE GENERALE SUCCURSAL EN ESPANA	Bank	FULL	100	100	100	100
	SODEPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
Estonia							
	ALD AUTOMOTIVE EESTI AS	Specialist Financing	FULL	59.87	59.87	75.01	75.01

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
United States of America							
	AEGIS HOLDINGS (ONSHORE) INC.	Financial Company	FULL	100	100	100	100
(2)	CGI FINANCE INC	Financial Company	FULL	0	99.89	0	100
(8)	CGI NORTH AMERICA INC.	Specialist Financing	FULL	99.78	99.89	100	100
(2)	CLASSIC YACHT DOCUMENTATION. INC.	Services	FULL	0	99.89	0	100
	LYXOR ASSET MANAGEMENT HOLDING CORP.	Portfolio Management	FULL	100	100	100	100
	LYXOR ASSET MANAGEMENT INC.	Financial Company	FULL	100	100	100	100
	SG AMERICAS EQUITIES CORP.	Financial Company	FULL	100	100	100	100
	SG AMERICAS OPERATIONAL SERVICES. INC.	Services	FULL	100	100	100	100
	SG AMERICAS SECURITIES HOLDINGS. LLC	Bank	FULL	100	100	100	100
	SG AMERICAS SECURITIES. LLC	Broker	FULL	100	100	100	100
	SG AMERICAS. INC.	Financial Company	FULL	100	100	100	100
	SG CONSTELLATION. INC.	Financial Company	FULL	100	100	100	100
	SG EQUIPMENT FINANCE USA CORP.	Specialist Financing	FULL	100	100	100	100
	SG MORTGAGE FINANCE CORP.	Financial Company	FULL	100	100	100	100
	SG MORTGAGE SECURITIES. LLC	Portfolio Management	FULL	100	100	100	100
(2)	SG REINSURANCE INTERMEDIARY BROKERAGE. LLC	Insurance	FULL	0	100	0	100
	SG STRUCTURED PRODUCTS. INC.	Specialist Financing	FULL	100	100	100	100
(5)	SGAIF. LLC	Financial Company	FULL	0	100	0	100
	SGAIH. INC.	Financial Company	FULL	100	100	100	100
(8)	SGB FINANCE NORTH AMERICA INC.	Specialist Financing	FULL	50.94	50.94	100	100
(1)	SOCIETE GENERALE (NEW YORK)	Bank	FULL	100	100	100	100
(5)	SOCIETE GENERALE ENERGY LLC	Financial Company	FULL	0	100	0	100
	SOCIETE GENERALE FINANCIAL CORPORATION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE INVESTMENT CORPORATION	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE LIQUIDITY FUNDING. LLC	Financial Company	FULL	100	100	100	100
(2)	TENDER OPTION BOND PROGRAM (TAXABLE AND TAX-EXEMPT)	Financial Company	FULL	0	100	0	100
Finland							
	AXUS FINLAND OY	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET OY	Specialist Financing	FULL	63.85	63.85	80	80
France							
	29 HAUSSMANN ÉQUILIBRE	Portfolio Management	FULL	87.1	87.1	87.1	87.1
	29 HAUSSMANN EURO RDT	Portfolio Management	FULL	58.1	58.1	58.1	58.1
	29 HAUSSMANN SÉLECTION MONDE	Portfolio Management	FULL	68.7	68.7	68.7	68.7
(2)	9 RUE DES BIENVENUS	Real Estate and Real Estate Financing	FULL	0	95.5	0	100
	AIR BAIL	Specialist Financing	FULL	100	100	100	100
	AIX - BORD DU LAC - 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
	AIX - BORD DU LAC - 4	Real Estate and Real Estate Financing	EJV	50	50	50	50
	ALD	Specialist Financing	FULL	79.82	79.82	79.82	79.82
	ALD AUTOMOTIVE RUSSIE SAS	Specialist Financing	FULL	79.82	79.82	100	100
(6)	ALFORTVILLE BAIGNADE	Real Estate and Real Estate Financing	ESI	40	0	40	0

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(5)	ALPRIM	Real Estate and Real Estate Financing	0	100	0	100
	AMPERIM	Real Estate and Real Estate Financing	50	50	50	50
(6)	ANNEMASSE-ILOT BERNARD	Real Estate and Real Estate Financing	40	0	40	0
	ANTALIS SA	Financial Company	100	100	100	100
	ANTARES	Real Estate and Real Estate Financing	45	45	45	45
	ANTARIUS	Insurance	100	100	100	100
	ARTISTIK	Real Estate and Real Estate Financing	30	30	30	30
	AVIVA INVESTORS RÉSERVE EUROPE	Financial Company	69.35	69.35	69.35	69.35
	BANQUE COURTOIS	Bank	100	100	100	100
	BANQUE FRANÇAISE COMMERCIALE OCÉANE INDIEN	Bank	50	50	50	50
	BANQUE KOLB	Bank	99.97	99.97	99.97	99.97
	BANQUE LAYDERNIER	Bank	100	100	100	100
	BANQUE NUGER	Bank	100	100	100	100
	BANQUE POUYANNE	Bank	35	35	35	35
	BANQUE RHÔNE ALPES	Bank	99.99	99.99	99.99	99.99
	BANQUE TARNEAUD	Bank	100	100	100	100
(6)	BAUME LOUBIÈRE	Real Estate and Real Estate Financing	40	0	40	0
(6)	BERLIOZ	Insurance	84.05	0	84.05	0
	BOURSORAMA INVESTISSEMENT	Services	100	100	100	100
	BOURSORAMA SA	Broker	100	100	100	100
	BREMAN LEASE SAS	Specialist Financing	79.82	79.82	100	100
	CARBURAUTO	Group Real Estate Management Company	50	50	50	50
	CARRERA	Group Real Estate Management Company	50	50	50	50
	CENTRE IMMO PROMOTION	Real Estate and Real Estate Financing	60	60	60	60
	CHARTREUX LOT A1	Real Estate and Real Estate Financing	100	100	100	100
	CHEMIN DES COMBES	Real Estate and Real Estate Financing	100	95.5	100	100
	COMPAGNIE FINANCIÈRE DE BOURBON	Specialist Financing	99.99	99.99	100	100
	COMPAGNIE FONCIÈRE DE LA MÉDITERRANÉE (CFM)	Group Real Estate Management Company	100	100	100	100
	COMPAGNIE GÉNÉRALE DE LOCATION D'ÉQUIPEMENTS	Specialist Financing	99.89	99.89	99.89	99.89
	CONTE	Group Real Estate Management Company	50	50	50	50
	CRÉDIT DU NORD	Bank	100	100	100	100
	DARWIN DIVERSIFIÉ 0-20	Portfolio Management	89.94	89.94	89.94	89.94
	DARWIN DIVERSIFIÉ 40-60	Portfolio Management	79.78	79.78	79.78	79.78
	DARWIN DIVERSIFIÉ 80-100	Portfolio Management	78.34	78.34	78.34	78.34
	DESCARTES TRADING	Financial Company	100	100	100	100
(2)	DESSUARD	Real Estate and Real Estate Financing	0	40	0	40

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(6)	DISPONIS	Specialist Financing	FULL	99.99	99.99	100	100
	ESNI - COMPARTIMENT SG-CREDIT CLAIMS -1	Financial Company	FULL	100	100	100	100
	ÉTOILE CLIQUET 90	Financial Company	FULL	73.52	73.52	73.52	73.52
	ÉTOILE ID	Financial Company	FULL	100	100	100	100
	ÉTOILE MULTI GESTION EUROPE-C	Insurance	FULL	51.59	51.59	51.59	51.59
	ÉTOILE VALEURS MOYENNES-C	Insurance	FULL	61.09	61.09	61.09	61.09
	F.E.P. INVESTISSEMENTS	Real Estate and Real Estate Financing	FULL	80	80	100	100
	FCC ALBATROS	Portfolio Management	FULL	100	100	51	51
	FEEDER LYX E ST50 D5	Portfolio Management	FULL	100	100	100	100
	FEEDER LYX E ST50 D6	Portfolio Management	FULL	100	100	100	100
	FEEDER LYX E ST50 D9	Financial Company	FULL	99.98	0	99.98	0
	FEEDER LYXOR CAC 40	Financial Company	FULL	99.77	99.77	99.77	99.77
	FEEDER LYXOR CAC40 D2-EUR	Portfolio Management	FULL	100	100	100	100
	FEEDER LYXOR STOXX 50	Financial Company	FULL	100	100	100	100
	FENWICK LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	FINANCIÈRE PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
	FINANCIÈRE UC	Real Estate and Real Estate Financing	FULL	100	100	100	100
	FINASSURANCE SNC	Insurance	FULL	98.89	98.89	99	99
	FRANFINANCE	Specialist Financing	FULL	99.99	99.99	99.99	99.99
	FRANFINANCE LOCATION	Specialist Financing	FULL	99.99	99.99	100	100
	GALYBET	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEBANQUE	Bank	FULL	100	100	100	100
	GENECAL FRANCE	Specialist Financing	FULL	100	100	100	100
	GENECAR - SOCIETE GENERALE DE COURTAGE D'ASSURANCE ET DE REASSURANCE	Insurance	FULL	100	100	100	100
	GENECOMI FRANCE	Specialist Financing	FULL	99.64	99.64	99.64	99.64
	GENEFIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	GENEFINANCE	Portfolio Management	FULL	100	100	100	100
	GENEGIS I	Group Real Estate Management Company	FULL	100	100	100	100
	GENEGIS II	Group Real Estate Management Company	FULL	100	100	100	100
	GENEPIERRE	Real Estate and Real Estate Financing	FULL	49.49	45.08	49.49	45.08
	GENEVALMY	Group Real Estate Management Company	FULL	100	100	100	100
	ÎLOT AB	Real Estate and Real Estate Financing	ESI	40	0	40	0
	IMAPRIM AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	70	70	70	70
IMMOBILIÈRE PROMEX	Real Estate and Real Estate Financing	ESI	35	35	35	35	

Country	Activity	Method*	Group ownership interested		Group voting interested	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(1)(4) INORA LIFE FRANCE	Insurance	FULL	0	100	0	100
(5) INTER EUROPE CONSEIL	Financial Company	FULL	0	100	0	100
INVESTIR IMMOBILIER NORMANDIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
INVESTISSEMENT 81	Financial Company	FULL	100	100	100	100
(6) JSJ PROMOTION	Real Estate and Real Estate Financing	ESI	45	0	45	0
KOLB INVESTISSEMENT	Financial Company	FULL	100	100	100	100
(4) LA BANQUE POSTALE FINANCEMENT	Specialist Financing	ESI	0	35	0	35
LA CORBEILLERIE	Real Estate and Real Estate Financing	ESI	24	24	40	40
(5) LA CROIX BOISÉE	Real Estate and Real Estate Financing	FULL	0	100	0	100
LA FONCIÈRE DE LA DÉFENSE	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100
LES ALLÉES DE L'EUROPE	Real Estate and Real Estate Financing	ESI	34	34	34	34
LES CÈDRES BLEUS	Real Estate and Real Estate Financing	ESI	40	40	40	40
LES JARDINS D'ALHAMBRA	Real Estate and Real Estate Financing	ESI	35	35	35	35
LES JARDINS DE L'ALCAZAR	Real Estate and Real Estate Financing	ESI	30	30	30	30
LES MÉSANGES	Real Estate and Real Estate Financing	FULL	55	55	55	55
(6) LES TROIS LUCS 13012	Real Estate and Real Estate Financing	FULL	90.89	0	100	0
LES VILLAS VINCENTI	Real Estate and Real Estate Financing	ESI	30	30	30	30
L'HESPEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
LOTISSEMENT DES FLEURS	Real Estate and Real Estate Financing	ESI	30	30	30	30
LYON LA FABRIC	Real Estate and Real Estate Financing	EJV	50	48.87	50	50
LYXOR ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
LYXOR GL OVERLAY F	Portfolio Management	FULL	87.27	87.27	87.27	87.27
LYXOR INTERMÉDIATION	Broker	FULL	100	100	100	100
LYXOR INTERNATIONAL ASSET MANAGEMENT	Financial Company	FULL	100	100	100	100
(6) LYXOR SKYFALL FUND	Insurance	FULL	88.98	0	88.98	0
MÉDITERRANÉE GRAND ARC	Real Estate and Real Estate Financing	EJV	43	43	50	50
NORBAIL IMMOBILIER	Real Estate and Real Estate Financing	FULL	100	100	100	100
NORBAIL SOFERGIE	Real Estate and Real Estate Financing	FULL	100	100	100	100
NORMANDIE RÉALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method*	Group ownership interested		Group voting interested	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	ONYX	Group Real Estate Management Company	EJV	50	50	50	50
	OPCI SOGECAPIMMO	Real Estate and Real Estate Financing	FULL	100	100	100	100
	OPERA 72	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	ORADEA VIE	Insurance	FULL	100	100	100	100
	ORPAVIMOB	Specialist Financing	FULL	100	100	100	100
	PACTIMO	Real Estate and Real Estate Financing	FULL	86	86	86	86
	PARCOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS ANNECY	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS BORDEAUX	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS IMMOBILIER	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS NANTES	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS STRASBOURG	Specialist Financing	FULL	79.82	79.82	100	100
	PARCOURS TOURS	Specialist Financing	FULL	79.82	79.82	100	100
	PAREL	Services	FULL	100	100	100	100
	PHILIPS MÉDICAL CAPITAL FRANCE	Specialist Financing	FULL	60	60	60	60
	PRAGMA	Real Estate and Real Estate Financing	FULL	86	86	100	100
	PRIORIS	Specialist Financing	FULL	94.89	94.89	95	95
	PROGEREAL SA	Real Estate and Real Estate Financing	ESI	25.01	25.01	25.01	25.01
	PROJECTIM	Real Estate and Real Estate Financing	FULL	60	60	60	60
	RED & BLACK CONSUMER FRANCE 2013	Financial Company	FULL	100	100	100	100
	RED & BLACK HOME LOANS FRANCE 1	Financial Company	FULL	100	100	100	100
	RIVAPRIM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	RIVAPRIM RÉALISATIONS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI DU DOMAINE DE STONEHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAGEMCOM LEASE	Specialist Financing	FULL	99.99	99.99	100	100
	SAINT CLAIR	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SAINTE-MARTHE ÎLOT C	Real Estate and Real Estate Financing	ESI	40	0	40	0
(6)	SAINTE-MARTHE ÎLOT D	Real Estate and Real Estate Financing	ESI	40	0	40	0
	SAINT-MARTIN 3	Real Estate and Real Estate Financing	EJV	50	50	50	50
(8)	SARL CS 72 - KERIADENN	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5

Country		Activity	Method*	Group ownership interested		Group voting interested	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SARL D'AMÉNAGEMENT DU MARTINET	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SARL DE LA COTE D'OPALE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SARL DE LA VECQUERIE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SARL EKO BOUAYE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SARL SEINE CLICHY	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS AMIENS - AVENUE DU GENERAL FOY	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SAS COPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS ECULLY SO'IN	Real Estate and Real Estate Financing	FULL	75	71.62	75	75
	SAS FOCH SULLY	Real Estate and Real Estate Financing	FULL	90	87.97	90	90
(8)	SAS LOIRE ATLANTIQUE TERTIAIRE	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAS MÉRIGNAC OASIS URBAINE	Real Estate and Real Estate Financing	FULL	90	90	90	90
	SAS MS FRANCE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SAS NOAHO AMÉNAGEMENT	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
	SAS NORMANDIE HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NORMANDIE RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS NOYALIS	Real Estate and Real Estate Financing	ESI	28	28	28	28
(6)	SAS ODESSA DÉVELOPPEMENT	Real Estate and Real Estate Financing	ESI	49	0	49	0
	SAS PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SAS PROJECTIM IMMOBILIER	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SAS RESIDENCIAL	Real Estate and Real Estate Financing	FULL	68.4	68.4	68.4	68.4
	SAS ROANNE LA TRILOGIE	Real Estate and Real Estate Financing	ESI	41	40.08	41	41
	SAS SOGEBROWN POISSY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SAS SOGEMYSJ	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SAS SOGEPROM TERTIAIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country	Activity	Method*	Group ownership interested		Group voting interested	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SAS SOJEPRIM	Real Estate and Real Estate Financing	80	80	100	100
	SAS TIR A L'ARC AMÉNAGEMENT	Real Estate and Real Estate Financing	40	40	50	50
	SAS TOUR D2	Real Estate and Real Estate Financing	50	50	50	50
	SAS ZAC DU TRIANGLE	Real Estate and Real Estate Financing	51	48.7	51	51
	SC ALICANTE 2000	Group Real Estate Management Company	100	100	100	100
	SC CHASSAGNE 2000	Group Real Estate Management Company	100	100	100	100
	SCCV 282 MONTOLIVET 12	Real Estate and Real Estate Financing	51.6	51.6	60	60
(5)	SCCV 29 ET 31 AVENUE CHARLES DE GAULLE A LA TESTE DE BUCH	Real Estate and Real Estate Financing	0	100	0	100
	SCCV 3 CHÂTEAUX	Real Estate and Real Estate Financing	43	43	50	50
	SCCV ALFORTVILLE MANDELA	Real Estate and Real Estate Financing	49	49	49	49
	SCCV BAHIA	Real Estate and Real Estate Financing	51	48.7	51	51
(5)	SCCV BLAINVILLE LEMARCHAND	Real Estate and Real Estate Financing	0	100	0	100
	SCCV BOIS-GUILLAUME PARC DE HALLEY	Real Estate and Real Estate Financing	50	50	50	50
(4)	SCCV BOURGOIN 140 ROUTE DE LYON	Real Estate and Real Estate Financing	0	78.2	0	80
	SCCV BRON CARAVELLE	Real Estate and Real Estate Financing	50	47.75	50	50
	SCCV CAEN CASERNE MARTIN	Real Estate and Real Estate Financing	100	100	100	100
	SCCV CAEN PANORAMIK	Real Estate and Real Estate Financing	40	40	40	40
	SCCV CHARTREUX LOT C	Real Estate and Real Estate Financing	50	50	50	50
	SCCV CHARTREUX LOT E	Real Estate and Real Estate Financing	100	100	100	100
	SCCV CHARTREUX LOTS B-D	Real Estate and Real Estate Financing	100	100	100	100
	SCCV CITY SQUARE	Real Estate and Real Estate Financing	35	35	35	35
	SCCV CLICHY BRC	Real Estate and Real Estate Financing	50	50	50	50
	SCCV COURS CLÉMENCEAU	Real Estate and Real Estate Financing	28	28	28	28
	SCCV CUGNAUX-LÉO LAGRANGE	Real Estate and Real Estate Financing	43	43	50	50

Country		Activity	Method*	Group ownership interested		Group voting interested	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCCV EKO GREEN CITY	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV EKO PARK OCÉANE	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
(6)	SCCV ÉPRON - ZAC L'ORÉE DU GOLF	Real Estate and Real Estate Financing	FULL	70	0	70	0
	SCCV ESPACES DE DEMAIN	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SCCV ÉTERVILLE ROUTE D'AUNAY	Real Estate and Real Estate Financing	EJV	50	0	50	0
	SCCV EURONANTES 1E	Real Estate and Real Estate Financing	EJV	50	50	50	50
(6)	SCCV FAVERGES	Real Estate and Real Estate Financing	FULL	80	0	80	0
	SCCV GAO	Real Estate and Real Estate Financing	ESI	32.5	32.5	32.5	32.5
	SCCV GIGNAC MOUSSELINE	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
	SCCV GIVORS ROBICHON	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
(2)	SCCV HALLUARD	Real Estate and Real Estate Financing	ESI	0	35	0	35
	SCCV HÉROUVILLE ÎLOT A2	Real Estate and Real Estate Financing	ESI	33.33	33.33	33.33	33.33
	SCCV HOUSE PARK	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV JA LE HAVRE 22 COTY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV JDA OUISTREHAM	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV KYMA MÉRIGNAC	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCCV LA MADELEINE SAINT-CHARLES	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCCV LA PORTE DU CANAL	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV LACASSAGNE BRICKS	Real Estate and Real Estate Financing	ESI	49	49	49	49
	SCCV LE BOUSCAT CARRE SOLARIS	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SCCV LE COURTIL	Real Estate and Real Estate Financing	ESI	35	35	35	35
(2)	SCCV LE SIX	Real Estate and Real Estate Financing	ESI	0	24.5	0	24.5
	SCCV LE TEICH CŒUR DE VILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30

Country		Activity	Method*	Group ownership interested		Group voting interested	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(6)	SCCV LES ÉCRIVAINS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV LES PATIOS D'OR DE FLEURY LES AUBRAIS	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV LES SUCRES	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
	SCCV LESQUIN PARC	Real Estate and Real Estate Financing	EJV	40	40	50	50
	SCCV LILLE - JEAN MACÉ	Real Estate and Real Estate Financing	ESI	26.72	26.72	33.4	33.4
	SCCV LOOS GAMBETTA	Real Estate and Real Estate Financing	ESI	35	0	35	0
	SCCV MARCQ PROJECTIM	Real Estate and Real Estate Financing	FULL	64	64	80	80
	SCCV MEHUL	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
	SCCV MÉRIGNAC 53-55 AVENUE LEON BLUM	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCCV MONROC - LOT 3	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV MONTREUIL ACACIA	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV NATUREO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCCV NICE ARENAS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV NOISY BOISSIÈRE	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV PARIS ALBERT	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCCV PARK OCÉANE II	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV PRADES BLEU HORIZON	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV QUAI DE SEINE A ALFORTVILLE	Real Estate and Real Estate Financing	FULL	51	51	51	51
	SCCV ROMAINVILLE DUMAS	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCCV ROUEN 27 ANGLAIS	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCCV ROUSSET - LOT 03	Real Estate and Real Estate Financing	FULL	60.2	60.2	70	70
	SCCV SAY	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV SENGHOR	Real Estate and Real Estate Financing	ESI	35	35	35	35

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
(6)	SCCV SENSORIUM BUREAUX	Real Estate and Real Estate Financing	EJV	40	0	50	0
(6)	SCCV SENSORIUM LOGEMENT	Real Estate and Real Estate Financing	EJV	40	0	50	0
(6)	SCCV SOGAB ÎLE DE FRANCE	Real Estate and Real Estate Financing	FULL	80	0	80	0
	SCCV SOGAB ROMAINVILLE	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCCV SOGEPROM LYON HABITAT	Real Estate and Real Estate Financing	FULL	100	97.75	100	100
	SCCV SWING RIVE GAUCHE	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCCV TALENCE PUR	Real Estate and Real Estate Financing	FULL	95	95	95	95
	SCCV TASSIN - 190 CDG	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCCV VERNAISON - RAZAT	Real Estate and Real Estate Financing	EJV	50	47.75	50	50
	SCCV VILLA CHANZY	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCCV VILLENAVE D'ORNON GARDEN VO	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SCCV VILLEURBANNE TEMPO	Real Estate and Real Estate Financing	FULL	100	92.8	100	100
	SCI 1134, AVENUE DE L'EUROPE A CASTELNAU LE LEZ	Real Estate and Real Estate Financing	EJV	43	43	50	50
	SCI 637 ROUTE DE FRANS	Real Estate and Real Estate Financing	ESI	30	30	30	30
(2)	SCI ABARITZ	Real Estate and Real Estate Financing	ESI	0	40	0	40
(2)	SCI AGIAN	Real Estate and Real Estate Financing	ESI	0	40	0	40
(2)	SCI ANGLET PROMOTION	Real Estate and Real Estate Financing	ESI	0	38.5	0	38.5
	SCI AQPRIM PROMOTION	Real Estate and Real Estate Financing	FULL	79.8	79.8	50	50
	SCI ASC LA BERGEONNERIE	Real Estate and Real Estate Financing	EJV	42	42	50	50
	SCI AVARICUM	Real Estate and Real Estate Financing	FULL	99	99	99	99
	SCI BOBIGNY HOTEL DE VILLE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI BORDEAUX-20-26 RUE DU COMMERCE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI CENTRE IMMO PROMOTION RÉSIDENCES	Real Estate and Real Estate Financing	FULL	80	80	100	100
(2)	SCI CHARITÉ - GIRANDIÈRE	Real Estate and Real Estate Financing	EJV	0	50	0	50

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
		SCI CHELLES AULNOY MENDES FRANCE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)		SCI DIAGONALE	Real Estate and Real Estate Financing	FULL	0	68	0	75
		SCI DREUX LA ROTULE NORD	Real Estate and Real Estate Financing	FULL	80	80	100	100
		SCI DU 84 RUE DU BAC	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI DU PARC SAINT ÉTIENNE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI ÉTAMPES NOTRE-DAME	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)		SCI ÉTRECHY SAINT NICOLAS	Real Estate and Real Estate Financing	EJV	0	50	0	50
(2)		SCI EUROPARC HAUTE BORNE 1	Real Estate and Real Estate Financing	FULL	0	51	0	51
		SCI EUROPARC ST MARTIN DU TOUCH 2002	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SCI HEGEL PROJECTIM	Real Estate and Real Estate Financing	FULL	68	68	85	85
		SCI LA MANTILLA COMMERCES	Real Estate and Real Estate Financing	FULL	93	93	100	100
		SCI LA MARQUEILLE	Real Estate and Real Estate Financing	EJV	50	50	50	50
		SCI L'ACTUEL	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LAVOISIER	Real Estate and Real Estate Financing	FULL	80	80	80	80
(2)		SCI LE CERCLE DES ARTS	Real Estate and Real Estate Financing	ESI	0	37.5	0	37.5
		SCI LE DOMAINE DU PLESSIS	Real Estate and Real Estate Financing	ESI	20	20	20	20
		SCI LE HAMEAU DES GRANDS PRES	Real Estate and Real Estate Financing	EJV	40	40	40	40
		SCI LE MANOIR DE JÉRÉMY	Real Estate and Real Estate Financing	ESI	40	40	40	40
(8)		SCI LE PARC DE BORDEROUGE	Real Estate and Real Estate Financing	FULL	60	60	60	60
		SCI LES BAIGNOTS	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES CASTELLINES	Real Estate and Real Estate Financing	ESI	30	30	30	30
		SCI LES JARDINS DE LA BOURBRE	Real Estate and Real Estate Financing	ESI	40	40	40	40
		SCI LES JARDINS D'IRIS	Real Estate and Real Estate Financing	FULL	60	60	60	60

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCI LES JARDINS DU BLAVET	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI LES PORTES DU LEMAN	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LES RÉSIDENCES GENEVOISES	Real Estate and Real Estate Financing	FULL	90	90	90	90
	SCI LIEUSAIN RUE DE PARIS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI LINAS CŒUR DE VILLE 1	Real Estate and Real Estate Financing	FULL	70	70	70	70
	SCI LOCMINE- LAMENNAIS	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI L'ORÉE DES LACS	Real Estate and Real Estate Financing	FULL	70	70	70	70
(2)	SCI LYON BON LAIT	Real Estate and Real Estate Financing	ESI	0	35	0	35
(2)	SCI LYON JOANNES	Real Estate and Real Estate Financing	EJV	0	47.8	0	50
(2)	SCI MARSEILLE LE ZÉPHYR	Real Estate and Real Estate Financing	FULL	0	55.9	0	65
	SCI MONTPELLIER JACQUES CŒUR	Real Estate and Real Estate Financing	EJV	43	43	50	50
(2)	SCI PATRIS	Real Estate and Real Estate Financing	EJV	0	25.8	0	30
(2)	SCI PORTU ONDOAN	Real Estate and Real Estate Financing	ESI	0	40	0	40
	SCI PROJECTIM HABITAT	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI PROJECTIM MARCQ CŒUR DE VILLE	Real Estate and Real Estate Financing	FULL	48	48	60	60
	SCI PRONY	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SCI QUINTEFEUILLE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SCI QUINTESSANCE-VALESCURE	Real Estate and Real Estate Financing	EJV	50	50	50	50
(2)	SCI REIMS GARE	Real Estate and Real Estate Financing	FULL	0	100	0	100
	SCI RÉSIDENCE DU DONJON	Real Estate and Real Estate Financing	EJV	40	40	40	40
	SCI RHIN ET MOSELLE 1	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RHIN ET MOSELLE 2	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RIVAPRIM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SCI RIVAPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SCI RSS INVESTIMMO CÔTE BASQUE	Real Estate and Real Estate Financing	ESI	20	20	20	20
(8)	SCI SAINT JEAN	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SCI SAINT OUEEN L'AUMÔNE - L'OISE	Real Estate and Real Estate Financing	EJV	38	38	38	38
	SCI SAINT-DENIS WILSON	Real Estate and Real Estate Financing	FULL	60	60	60	60
	SCI SCS IMMOBILIER D'ENTREPRISES	Real Estate and Real Estate Financing	FULL	52.8	52.8	66	66
	SCI SOGECIP	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGECTIM	Real Estate and Real Estate Financing	FULL	80	80	100	100
	SCI SOGEPROM LYON RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	95.5	100	100
(8)	SCI STRASBOURG ÉTOILE THUMENAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
(8)	SCI STRASBOURG ROUTE DE WASSELONNE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI TERRES NOUVELLES FRANCILIENNES	Real Estate and Real Estate Financing	FULL	80	80	80	80
	SCI TOULOUSE CENTREDA 3	Real Estate and Real Estate Financing	FULL	100	100	100	100
(2)	SCI VAILLANT COUTURIER	Real Estate and Real Estate Financing	ESI	0	25	0	25
(2)	SCI VALENCE-CHAMPS DE MARS	Real Estate and Real Estate Financing	EJV	0	50	0	50
	SCI VELRI	Group Real Estate Management Company	EJV	50	50	50	50
	SCI VILLA ÉMILIE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SCI VITAL BOUHOT 16-22 NEUILLY SUR SEINE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SEFIA	Specialist Financing	FULL	99.89	99.89	100	100
	SERVIPAR	Specialist Financing	FULL	79.82	79.82	100	100
	SG 29 HAUSSMANN	Financial Company	FULL	100	100	100	100
(6)	SG ACTIONS EURO	Insurance	FULL	47.75	0	47.75	0
	SG ACTIONS EURO SÉLECTION	Financial Company	FULL	40.05	40.05	40.05	40.05
	SG ACTIONS EURO VALUE-C	Insurance	FULL	64.94	64.94	64.94	64.94
	SG ACTIONS FRANCE	Portfolio Management	FULL	38.14	38.14	38.14	38.14
	SG ACTIONS LUXE-C	Insurance	FULL	84.25	84.25	84.25	84.25
	SG ACTIONS MONDE EMERGENT	Insurance	FULL	60.05	60.05	60.05	60.05
	SG ACTIONS US	Portfolio Management	FULL	65.06	65.06	65.06	65.06
(6)	SG ACTIONS US TECHNO	Insurance	FULL	85.08	0	85.08	0
	SG CAPITAL DÉVELOPPEMENT	Portfolio Management	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
	(5)	SG EUROPEAN MORTGAGE INVESTMENTS	Financial Company	FULL	0	100	0	100
		SG FINANCIAL SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
		SG FLEXIBLE	Portfolio Management	FULL	92.48	92.48	92.48	92.48
		SG LYXOR GOVERNMENT BOND FUND	Portfolio Management	FULL	100	100	100	100
		SG LYXOR LCR FUND	Portfolio Management	FULL	100	100	100	100
		SG MONE TRESO-E	Insurance	FULL	98.62	98.62	98.62	98.62
		SG MONÉTAIRE PLUS E	Financial Company	FULL	58.93	58.93	58.93	58.93
		SG OBLIG ÉTAT EURO-R	Insurance	FULL	79.94	79.94	79.94	79.94
	(6)	SG OBLIGATIONS	Insurance	FULL	82.92	0	82.92	0
		SG OPCIMMO	Real Estate and Real Estate Financing	FULL	97.95	97.95	97.95	97.95
		SG OPTION EUROPE	Broker	FULL	100	100	100	100
		SG VALOR ALPHA ACTIONS FRANCE	Financial Company	FULL	72.77	72.77	72.77	72.77
		SGB FINANCE S.A.	Specialist Financing	FULL	50.94	50.94	51	51
		SGEF SA	Specialist Financing	FULL	100	100	100	100
		SGI 10-16 VILLE L'ÉVÊQUE	Insurance	FULL	100	100	100	100
		SGI 1-5 ASTORG	Insurance	FULL	100	100	100	100
		SGI HOLDING SIS	Group Real Estate Management Company	FULL	100	100	100	100
		SIG PACIFIC	Insurance	FULL	86.17	86.17	89.53	89.53
		SNC CŒUR 8EME MONPLAISIR	Real Estate and Real Estate Financing	ESI	30	25.5	30	30
		SNC COPRIM RÉSIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SNC D'AMÉNAGEMENT FORUM SEINE ISSY LES MOULINEAUX	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
	(2)	SNC ISSY FORUM 10	Real Estate and Real Estate Financing	EJV	0	33.33	0	33.33
		SNC ISSY FORUM 11	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33
		SNC NEUILLY ÎLE DE LA JATTE	Real Estate and Real Estate Financing	ESI	40	40	40	40
	SNC PROMOSEINE	Real Estate and Real Estate Financing	EJV	33.33	33.33	33.33	33.33	
	SOCIETE ANONYME DE CRÉDIT A L'INDUSTRIE FRANÇAISE (CALIF)	Bank	FULL	100	100	100	100	
	SOCIÉTÉ CIVILE IMMOBILIÈRE CAP THALASSA	Real Estate and Real Estate Financing	ESI	45	45	45	45	
	SOCIÉTÉ CIVILE IMMOBILIÈRE CAP VEYRE	Real Estate and Real Estate Financing	ESI	50	50	50	50	
	SOCIÉTÉ CIVILE IMMOBILIÈRE DE DIANE	Real Estate and Real Estate Financing	ESI	30	30	30	30	
	SOCIÉTÉ CIVILE IMMOBILIÈRE DE PIERLAS	Real Estate and Real Estate Financing	ESI	28	28	28	28	
	SOCIÉTÉ CIVILE IMMOBILIÈRE DES COMBEAUX DE TIGERY	Real Estate and Real Estate Financing	FULL	99.99	99.99	100	100	
	SOCIÉTÉ CIVILE IMMOBILIÈRE DOMAINE DURANDY	Real Estate and Real Estate Financing	ESI	25	25	25	25	

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SOCIÉTÉ CIVILE IMMOBILIÈRE ERICA	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE ESTÉREL TANNERON	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE FONTENAY - ESTIENNES D'ORVES	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIÉTÉ CIVILE IMMOBILIÈRE GAMBETTA DÉFENSE V	Real Estate and Real Estate Financing	ESI	20	20	20	20
	SOCIÉTÉ CIVILE IMMOBILIÈRE LE BOTERO	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ CIVILE IMMOBILIÈRE LES HAUTS DE L'ESTAQUE	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIÉTÉ CIVILE IMMOBILIÈRE LES HAUTS DE SEPTÈMES	Real Estate and Real Estate Financing	ESI	25	25	25	25
	SOCIÉTÉ CIVILE IMMOBILIÈRE MIRECRAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIÉTÉ CIVILE IMMOBILIÈRE NAXOU	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE TOULDI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ CIVILE IMMOBILIÈRE VERT COTEAU	Real Estate and Real Estate Financing	ESI	35	35	35	35
	SOCIÉTÉ DE BOURSE GILBERT DUPONT	Financial Company	FULL	100	100	100	100
	SOCIÉTÉ DE LA RUE ÉDOUARD VII	Portfolio Management	FULL	99.91	99.91	99.91	99.91
	SOCIÉTÉ DES TERRAINS ET IMMEUBLES PARISIENS (STIP)	Group Real Estate Management Company	FULL	99.98	99.98	100	100
	SOCIÉTÉ DU PARC D'ACTIVITÉ DE LA VALENTINE	Real Estate and Real Estate Financing	ESI	30	30	30	30
	SOCIÉTÉ EN NOM COLLECTIF PARNASSE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIÉTÉ FINANCIÈRE D'ANALYSE ET DE GESTION	Financial Company	FULL	100	100	100	100
	SOCIÉTÉ GÉNÉRALE	Bank	FULL	100	100	100	100
	SOCIÉTÉ GÉNÉRALE CAPITAL FINANCE	Portfolio Management	FULL	100	100	100	100
	SOCIÉTÉ GÉNÉRALE CAPITAL PARTENAIRES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE DE BANQUE AUX ANTILLES	Bank	FULL	100	100	100	100
	SOCIETE GENERALE FACTORING	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE PARTICIPATIONS INDUSTRIELLES	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE POUR LE DEVELOPPEMENT DES OPERATIONS DE CREDIT-BAIL IMMOBILIER SOGEBAIL	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE REAL ESTATE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE GENERALE SCF	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES HOLDING	Portfolio Management	FULL	100	100	100	100
	SOCIETE GENERALE SFH	Specialist Financing	FULL	100	100	100	100
	SOCIETE IMMOBILIERE DU 29 BOULEVARD HAUSSMANN	Group Real Estate Management Company	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SOCIETE IMMOBILIERE URBI ET ORBI	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOCIETE LES PINSONS	Real Estate and Real Estate Financing	EJV	50	50	50	50
	SOCIETE MARSEILLAISE DE CREDIT	Bank	FULL	100	100	100	100
	SOGÉ BEAUJOIRE	Group Real Estate Management Company	FULL	99.99	99.99	100	100
	SOGÉ PERIVAL I	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL II	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL III	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉ PERIVAL IV	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉACT.SELEC.MON.	Portfolio Management	FULL	99.78	99.78	99.78	99.78
	SOGÉCAMPUS	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉCAP	Insurance	FULL	100	100	100	100
	SOGÉCAP - DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
	SOGÉCAP DIVERSIFIE 1	Portfolio Management	FULL	100	100	100	100
(6)	SOGÉCAP EQUITY OVERLAY (FEEDER)	Insurance	FULL	100	0	100	0
	SOGÉCAP LONG TERME N°1	Financial Company	FULL	100	100	100	100
	SOGÉCAPIMMO 2	Insurance	FULL	89.39	89.39	90.84	90.84
	SOGÉFIM HOLDING	Portfolio Management	FULL	100	100	100	100
	SOGÉFIMUR	Specialist Financing	FULL	100	100	100	100
	SOGÉFINANCEMENT	Specialist Financing	FULL	100	100	100	100
	SOGÉFINERG SG POUR LE FINANCEMENT DES INVESTISSEMENTS ECONOMISANT L'ENERGIE	Specialist Financing	FULL	100	100	100	100
	SOGÉFONTENAY	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉLEASE FRANCE	Specialist Financing	FULL	100	100	100	100
	SOGÉMARCHE	Group Real Estate Management Company	FULL	100	100	100	100
	SOGÉPARTICIPATIONS	Portfolio Management	FULL	100	100	100	100
	SOGÉPROM	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGÉPROM ALPES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGÉPROM ALPES HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGÉPROM CENTRE-VAL DE LOIRE	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGÉPROM CVL SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
	SOGÉPROM ENTREPRISES	Real Estate and Real Estate Financing	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
	(5)	SOGEPROM ENTREPRISES REGIONS	Real Estate and Real Estate Financing	FULL	0	100	0	100
		SOGEPROM HABITAT	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM LYON	Real Estate and Real Estate Financing	FULL	100	85	100	85
		SOGEPROM PARTENAIRES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM RESIDENCES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SERVICES	Real Estate and Real Estate Financing	FULL	100	100	100	100
		SOGEPROM SUD REALISATIONS	Real Estate and Real Estate Financing	FULL	90.9	90.9	100	100
		SOGESSUR	Insurance	FULL	100	100	100	100
		SOGEVIMMO	Group Real Estate Management Company	FULL	85.55	85.55	85.55	85.55
		ST BARNABE 13004	Real Estate and Real Estate Financing	EJV	43	43	50	50
		STAR LEASE	Specialist Financing	FULL	100	100	100	100
	(8)	STRACE	Real Estate and Real Estate Financing	ESI	20	20	20	20
		TEMSYS	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	URBANISME ET COMMERCE	Real Estate and Real Estate Financing	FULL	0	99.88	0	99.88
		URBANISME ET COMMERCE PROMOTION	Real Estate and Real Estate Financing	FULL	100	100	100	100
		VALMINVEST	Group Real Estate Management Company	FULL	100	100	100	100
	(6)	VG PROMOTION	Real Estate and Real Estate Financing	ESI	35	0	35	0
	VILLA D'ARMONT	Real Estate and Real Estate Financing	ESI	40	40	40	40	
Ghana								
		SOCIETE GENERALE GHANA LIMITED	Bank	FULL	60.22	60.22	60.22	60.22
Gibraltar								
		HAMBROS (GIBRALTAR NOMINEES) LIMITED	Services	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (GIBRALTAR) LIMITED	Bank	FULL	100	100	100	100
Greece								
		ALD AUTOMOTIVE S.A. LEASE OF CARS	Specialist Financing	FULL	79.82	79.82	100	100
Guinea								
		SG DE BANQUES EN GUINEE	Bank	FULL	57.94	57.94	57.94	57.94
Equatorial Guinea								
		SOCIETE GENERALE DE BANQUES EN GUINEE EQUATORIALE	Bank	FULL	52.44	52.44	57.23	57.23

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
Hong Kong								
	(1)(2)	DESCARTES TRADING HONG KONG BRANCH	Financial Company	FULL	0	100	0	100
		SG ASSET FINANCE (HONG KONG) LIMITED	Broker	FULL	100	100	100	100
	(6)	SG CORPORATE FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	0	100	0
		SG CORPORATE FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
		SG FINANCE (ASIA PACIFIC) LIMITED	Financial Company	FULL	100	100	100	100
		SG FINANCE (HONG KONG) LIMITED	Financial Company	FULL	100	100	100	100
	(1)	SG HONG KONG	Bank	FULL	100	100	100	100
		SG SECURITIES (HK) LIMITED	Broker	FULL	100	100	100	100
		SG SECURITIES (HK) NOMINEES LTD	Broker	FULL	100	100	100	100
		SG SECURITIES ASIA INTERNATIONAL HOLDINGS LIMITED	Broker	FULL	100	100	100	100
		SOCIETE GENERALE ASIA LTD	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 1 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 2 LIMITED	Financial Company	FULL	100	100	100	100
		TH INVESTMENTS (HONG KONG) 5 LIMITED	Financial Company	FULL	100	100	100	100
Hungary								
		ALD AUTOMOTIVE MAGYARORSZAG AUTOPARK-KEZELO ES FINANSZIROZO KORLATOLT FELELOSSEGU TARSASAG	Specialist Financing	FULL	79.82	79.82	100	100
Jersey Island								
		ELMFORD LIMITED	Services	FULL	100	100	100	100
		HANOM I LIMITED	Financial Company	FULL	100	100	100	100
		HANOM II LIMITED	Financial Company	FULL	100	100	100	100
		HANOM III LIMITED	Financial Company	FULL	100	100	100	100
		JD CORPORATE SERVICES LIMITED	Services	FULL	100	100	100	100
		KLEINWORT BENSON CUSTODIAN SERVICES LIMITED	Bank	FULL	100	100	100	100
	(7)	LYXOR MASTER FUND	Financial Company	FULL	100	100	100	100
		NEWMEAD TRUSTEES LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS (FOUNDATIONS) LIMITED	Financial Company	FULL	100	100	100	100
		SG HAMBROS NOMINEES (JERSEY) LTD	Financial Company	FULL	100	100	100	100
		SG KLEINWORT HAMBROS BANK (CI) LIMITED	Bank	FULL	100	100	100	100
		SG KLEINWORT HAMBROS CORPORATE SERVICES (CI) LIMITED	Portfolio Management	FULL	100	100	100	100
		SG KLEINWORT HAMBROS TRUST COMPANY (CI) LIMITED	Financial Company	FULL	100	100	100	100
		SGKH TRUSTEES (CI) LIMITED	Services	FULL	100	100	100	100
		SOLENTIS INVESTMENT SOLUTIONS PCC	Financial Company	FULL	100	100	100	100
Isle of Man								
		KBBIOM LIMITED	Bank	FULL	50	50	50	50
		KBTIOM LIMITED	Bank	FULL	100	100	100	100
Guernsey Island								
		ARAMIS II SECURITIES CO. LTD	Financial Company	FULL	100	100	100	100
		CDS INTERNATIONAL LIMITED	Services	FULL	100	100	100	100
		GRANGE NOMINEES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY FINANCIAL ADVISORY SERVICES LIMITED	Bank	FULL	100	100	100	100
		GUERNSEY NOMINEES LIMITED	Bank	FULL	100	100	100	100
		HAMBROS (GUERNSEY NOMINEES) LTD	Services	FULL	100	100	100	100
		HTG LIMITED	Services	FULL	100	100	100	100
		K.B. (C.I.) NOMINEES LIMITED	Bank	FULL	100	100	100	100
		MISON NOMINEES LIMITED	Bank	FULL	100	100	100	100
	(1)	SG HAMBROS BANK (CHANNEL ISLANDS) LTD GUERNSEY BRANCH	Bank	FULL	100	100	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
British Virgin Islands							
	TSG HOLDINGS LTD	Services	FULL	100	100	100	100
	TSG MANAGEMENT LTD	Services	FULL	100	100	100	100
	TSG SERVICES LTD	Services	FULL	100	100	100	100
India							
	ALD AUTOMOTIVE PRIVATE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
(1)	SG MUMBAI	Bank	FULL	100	100	100	100
	SOCIETE GENERALE GLOBAL SOLUTION CENTRE PRIVATE	Services	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES INDIA PRIVATE LIMITED	Broker	FULL	100	100	100	100
Ireland							
	ALD RE DESIGNATED ACTIVITY COMPANY	Insurance	FULL	79.82	79.82	100	100
(4)	INORA LIFE LTD	Insurance	FULL	0	100	0	100
	IRIS II SPV DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	MERRION FLEET FINANCE LIMITED	Financial Company	FULL	79.82	79.82	100	100
	MERRION FLEET MANAGEMENT LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
(1)	SG DUBLIN	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS PRIVATE INVESTMENT OFFICE SERVICES LIMITED	Bank	FULL	100	100	100	100
	SGBT FINANCE IRELAND DESIGNATED ACTIVITY COMPANY	Specialist Financing	FULL	100	100	100	100
	SOCIETE GENERALE HEDGING DESIGNATED ACTIVITY COMPANY	Financial Company	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES (IRELAND) LTD	Financial Company	FULL	100	100	100	100
Italy							
	ALD AUTOMOTIVE ITALIA S.R.L	Specialist Financing	FULL	79.82	79.82	100	100
	FIDITALIA S.P.A	Specialist Financing	FULL	100	100	100	100
	FRAER LEASING SPA	Specialist Financing	FULL	73.85	73.85	73.85	73.85
	SG EQUIPMENT FINANCE ITALY S.P.A.	Specialist Financing	FULL	100	100	100	100
	SG FACTORING SPA	Specialist Financing	FULL	100	100	100	100
	SG LEASING SPA	Specialist Financing	FULL	100	100	100	100
(1)	SG MILAN	Bank	FULL	100	100	100	100
(1)	SOCECAP SA RAPPRESENTANZA GENERALE PER L'ITALIA	Insurance	FULL	100	100	100	100
	SOCIETE GENERALE SECURITIES SERVICES S.P.A.	Bank	FULL	100	100	100	100
(1)	SOGESSUR SA	Insurance	FULL	100	100	100	100
Japan							
	LYXOR ASSET MANAGEMENT JAPAN CO LTD	Portfolio Management	FULL	100	100	100	100
(1)	SG TOKYO	Bank	FULL	100	100	100	100
(1)(2)	SOCIETE GENERALE (NORTH PACIFIC) LTD. TOKYO BRANCH	Bank	FULL	0	100	0	100
	SOCIETE GENERALE SECURITIES JAPAN LIMITED	Broker	FULL	100	100	100	100
Latvia							
	ALD AUTOMOTIVE SIA	Specialist Financing	FULL	59.86	59.86	75	75
Lebanon							
(3)	SG DE BANQUE AU LIBAN	Bank	ESI	16.79	16.79	16.85	16.85
Lithuania							
	UAB ALD AUTOMOTIVE	Specialist Financing	FULL	59.86	59.86	75	75

Country		Activity	Method *	Group ownership interest		Group voting interest		
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
Luxembourg								
	(6)	AF EMG MK HD CURR - CLASSE C - LU0907913460	Insurance	FULL	47.7	0	47.7	0
		ALD INTERNATIONAL SERVICES S.A.	Specialist Financing	FULL	79.82	79.82	100	100
	(2)	AXA IM FIIS US SH.DUR.HIGH YIELD A DIS H	Specialist Financing	FULL	0	50.58	0	50.58
		AXUS LUXEMBOURG SA	Specialist Financing	FULL	79.82	79.82	100	100
		BARTON CAPITAL SA	Financial Company	FULL	100	100	100	100
	(6)	CANDRIAM BONDS EURO HIGH YIELD - LU1010337324	Insurance	FULL	45.35	0	45.35	0
	(6)	CODEIS COMPARTIMENT A0084	Insurance	FULL	100	0	100	0
		CODEIS COMPARTIMENT A0076	Financial Company	FULL	100	100	100	100
		CODEIS SECURITIES S.A.	Financial Company	FULL	100	100	100	100
		COVALBA	Financial Company	FULL	100	100	100	100
	(6)	FIDELITY FUNDS EUR HY IQ - LU0954694930	Insurance	FULL	49.6	0	49.6	0
		G FINANCE LUXEMBOURG SA	Financial Company	FULL	100	100	100	100
		IVEFI S.A.	Financial Company	FULL	100	100	100	100
		LX FINANZ S.A.R.L.	Financial Company	FULL	100	100	100	100
	(6)	LYXOR EURO 6M - CLASS SI	Insurance	FULL	64.37	0	64.37	0
	(6)	LYXOR FUNDS SOLUTIONS	Financial Company	FULL	100	0	100	0
		PIONEER INVESTMENTS DIVERSIFIED LOANS FUND	Specialist Financing	FULL	100	100	100	100
		RED & BLACK AUTO LEASE GERMANY 2 S.A.	Financial Company	FULL	79.82	79.82	100	100
	(6)	SALINGER S.A	Bank	FULL	100	0	100	0
		SG ISSUER	Financial Company	FULL	100	100	100	100
		SGBT ASSET BASED FUNDING SA	Financial Company	FULL	100	100	100	100
		SGBT CI	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE BANK & TRUST	Bank	FULL	100	100	100	100
		SOCIETE GENERALE CAPITAL MARKET FINANCE	Bank	FULL	100	100	100	100
		SOCIETE GENERALE FINANCING AND DISTRIBUTION	Bank	FULL	100	100	100	100
		SOCIETE GENERALE LIFE INSURANCE BROKER SA	Insurance	FULL	100	100	100	100
		SOCIETE GENERALE PRIVATE WEALTH MANAGEMENT S.A.	Financial Company	FULL	100	100	100	100
		SOCIETE GENERALE RE SA	Insurance	FULL	100	100	100	100
		SOCIETE IMMOBILIERE DE L'ARSENAL	Group Real Estate Management Company	FULL	100	100	100	100
		SOGELIFE	Insurance	FULL	100	100	100	100
Macedonia								
	(4)	OHRIDSKA BANKA AD SKOPJE	Bank	FULL	0	74.53	0	75.38
Madagascar								
		BANKY FAMPANDROSOANA VAROTRA SG	Bank	FULL	70	70	70	70
Malta								
	(8)	LNG MALTA INVESTMENT 1 LIMITED	Financial Company	FULL	100	100	100	100
	(8)	LNG MALTA INVESTMENT 2 LIMITED	Financial Company	FULL	100	100	100	100
Morocco								
		ALD AUTOMOTIVE SA MAROC	Specialist Financing	FULL	36.57	36.57	50	50
		ATHENA COURTAGE	Insurance	FULL	58.17	58.45	99.93	99.93
		FONCIMMO	Group Real Estate Management Company	FULL	57.58	57.57	100	100
		LA MAROCAINE VIE	Insurance	FULL	79.19	89.03	99.98	99.98
		SG MAROCAINE DE BANQUES	Bank	FULL	57.58	57.57	57.58	57.57
		SOCIETE D' EQUIPEMENT DOMESTIQUE ET MENAGER EQDOM	Specialist Financing	FULL	30.93	30.93	53.72	53.72
		SOCIETE GENERALE DE LEASING AU MAROC	Specialist Financing	FULL	57.58	57.57	100	100
		SOCIETE GENERALE OFFSHORE	Financial Company	FULL	57.51	57.5	99.88	99.88
		SOGECAPITAL GESTION	Financial Company	FULL	57.54	57.53	99.94	99.94
		SOGECAPITAL PLACEMENT	Portfolio Management	FULL	57.56	57.55	99.96	99.96
	(8)	SOGEFINANCEMENT MAROC	Specialist Financing	FULL	57.58	57.57	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
Mauritius							
	SG SECURITIES BROKING (M) LIMITED	Broker	FULL	100	100	100	100
Mexico							
	ALD AUTOMOTIVE S.A. DE C.V.	Specialist Financing	FULL	79.82	79.82	100	100
	ALD FLEET SA DE CV SOFOM ENR	Specialist Financing	FULL	79.82	79.82	100	100
	SGFP MEXICO. S.A. DE C.V.	Financial Company	FULL	100	99.98	100	100
Moldavia							
	(4) MOBIASBANCA GROUPE SOCIETE GENERALE	Bank	FULL	0	79.93	0	87.9
Monaco							
	(1) CRÉDIT DU NORD - MONACO	Bank	FULL	100	100	100	100
	(1) SMC MONACO	Bank	FULL	100	100	100	100
	(6) SOCIÉTÉ DE BANQUE MONACO	Bank	FULL	100	0	100	0
	(1) SOCIÉTÉ GÉNÉRALE (SUCCURSALE MONACO)	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (MONACO)	Bank	FULL	100	100	100	100
Montenegro							
	(4) SOCIETE GENERALE BANKA MONTENEGRO A.D.	Bank	FULL	0	90.56	0	90.56
Norway							
	ALD AUTOMOTIVE AS	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET AS	Specialist Financing	FULL	63.85	63.85	80	80
	SG FINANS AS	Specialist Financing	FULL	100	100	100	100
New Caledonia							
	CREDICAL	Specialist Financing	FULL	87.07	87.07	96.64	96.64
	SOCIETE GENERALE CALEDONIENNE DE BANQUE	Bank	FULL	90.1	90.1	90.1	90.1
Netherlands							
	ALVARENGA INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	ASTEROLD B.V.	Financial Company	FULL	100	100	100	100
	AXUS FINANCE NL B.V.	Specialist Financing	FULL	79.82	79.82	100	100
	AXUS NEDERLAND BV	Specialist Financing	FULL	79.82	79.82	100	100
	BRIGANTIA INVESTMENTS B.V.	Financial Company	FULL	100	100	100	100
	(6) CAPEREA B.V.	Specialist Financing	FULL	100	0	100	0
	COPARER HOLDING	Group Real Estate Management Company	FULL	100	100	100	100
	HERFSTTAFEL INVESTMENTS B.V.	Specialist Financing	FULL	100	100	100	100
	HORDLE FINANCE B.V.	Financial Company	FULL	100	100	100	100
	MONTALIS INVESTMENT BV	Specialist Financing	FULL	100	100	100	100
	(1) SG AMSTERDAM	Bank	FULL	100	100	100	100
	SG EQUIPMENT FINANCE BENELUX BV	Specialist Financing	FULL	100	100	100	100
	SOGLEASE B.V.	Specialist Financing	FULL	100	100	100	100
	SOGLEASE FILMS	Specialist Financing	FULL	100	100	100	100
	TYNEVOR B.V.	Financial Company	FULL	100	100	100	100
Poland							
	ALD AUTOMOTIVE POLSKA SP Z O.O.	Specialist Financing	FULL	79.82	79.82	100	100
	(4) EURO BANK S.A.	Bank	FULL	0	99.99	0	99.99
	(4) PEMA POLSKA SP.Z O.O.	Services	FULL	0	100	0	100

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SG EQUIPMENT LEASING POLSKA SP Z.O.O.	Specialist Financing	FULL	100	100	100
	(1) SOCIETE GENERALE S.A. ODDZIAL W POLSCE	Bank	FULL	100	100	100
	(1) SOGECAP SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100
	(1) SOGESSUR SPOLKA AKCYJNA ODDZIAL W POLSCE	Insurance	FULL	100	100	100
French Polynesia						
	BANQUE DE POLYNESIE	Bank	FULL	72.1	72.1	72.1
	SOGELASE BDP SAS	Specialist Financing	FULL	72.1	72.1	100
Portugal						
	SGALD AUTOMOTIVE SOCIEDADE GERAL DE COMERCIO E ALUGUER DE BENZ SA	Specialist Financing	FULL	79.82	79.82	100
Czech Republic						
	ALD AUTOMOTIVE SRO	Specialist Financing	FULL	79.82	79.82	100
	CATAPS	Services	ESI	0.61	0.61	40
	ESSEX SRO	Specialist Financing	FULL	80	80	100
	FACTORING KB	Financial Company	FULL	60.73	60.73	100
	KB PENZIJNI SPOLECNOST, A.S.	Financial Company	FULL	60.73	60.73	100
	KB REAL ESTATE	Real Estate and Real Estate Financing	FULL	60.73	60.73	100
(6)	KB SMARTSOLUTIONS, S.R.O.	Bank	FULL	60.73	0	100
	KOMERCNI BANKA A.S	Bank	FULL	60.73	60.73	60.73
	KOMERCNI POJISTOVNA A.S	Insurance	FULL	80.76	80.76	100
	MODRA PYRAMIDA STAVEBNI SPORITELNA AS	Financial Company	FULL	60.73	60.73	100
(4)	PEMA PRAHA SPOL. S.R.O.	Specialist Financing	FULL	0	100	0
	PROTOS	Financial Company	FULL	60.73	60.73	100
	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O.	Specialist Financing	FULL	80.33	80.33	100
	SOGEPROM CESKA REPUBLIKA S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100
	SOGEPROM MICHLE S.R.O.	Real Estate and Real Estate Financing	FULL	100	100	100
	STD2, A.S.	Group Real Estate Management Company	FULL	60.73	60.73	100
	VN 42	Real Estate and Real Estate Financing	FULL	60.73	60.73	100
Romania						
	ALD AUTOMOTIVE SRL	Specialist Financing	FULL	75.89	75.89	100
	BRD - GROUPE SOCIETE GENERALE SA	Bank	FULL	60.17	60.17	60.17
	BRD ASSET MANAGEMENT SAI SA	Portfolio Management	FULL	60.15	60.15	99.97
	BRD FINANCE IFN S.A.	Financial Company	FULL	80.48	80.48	100
	S.C. BRD SOGELASE IFN S.A.	Specialist Financing	FULL	60.17	60.17	100
	S.C. ROGARIU IMOBILIARE S.R.L.	Real Estate and Real Estate Financing	FULL	75	75	75
	SOCIETE GENERALE EUROPEAN BUSINESS SERVICES S.A.	Services	FULL	100	100	100
	SOGEPROM ROMANIA SRL	Real Estate and Real Estate Financing	FULL	100	100	100
(1)	SOGESSUR S.A PARIS - SUCURSALA BUCURESTI	Insurance	FULL	100	100	100

Country	Activity	Method *	Group ownership interest		Group voting interest		
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018	
United Kingdom							
	ACR	Financial Company	FULL	100	100	100	100
	ALD AUTOMOTIVE GROUP LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
	ALD AUTOMOTIVE LIMITED	Specialist Financing	FULL	79.82	79.82	100	100
(2)	ALD FUNDING LIMITED	Specialist Financing	FULL	0	79.82	0	100
(1)	BRIGANTIA INVESTMENTS B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
(1)	DESCARTES TRADING LONDON BRANCH	Financial Company	FULL	100	100	100	100
	FENCHURCH NOMINEES LIMITED	Bank	FULL	100	100	100	100
	FRANK NOMINEES LIMITED	Bank	FULL	100	100	100	100
(1)	HORDLE FINANCE B.V. (UK BRANCH)	Financial Company	FULL	100	100	100	100
(2)	JWB LEASE HOLDINGS LIMITED	Specialist Financing	FULL	0	100	0	100
	JWB LEASING LIMITED PARTNERSHIP	Specialist Financing	FULL	100	100	100	100
	KBIM STANDBY NOMINEES LIMITED	Bank	FULL	100	100	100	100
	KBPB NOMINEES LIMITED	Bank	FULL	100	100	100	100
	KH COMPANY SECRETARIES LIMITED	Bank	FULL	100	100	100	100
	KLEINWORT BENSON FARMLAND TRUST (MANAGERS) LIMITED	Bank	FULL	75	75	75	75
	LANGBOURN NOMINEES LIMITED	Bank	FULL	100	100	100	100
	LYXOR ASSET MANAGEMENT UK LLP	Financial Company	FULL	100	100	100	100
	MAGPIE ROSE LIMITED	Bank	FULL	100	100	100	100
	PICO WESTWOOD LIMITED	Bank	FULL	100	100	100	100
	ROBERT BENSON. LONSDALE & CO (CANADA) LIMITED	Bank	FULL	100	100	100	100
	SAINT MELROSE LIMITED	Bank	FULL	100	100	100	100
	SG (MARITIME) LEASING LIMITED	Specialist Financing	FULL	100	100	100	100
	SG EQUIPMENT FINANCE (DECEMBER) LIMITED	Specialist Financing	FULL	100	100	100	100
(2)	SG EQUIPMENT FINANCE LEASING LIMITED	Specialist Financing	FULL	0	100	0	100
(2)	SG EQUIPMENT FINANCE OPERATING LEASING LIMITED	Specialist Financing	FULL	0	100	0	100
(2)	SG EQUIPMENT FINANCE RENTAL LIMITED	Specialist Financing	FULL	0	100	0	100
	SG FINANCIAL SERVICES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS (LONDON) NOMINEES LIMITED	Financial Company	FULL	100	100	100	100
	SG HAMBROS TRUST COMPANY LTD	Financial Company	FULL	100	100	100	100
	SG HEALTHCARE BENEFITS TRUSTEE COMPANY LIMITED	Financial Company	FULL	100	100	100	100
	SG INVESTMENT LIMITED	Financial Company	FULL	100	100	100	100
	SG KLEINWORT HAMBROS BANK LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS LIMITED	Bank	FULL	100	100	100	100
	SG KLEINWORT HAMBROS TRUST COMPANY (UK) LIMITED	Bank	FULL	100	100	100	100
	SG LEASING (ASSETS) LIMITED	Specialist Financing	FULL	100	100	100	100
(8)	SG LEASING (CENTRAL 1) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (CENTRAL 3) LIMITED	Specialist Financing	FULL	100	100	100	100
(2)	SG LEASING (DECEMBER) LIMITED	Specialist Financing	FULL	0	100	0	100
	SG LEASING (GEMS) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (JUNE) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (MARCH) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (USD) LIMITED	Specialist Financing	FULL	100	100	100	100
	SG LEASING (UTILITIES) LIMITED	Specialist Financing	FULL	100	100	100	100

Country	Activity	Method *	Group ownership interest		Group voting interest	
			At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
	SG LEASING IX	Specialist Financing	100	100	100	100
(1)	SG LONDRES	Bank	100	100	100	100
(8)	SGFLD LIMITED	Financial Company	100	100	100	100
	SOCGEN NOMINEES (UK) LIMITED	Financial Company	100	100	100	100
	SOCIETE GENERALE EQUIPMENT FINANCE LIMITED	Specialist Financing	100	100	100	100
	SOCIETE GENERALE INTERNATIONAL LIMITED	Broker	100	100	100	100
	SOCIETE GENERALE INVESTMENTS (U.K.) LIMITED	Financial Company	100	100	100	100
	STRABUL NOMINEES LIMITED	Financial Company	100	100	100	100
(2)	TALOS HOLDING LTD	Financial Company	0	100	0	100
(2)	TALOS SECURITIES LTD	Broker	0	100	0	100
(1)	TH INVESTMENTS (HONG KONG) 2 LIMITED (UK BRANCH)	Financial Company	100	100	100	100
(1)	TYNEVOR B.V. (UK BRANCH)	Financial Company	100	100	100	100
Russian Federation						
	ALD AUTOMOTIVE OOO	Specialist Financing	79.82	79.82	100	100
	CLOSED JOINT STOCK COMPANY SG FINANCE	Specialist Financing	99.97	99.95	100	100
(5)	COMMERCIAL BANK DELTACREDIT JOINT STOCK COMPANY	Bank	0	99.95	0	100
	CREDIT INSTITUTION OBYEDINYONNAYA RASCHOTNAYA SISTEMA	Financial Company	99.97	99.95	100	100
	JSC TELSYPKOM	Services	99.97	99.95	100	100
	LLC RUSFINANCE	Bank	99.97	99.95	100	100
	LLC RUSFINANCE BANK	Bank	99.97	99.95	100	100
	PJSC ROSBANK	Bank	99.97	99.95	99.97	99.95
	RB FACTORING LLC	Specialist Financing	99.97	99.95	100	100
	RB LEASING LLC	Specialist Financing	99.97	99.95	100	100
	RB SERVICE LLC	Group Real Estate Management Company	99.97	99.95	100	100
	RB SPECIALIZED DEPOSITARY LLC	Financial Company	99.97	99.95	100	100
	SOCIETE GENERALE STRAKHOVANIE LLC	Insurance	99.99	99.99	100	100
	SOCIETE GENERALE STRAKHOVANIE ZHIZNI LLC	Insurance	99.99	99.99	100	100
Senegal						
	SOCIETE GENERALE SENEGAL	Bank	64.45	64.45	64.87	64.87
Serbia						
	ALD AUTOMOTIVE D.O.O BEOGRAD	Specialist Financing	79.82	79.82	100	100
(4)	SOCIETE GENERALE BANKA SRBIJA A.D. BEOGRAD	Bank	0	100	0	100
(4)	SOGLEASE SRBIJA D.O.O.	Specialist Financing	0	100	0	100
Singapore						
	SG MARKETS (SEA) PTE. LTD.	Broker	100	100	100	100
	SG SECURITIES (SINGAPORE) PTE. LTD.	Broker	100	100	100	100
(1)	SG SINGAPOUR	Bank	100	100	100	100
	SG TRUST (ASIA) LTD	Financial Company	100	100	100	100
Slovakia						
	ALD AUTOMOTIVE SLOVAKIA S.R.O.	Specialist Financing	79.82	79.82	100	100
	ESSEX FINANCE S.R.O	Specialist Financing	80	80	100	100
(1)	KOMERCNI BANKA BRATISLAVA	Bank	60.73	60.73	100	100
(5)	PEMA SLOVAKIA SPOL.S.R.O.	Specialist Financing	0	100	0	100
(1)	SG EQUIPMENT FINANCE CZECH REPUBLIC S.R.O. ORGANIZACNA ZLOZKA (SLOVAK RUPUBLIC BRANCH)	Specialist Financing	80.33	80.33	100	100

Country		Activity	Method *	Group ownership interest		Group voting interest	
				At 31.12.2019	At 31.12.2018	At 31.12.2019	At 31.12.2018
Slovenia							
	ALD AUTOMOTIVE OPERATIONAL LEASING DOO	Specialist Financing	FULL	79.82	79.82	100	100
	(4) SKB LEASING D.O.O.	Specialist Financing	FULL	0	99.73	0	100
	(4) SKB BANKA D.D. LJUBLJANA	Bank	FULL	0	99.73	0	99.73
	(4) SKB LEASING SELECT D.O.O.	Specialist Financing	FULL	0	99.73	0	100
Sweden							
	ALD AUTOMOTIVE AB	Specialist Financing	FULL	79.82	79.82	100	100
	NF FLEET AB	Specialist Financing	FULL	63.85	63.85	80	80
	(4) PEMA TRUCK- OCH TRAILERUTHYRNING AB	Specialist Financing	FULL	0	100	0	100
	(1) SG FINANS AS SWEDISH BRANCH	Specialist Financing	FULL	100	100	100	100
	(1) SOCIETE GENERALE SA BANKFILIAL SVERIGE	Bank	FULL	100	100	100	100
Switzerland							
	ALD AUTOMOTIVE AG	Specialist Financing	FULL	79.82	79.82	100	100
	(4) PEMA TRUCK- UND TRAILERVERMIETUNG GMBH	Specialist Financing	FULL	0	100	0	100
	(8) ROSBANK (SWITZERLAND)	Bank	FULL	99.97	99.95	100	100
	SG EQUIPMENT FINANCE SCHWEIZ AG	Specialist Financing	FULL	100	100	100	100
	(1) SG ZURICH	Bank	FULL	100	100	100	100
	SOCIETE GENERALE PRIVATE BANKING (SUISSE) S.A.	Bank	FULL	100	100	100	100
Taiwan							
	(1) SG SECURITIES (HONG KONG) LIMITED TAIPEI BRANCH	Broker	FULL	100	100	100	100
	(1) SG TAIPEI	Bank	FULL	100	100	100	100
Chad							
	SOCIETE GENERALE TCHAD	Bank	FULL	56.86	56.86	67.83	67.83
Thailand							
	SOCIETE GENERALE SECURITIES (THAILAND) LTD.	Broker	FULL	100	100	100	100
Togo							
	(1) SOCIETE GENERALE TOGO	Bank	FULL	90.98	89.64	100	100
Tunisia							
	UNION INTERNATIONALE DE BANQUES	Bank	FULL	55.1	55.1	52.34	52.34
Turkey							
	ALD AUTOMOTIVE TURIZM TICARET ANONIM SIRKETI	Specialist Financing	FULL	79.82	79.82	100	100
	(1) SG ISTANBUL	Bank	FULL	100	100	100	100
Ukraine							
	ALD AUTOMOTIVE UKRAINE LIMITED LIABILITY COMPANY	Specialist Financing	FULL	79.82	79.82	100	100

* FULL: Full consolidation - JO: Joint Operation - EJV: Equity (Joint Venture) - ESI: Equity (significant influence) - EFS: Equity For Simplification (Entities controlled by the Group that are consolidated using the equity method for simplification because are not significant).

(1) Branches

(2) Entities wound up

(3) Removal from the scope (loss of control or significant influence)

(4) Entities sold

(5) Merged

(6) Newly consolidated

(7) Including 30 funds

(8) Wind up in process.

Additional information related to the consolidation scope and equity investments as required by the regulation 2016-09 of the "Autorité des Normes Comptables" (ANC, the French Accounting standard setter), dated 2 December 2016 is available on the Societe Generale Group website at :

<https://www.societegenerale.com/en/investors>

NOTE 8.7 Fees paid to Statutory Auditors

The consolidated financial statements of Societe Generale Group are certified jointly by Ernst & Young et Autres, represented by Mr. Micha Missakian, on the one hand; and Deloitte et Associés, represented by Mr. Jean-Marc Mickeler, on the other hand.

On the proposal of the Board of Directors and following the recommendation of the Audit and Internal Control Committee of Societe Generale (CACI), the Annual General Meeting held on 23rd May 2018 renewed the mandates of Ernst & Young et Autres and of Deloitte et Associés, for six years.

In accordance with the European regulation on the audit reform, the CACI implements a specific approval policy of the non-audit services of

statutory auditors ("SACC") and their network by to verify its compliance before to the launch of the mission.

A synthesis of the SACC (approved or refused) is presented to every session of the CACI.

The fees by type of mission (audit or non-audit) are submitted to an annual review by the CACI.

Lastly, the Finance Departments of the entities and business divisions annually appraise the quality of the audits performed by Deloitte et Associés and Ernst & Young et Autres. The conclusions of this survey are presented to the CACI.

AMOUNTS OF STATUTORY AUDITORS' FEES PRESENTED IN THE INCOME STATEMENT

		Ernst & Young et Autres		Deloitte et Associés		TOTAL	
		2019 ⁽¹⁾	2018	2019 ⁽²⁾	2018	2019	2018
<i>(In EURm excluded VAT)</i>							
Statutory audit, certification, examination of parent company and consolidated accounts	Issuer	4	4	7	7	11	11
	Fully consolidated subsidiaries	16	16	12	12	28	28
SUB-TOTAL AUDIT		20	20	19	19	39	39
Non-audit services (SACC)	Issuer	0	2	2	1	2	3
	Fully consolidated subsidiaries	1	1	1	2	2	3
TOTAL		21	23	22	22	43	45

(1) Including Ernst and Young network: EUR 13 million

(2) Including Deloitte network: EUR 10 million

The non-audit services provided by Statutory Auditors this year mainly consisted of missions of compliance review with regard to the regulatory requirements, missions of internal control within the framework of respect of ISAE standards (*International Standard on Assurance Engagement*), agreed upon procedures, and then

complementary audits within the scope of issuing of certificates or EFP Declaration (EFP: Extra-Financial Performance). They include also non-audit services expressly and exclusively entrusted to the Statutory Auditors for EUR 1 million.

NOTE 9 INFORMATION ON RISKS AND LITIGATION

Every quarter, the Group reviews in detail the disputes presenting a significant risk. These disputes may lead to the recording of a provision if it becomes probable or certain that the Group will incur an outflow of resources for the benefit of a third party without receiving at least the equivalent value in exchange. These provisions for litigations are classified among the *Other provisions* included in the *Provisions* item in the liabilities of the balance-sheet.

No detailed information can be disclosed on either the recording or the amount of a specific provision given that such disclosure would likely seriously prejudice the outcome of the disputes in question.

- On 24th October 2012, the Court of Appeal of Paris confirmed the first judgment delivered on 5th October 2010, finding J. Kerviel guilty of breach of trust, fraudulent insertion of data into a computer system, forgery and use of forged documents. J. Kerviel was sentenced to serve a prison sentence of five years, two years of which are suspended, and was ordered to pay EUR 4.9 billion in damages to the bank. On 19th March 2014, the Supreme Court confirmed the criminal liability of J. Kerviel. This decision puts an end to the criminal proceedings. On the civil front, on 23rd September 2016, the Versailles Court of Appeal rejected J. Kerviel's request for an expert determination of the damage suffered by Societe Generale, and therefore confirmed that the net accounting losses suffered by the Bank as a result of his criminal conduct amount to EUR 4.9 billion. It also declared J. Kerviel partially responsible for the damage caused to Societe Generale and sentenced him to pay to Societe Generale EUR 1 million. Societe Generale and J. Kerviel did not appeal before the Supreme Court. Societe Generale considers that this decision has no impact on its tax situation. However, as indicated by the Minister of the Economy and Finance in September 2016, the tax authorities have examined the tax consequences of this book loss and indicated that they intended to call into question the deductibility of the loss caused by the actions of J. Kerviel, amounting to EUR 4.9 billion. This proposed tax rectification has no immediate effect and will possibly have to be confirmed by an adjustment notice sent by the tax authorities when Societe Generale is in a position to deduct the tax loss carry forwards arising from the loss from its taxable income. Such a situation will not occur for several years according to the bank's forecasts. In view of the 2011 opinion of the French Supreme Administrative Court (Conseil d'État) and its established case law which was recently confirmed again in this regard, Societe Generale considers that there is no need to provision the corresponding deferred tax assets. In the event that the authorities decide, in due course, to confirm their current position, Societe Generale group will not fail to assert its rights before the competent courts. By a decision handed down on the 20th September 2018, the Investigation Committee of the reviewing and reassessment Criminal Court has furthermore declared inadmissible the request filed in May 2015 by J. Kerviel against his criminal sentence, confirming the absence of any new element or fact that could justify the reopening of the criminal file.
- Between 2003 and 2008, Societe Generale set up gold consignment lines with the Turkish group Goldas. In February 2008, Societe Generale was alerted to a risk of fraud and embezzlement of gold stocks held by Goldas. These suspicions were rapidly confirmed following the failure by Goldas to pay or refund gold worth EUR 466.4 million. Societe Generale brought civil proceedings against its insurers and various Goldas Group entities. Goldas launched various proceedings in Turkey and in the UK against Societe Generale. In the action brought by Societe Generale against Goldas in the UK, Goldas applied to have the action of SG struck-out and applied to the UK court for damages. On 3rd April 2017, the UK court granted both applications and will, after an inquiry into damages, rule on the amount due to Goldas, if any. On 15th May 2018, the Court of Appeal discharged entirely the inquiry into damages granted by the High Court to Goldas but rejected

Societe Generale's arguments relating to service of the claims issued against Goldas, which are therefore time-barred. On 18th December 2018, the Supreme Court refused permission to appeal to both Societe Generale and Goldas. On 16th February 2017, the Paris Commercial Court dismissed Societe Generale's claims against its insurers. Societe Generale filed an appeal against this decision.

- Societe Generale Algeria (SGA) and several of its branch managers are being prosecuted for breach of Algerian laws on exchange rates and capital transfers with other countries and on money laundering and the financing of terrorism. The defendants are accused of having failed to make complete or accurate statements to the Algerian authorities on capital transfers in connection with exports or imports made by clients of SGA and on cash payment transactions made at SGA counters. The events were discovered during investigations by the Algerian authorities, which subsequently filed civil claims before the criminal court. Sentences were delivered by the court of appeal against SGA and its employees in some proceedings, while charges were dropped in other ones. To date, fifteen cases have ended in favour of SGA, one case has ended against SGA and nine remain pending, seven of which before the Supreme Court.
 - In the early 2000s, the French banking industry decided to transition to a new digital system in order to streamline cheque clearing. To support this reform (known as EIC – *Échange d'Images Chèques*), which has contributed to the improvement of cheque payments security and to the fight against fraud, the banks established several interbank fees (including the CEIC which was abolished in 2007). These fees were implemented under the aegis of the banking sector supervisory authorities, and to the knowledge of the public authorities.
- On 20th September 2010, after several years of investigation, the French competition authority ruled that the joint implementation and the setting of the amount of the CEIC and of two additional fees for related services were in breach of competition law. The authority fined all the participants to the agreement (including the Banque de France) a total of approximately EUR 385 million. Societe Generale was ordered to pay a fine of EUR 53.5 million and Crédit du Nord, its subsidiary, a fine of EUR 7 million. However, in its 23rd February 2012 order, the French Court of Appeal, to which the matter was referred by all the banks involved except Banque de France, held that there was no competition law infringement, allowing the banks to recoup the fines paid. On 14th April 2015, the Supreme Court quashed and annulled the Court of Appeal decision on the grounds that the latter did not examine the arguments of two third parties who voluntarily intervened in the proceedings. The case was heard again on 3rd and 4th November 2016 by the Paris Court of Appeal before which the case was remanded. On 21st December 2017, the Court of Appeal confirmed the fines imposed on Societe Generale and Crédit du Nord by the French competition authority. On 22nd January 2018, Societe Generale and Crédit du Nord filed an appeal before the Supreme court against this decision. The court proceeding is still pending.
- Societe Generale Private Banking (Switzerland), along with several other financial institutions, has been named as a defendant in a putative class action that is pending in the US District Court for the Northern District of Texas. The plaintiffs seek to represent a class of individuals who were customers of Stanford International Bank Ltd. (SIBL), with money on deposit at SIBL and/or holding Certificates of Deposit issued by SIBL as of 16th February 2009. The plaintiffs allege that they suffered losses as a result of fraudulent activity at SIBL and the Stanford Financial Group or related entities, and that the defendants are responsible for those alleged losses. The plaintiffs further seek to recoup payments made through or to the defendants on behalf of SIBL or related entities on the basis that they are

alleged to have been fraudulent transfers. The Official Stanford Investors Committee (OSIC) was permitted to intervene and filed a complaint against Societe Generale Private Banking (Switzerland) and the other defendants seeking similar relief.

The motion by Societe Generale Private Banking (Switzerland) to dismiss these claims on grounds of lack of jurisdiction was denied by the court by order filed 5th June 2014. Societe Generale Private Banking (Switzerland) sought reconsideration of the Court's jurisdictional ruling, which the Court ultimately denied. On 21st April 2015, the Court permitted the substantial majority of the claims brought by the plaintiffs and the OSIC to proceed.

On 7th November 2017, the District Court denied the plaintiffs' motion for class certification. The plaintiffs sought leave to appeal this decision, which the court of appeal denied on 20th April 2018. On 3rd May 2019, several hundred individual plaintiffs filed motions to intervene in the pending OSIC action seeking recovery in their individual capacities for losses on their Stanford investments. The defendant financial institutions, including Societe Generale Private Banking (Switzerland), opposed these motions. By order of 18th September 2019 the court denied the motions to intervene. One group of plaintiffs appealed the denial, and another initiated a separate action in Texas state court in Houston in November 2019.

On 22nd December 2015, the OSIC filed a motion for partial summary judgment seeking return of a transfer of USD 95 million to Societe Generale Private Banking (Switzerland) made in December 2008 (prior to the Stanford insolvency) on the grounds that it is voidable under Texas state law as a fraudulent transfer. Societe Generale Private Banking (Switzerland) has opposed this motion.

- Notwithstanding the agreements reached with the US authorities regarding certain London Interbank Offered Rates and the Euro Interbank Offered Rate ("the IBOR matter"), the Bank continues to defend civil proceedings in the United States (as described below) and has responded to information requests received from other authorities, including the Attorneys General of various States of the United States and the New York Department of Financial Services.

In the United States, Societe Generale, along with other financial institutions, has been named as a defendant in putative class actions involving the setting of US Dollar Libor, Japanese Yen Libor, and Euribor rates and trading in instruments indexed to those rates. Societe Generale has also been named in several individual (non-class) actions concerning the US Dollar Libor rate. All of these actions are pending in the US District Court in Manhattan (the "District Court").

As to US Dollar Libor, all claims against Societe Generale have been dismissed by the District Court or voluntarily dismissed by the plaintiffs, except in two putative class actions and one individual action that are effectively stayed. Certain individual plaintiffs, whose claims were dismissed, filed motions for leave to amend their complaints to add or revive claims against Societe Generale, but those applications were denied by the District Court. The class plaintiffs and a number of individual plaintiffs have appealed the dismissal of their antitrust claims to the United States Court of Appeals for the Second Circuit.

On 13th January 2020, Societe Generale entered into a settlement agreement with the putative class of plaintiffs who purchased financial products tied to US Dollar Libor on an exchange. As part of that settlement, Societe Generale has agreed to pay USD 5.125 million. This settlement is subject to approval by the District Court.

As to Japanese Yen Libor, the District Court dismissed the complaint brought by purchasers of Euroyen over-the-counter derivative products and the plaintiffs have appealed that ruling to the United States Court of Appeals for the Second Circuit. In the other action, brought by purchasers or sellers of Euroyen derivative contracts on the Chicago Mercantile Exchange, the District Court has allowed certain Commodity Exchange Act (CEA) claims to proceed to

discovery. On 27th September 2019, Societe Generale filed a motion for judgment on the pleadings that seeks dismissal of plaintiff's remaining CEA claims. The parties are awaiting a decision. On 27th September 2019, plaintiff filed a motion for class certification. Briefing on plaintiff's motion for class certification has been stayed until the district court rules on defendants' motion for judgment on the pleadings.

As to Euribor, the District Court dismissed all claims against Societe Generale in the putative class action and denied the plaintiffs' motion to file a proposed amended complaint. Plaintiffs have appealed those rulings to the United States Court of Appeals for the Second Circuit.

In Argentina, Societe Generale, along with other financial institutions, has been named as a defendant in litigation brought by a consumer association on behalf of Argentine consumers who held government bonds or other specified instruments that paid interest tied to US Dollar Libor. The allegations concern violations of Argentine consumer protection law in connection with alleged manipulation of the US Dollar Libor rate. Societe Generale has not yet been served with the complaint in this matter.

- Beginning on 15th January 2019, Societe Generale and SG Americas Securities, LLC (SGAS), along with other financial institutions, have been named in three putative antitrust class actions in the US District Court in Manhattan, which have since been consolidated. Plaintiffs allege that the USD ICE Libor panel banks conspired to make artificially low submissions to that benchmark in order to profit on their trading in derivatives tied to USD ICE Libor. Plaintiffs seek to certify a class comprised of US residents (individuals and entities) that transacted with a defendant in floating rate debt instruments or interest rate swaps tied to USD ICE Libor and received a payment at any time between 1st February 2014 to the present, regardless of when the instrument was purchased. On 30th August 2019, Societe Generale and SGAS filed a motion to dismiss all claims asserted against them.
- Societe Generale, along with several other financial institutions, was named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with foreign exchange spot and derivatives trading. The action was brought by persons or entities that transacted in certain over-the-counter and exchange-traded foreign exchange instruments. Societe Generale has reached a settlement of USD 18 million, which was approved by the Court on 6th August 2018. A separate putative class action on behalf of putative classes of indirect purchasers is also pending. SG has reached a settlement of USD 975,000 to put an end to these proceedings, which is awaiting preliminary approval by the court. On 7th November 2018, a group of individual entities that elected to opt out of the main class action settlement filed a lawsuit against SG, SG Americas Securities, LLC and several other financial institutions. A motion to dismiss was filed on 1st April 2019.
- On 10th December 2012, the French Supreme Administrative Court (Conseil d'État) rendered two decisions confirming that the "précompte tax" which used to be levied on corporations in France does not comply with EU law and defined a methodology for the reimbursement of the amounts levied by the tax authorities. However, such methodology considerably reduces the amount to be reimbursed. Societe Generale purchased in 2005 the "précompte tax" claims of two companies (Rhodia and Suez, now ENGIE) with a limited recourse on the selling companies. One of the above decisions of the French Supreme Administrative Court relates to Rhodia. Societe Generale has brought proceedings before the French administrative courts. The latest court decision rendered is a rejection, on 1st February 2016 by the French Administrative Supreme Court, of an appeal lodged by ENGIE and Societe Generale.

Several French companies applied to the European Commission, who considered that the decisions handed down by the French Supreme Administrative Court on 10th December 2012, which was supposed to implement the decision rendered by the Court of

Justice of the European Union C-310/09 on 15th September 2011, infringed a number of principles of European law. The European Commission subsequently brought infringement proceedings against the French Republic in November 2014, and since then confirmed its position by publishing a reasoned opinion on 29th April 2016 and by referring the matter to the Court of Justice of the European Union on 8th December 2016. The Court of Justice of the European Union rendered its judgement on 4th October 2018 and sentenced France for failure by the French Supreme Administrative Court to disregard the tax on EU sub-subsidiaries in order to secure the withholding tax paid in error as well as on the absence of any preliminary question. With regard to the practical implementation of the decision, Societe Generale will assert its rights before the competent courts and the French tax authority, from which it expects diligent treatment and in accordance with the law.

- Societe Generale, along with other financial institutions, has been named as a defendant in a putative class action alleging violations of US antitrust laws and the CEA in connection with its involvement in the London Gold Market Fixing. The action is brought on behalf of persons or entities that sold physical gold, sold gold futures contracts traded on the CME, sold shares in gold ETFs, sold gold call options traded on CME, bought gold put options traded on CME, sold over-the-counter gold spot or forward contracts or gold call options, or bought over-the-counter gold put options. The action is pending in the US District Court in Manhattan. Motions to dismiss the action were denied by an order dated 4th October 2016, and discovery is now proceeding. Societe Generale, along with other financial institutions, is also named as a defendant in two putative class actions in Canada (in the Ontario Superior Court in Toronto and Quebec Superior Court in Quebec City) involving similar claims.

- Since August 2015, various former and current employees of the Societe Generale group have been under investigation by German criminal prosecution and tax authorities for their alleged participation in the so called "CumEx" patterns in connection with withholding tax on dividends on German shares. These investigations relate to a fund administered by SGSS GmbH proprietary trading activities and transactions carried out on behalf of clients. The Group entities respond to the requests of the German authorities.

SGSS GmbH was informed by the Bonn District Court on 19th June 2019 that criminal proceedings had been initiated against two individuals who were employed by a company having previously advised this fund, the latter being suspected by the German prosecutors to have been involved in potentially fraudulent CumEx transactions. On 19th August 2019, the Bonn District Court ordered SGSS GmbH to join these criminal proceedings, which are currently pending, as a "secondary party".

- In May 2019, SGAS was named, along with other financial institutions, as a defendant in a putative class action in the US alleging anticompetitive behaviour in the pricing of "agency bonds" issued by US Government Sponsored Enterprises (GSEs), including Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage

Corporation (Freddie Mac), and Federal National Mortgage Association (Fannie Mae). SGAS, along with several other defendants, filed a motion to dismiss on 13th June 2019 which was granted on 29th August 2019 as against SGAS and several other bank defendants. Plaintiffs filed an amended complaint on 9th September 2019, and a motion to dismiss this amended complaint was filed on 17th September 2019. That motion was denied on 15th October 2019. On 16th December 2019, plaintiffs and twelve bank defendants, including SGAS, submitted for court approval a stipulation of settlement in the class action, for USD 250 million. Although SGAS's share of the settlement is not public, the amount was not material from a financial statement perspective. SGAS also has been named in two separate individual litigations, one brought in September by the State of Louisiana and the other brought in October by City of Baton Rouge/East Baton Rouge Parish. These suits also assert antitrust claims against SGAS and multiple other bank defendants based on these plaintiffs' purchases of GSE bonds. SGAS has also received a subpoena from the US Department of Justice (DOJ) in connection with its US agency bond business. SGAS is responding to these requests and is cooperating with the DOJ investigation.

- Societe Generale and certain of its subsidiaries are defendants in an action pending in the US Bankruptcy Court in Manhattan brought by the Trustee appointed for the liquidation of Bernard L. Madoff Investment Securities LLC (BLMIS). The action is similar to those brought by the BLMIS Trustee against numerous institutions and seeks recovery of amounts allegedly received by the SG entities indirectly from BLMIS through so-called "feeder funds" that were invested in BLMIS and from which the SG entities received redemptions. The suit alleges that the amounts that the SG entities received are avoidable and recoverable under the US Bankruptcy Code and New York state law. The BLMIS Trustee seeks to recover, in the aggregate, approximately USD 150 million from the SG entities. The SG entities are defending the action. In decisions dated 22nd November 2016 and 3rd October 2018, the Court rejected most of the claims brought by the BLMIS Trustee. The Trustee appealed to the US Court of Appeals for the Second Circuit. By order dated 25th February 2019, the Second Circuit vacated the judgements and remanded for further proceedings. By order dated 23rd April 2019, the Second Circuit has stayed the mandate, pending disposition of Defendant-Appellees' petition for review by the United States Supreme Court.
- On 10th July 2019, Societe Generale was named as a defendant in a litigation filed in the US District Court in Miami by plaintiffs seeking to recover under the Cuban Liberty and Democracy Solidarity (Libertad) Act of 1996 (known as the Helms-Burton Act) for alleged losses stemming from the expropriation by the Cuban government in 1960 of Banco Nunez in which they are alleged to have held an interest. Plaintiff claims damages from Societe Generale under the terms of this statute. Plaintiff filed an amended complaint on 24th September 2019 adding three other banks as defendants and adding several new factual allegations as to Societe Generale. Societe Generale filed a motion to dismiss, which was fully briefed as of 10th January 2020.

AUDITED | TABLE 10

RECORD OF PERFORMANCE SHARES AWARDED

INFORMATION ON PERFORMANCE SHARES AWARDED

Date of General Meeting	23.05.2018	18.05.2016	18.05.2016	18.05.2016	20.05.2014
Date of Board meeting	13.03.2019	14.03.2018	15.03.2017	18.05.2016	12.03.2015
Total number of shares awarded	2,834,045	1,677,279	1,796,759	2,478,926	1,233,505
<i>o.w. number awarded to executive officers⁽¹⁾</i>	265,413	75,880	74,565	101,544	-
Frédéric OUDÉA	86,705	46,472	45,871	62,900	-
Diony LEBOT	41,795	7,277	5,986	4,860	-
Philippe AYMERICH	37,889	2,815	2,857	3,626	-
Séverin CABANNES	60,139	29,408	28,694	38,644	-
Philippe HEIM	38,885	4,990	5,224	7,290	-
Total number of beneficiaries	5,747	6,016	6,710	6,495	6,733
Vesting date	see table below	see table below	see table below	see table below	31.03.2017 ⁽²⁾ 31.03.2019 ⁽³⁾
Holding period end date	see table below	see table below	see table below	see table below	31.03.2019 ⁽²⁾
Performance conditions ⁽⁴⁾	yes	yes	yes	yes	yes
Fair value (in EUR) ⁽⁵⁾	see table below	see table below	see table below	see table below	36.4 ⁽²⁾ 34.9 ⁽³⁾
Number of shares vested at 31.12.2019	0	193	338,659	2,062,231	1,137,060
Total number of cancelled or lapsed shares	33,938	119,144	149,123	207,356	96,445
Performance shares outstanding at year-end	2,800,107	1,557,942	1,308,977	209,339	0

(1) For the Chief Executive Officers, see also Tables 6 and 7 of the 2020 Universal Registration Document.

(2) French tax residents.

(3) Non-French tax residents.

(4) The applicable performance conditions are described in Performance and Remuneration report, available on societegenerale.com.

(5) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2016 PERFORMANCE SHARE PLAN⁽¹⁾

Date of General Meeting				18.05.2016
Date of Board meeting				18.05.2016
Total number of shares awarded				2,478,926
Vesting date	29.03.2018 (1 st instalment)	29.03.2019	31.03.2020 (1 st instalment)	31.03.2021
	29.03.2019 (2 nd instalment)		31.03.2022 (2 nd instalment)	
Holding period end date	30.09.2018	N/A	01.04.2021	02.10.2021
	30.09.2019		01.04.2023	
Fair value (in EUR) ⁽²⁾	30.18 (1 st instalment)	29.55	22.07 (1 st instalment)	32.76
	28.92 (2 nd instalment)		21.17 (2 nd instalment)	

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers).

(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2017 PERFORMANCE SHARE PLAN⁽¹⁾

Date of General Meeting				18.05.2016
Date of Board meeting				15.03.2017
Total number of shares awarded				1,796,759
Vesting date	29.03.2019 (1 st instalment)	31.03.2020	31.03.2021 (1 st instalment)	31.03.2022
	31.03.2020 (2 nd instalment)		31.03.2023 (2 nd instalment)	
Holding period end date	30.09.2019	N/A	01.04.2022	02.10.2022
	02.10.2020		01.04.2024	
Fair value (in EUR) ⁽²⁾	42.17 (1 st instalment)	41.05	27.22 (1 st instalment)	43.75
	40.33 (2 nd instalment)		26.34 (2 nd instalment)	

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers).

(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2018 PERFORMANCE SHARE PLAN⁽¹⁾

Date of General Meeting				18.05.2016
Date of Board meeting				14.03.2018
Total number of shares awarded				1,677,279
Vesting date	31.03.2020 (1 st instalment)	31.03.2021	31.03.2022 (1 st instalment)	31.03.2023
	31.03.2021 (2 nd instalment)		29.03.2024 (2 nd instalment)	
Holding period end date	01.10.2020	N/A	01.04.2023	01.10.2023
	01.10.2021		31.03.2025	
Fair value (in EUR) ⁽²⁾	40.39 (1 st instalment)	39.18	26.40 (1 st instalment)	39.17
	38.59 (2 nd instalment)		24.43 (2 nd instalment)	

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including Chief Executive Officers).

(2) The performance shares are valued at their market value, taking into account a discount for non-transferability.

SUMMARY OF THE 2019 PERFORMANCE SHARE PLAN(1)

Date of General Meeting		23.05.2018		
Date of Board meeting				13.03.2019
Total number of shares awarded				2,834,045
Vesting date	31.03.2021 (1 st instalment)	31.03.2022	31.03.2023 (1 st instalment)	31.03.2023 (1 st instalment)
	31.03.2022 (2 nd instalment)		31.03.2025 (2 nd instalment)	29.03.2024 (2 nd instalment)
Holding period end date	01.10.2021		01.04.2024	01.10.2023
	01.10.2022	N/A	01.04.2026	01.10.2024
Fair value (in EUR) ⁽²⁾	22.32 (1 st instalment)		8.53 (1 st instalment)	10.86 (1 st instalment)
	20.93 (2 nd instalment)	21.4	9.45 (2 nd instalment)	11.35 (2 nd instalment)

(1) Under the annual employee LTI plan and awards under the specific loyalty and remuneration policy applicable to regulated persons as defined in banking regulations (including chief executive officers).

(2) The performance shares are valued at their market value, taking into account a discount for non-transferability. ▲

6.3 STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

ERNST & YOUNG et Autres

Tour First
TSA 1444492037 Paris-La Défense Cedex
S.A.S. à capital variable
438 476 913 R.C.S. Nanterre

DELOITTE & ASSOCIÉS

6, place de la Pyramide
92908 Paris-La Défense Cedex
S.A.S. au capital de € 2.188.160
572 028 041 R.C.S. Nanterre

Société Générale
Société anonyme
17, cours Valmy
92972 Paris-La Défense

Year ended December 31, 2019

This is a translation into English of the statutory auditors' report on the consolidated financial statements of the Company that is issued in French language and it is provided solely for the convenience of English-speaking users.

This statutory auditors' report includes information required by European regulation and French law, such as information about the appointment of the statutory auditors or verification of the information concerning the Group presented in the management report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Annual General Meeting of Societe Generale,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meeting, we have audited the accompanying financial statements of Société Générale for the year ended December 31, 2019.

In our opinion, the consolidated financial statements give a true and fair view of the results of operations of the Group for the year then ended and of its financial position and of its assets and liabilities as at December 31, 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit and Internal Control Committee.

Basis for Opinion

AUDIT FRAMEWORK

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

INDEPENDENCE

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2019 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No 537/2014 or in the French Code of Ethics (*Code de déontologie*) for statutory auditors.

Emphasis of Matter

Without qualifying the opinion expressed above, we draw your attention to:

- Notes 1 « Significant accounting principles » and 8.4 « Tangible and intangible fixed assets » to the consolidated financial statements that present the impacts of the first-time application of IFRS 16 « Leases »;
- Notes 1 « Significant accounting principles » and 6 « Income tax » to the consolidated financial statements that present the impacts of the first-time application of the amendment to IAS 12 « Income taxes ».

Justification of Assessments - Key Audit Matters

In accordance with the requirements of Articles L.823-9 and R.823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

RECOVERABILITY OF DEFERRED TAX ASSETS IN FRANCE AND IN THE UNITED STATES

Risk identified

As at December 31, 2019 deferred tax assets on tax loss carryforwards were recorded in an amount of 2,659 M€, including 2,586 M€ for the tax groups in France and the United States.

As stated in Note 6 "Income tax" to the consolidated financial statements, the Société Générale Group calculates deferred taxes at the level of each tax entity and recognizes deferred tax assets at the closing date when it is considered probable that the tax entity concerned will have future taxable profits against which temporary differences and tax loss carryforwards can be offset, within a given timeframe.

In addition, as stated in Notes 6 "Income tax" and 9 "Information on risks and litigation" to the consolidated financial statements, certain tax loss carryforwards are challenged by the French tax authorities and are therefore liable to be called into question.

Given the assumptions used to assess the recoverability of the deferred tax assets in France and the United States (which represent the major part of the assets recognized), notably on future taxable profits, and the judgment exercised by Management in this respect, we considered this issue as a key audit matter.

Our response

Our audit approach consisted in assessing the probability that the Société Générale Group will be able to use in the future its tax loss carryforwards generated to date, in particular with regard of its ability to generate future taxable profits in France and the United States.

With the support of tax specialists included in our audit team, we:

- compared the projected results of the previous years with the actual results of the corresponding fiscal years;
- obtained an understanding of the three-year business plan drawn up by Management and approved by the Board of Directors, as well as of the assumptions used by Management beyond the three-year period to prepare projected tax results;
- obtained an understanding of the projected temporary differences over a three-year period;
- analyzed the sensitivity of these assumptions in the event of adverse scenarios defined by the Société Générale Group;
- analyzed the situation of the Société Générale Group, notably by taking note of the opinions of its external tax advisers regarding its tax loss carryforwards in France, partly challenged by the tax authorities;
- examined the information provided by the Group, concerning deferred tax assets, disclosed in Notes 6 "Income tax" and 9 "Information on risks and litigation" to the consolidated financial statements.

PORTFOLIO-BASED INTEREST RATE RISK FAIR VALUE HEDGING OF OUTSTANDINGS OF THE RETAIL BANKING NETWORKS IN FRANCE

Risk identified

To manage the interest rate risk generated by its retail banking activities in France in particular, the Société Générale Group manages a hedging derivatives portfolio to hedge its net interest rate position.

The Group documents these portfolio-based interest rate risk fair value hedging transactions ("macro-hedging") in its accounts in accordance with IAS 39 as adopted in the European Union, as presented in Note 3.2 "Financial derivatives" to the consolidated financial statements.

This documentation and the accounting treatment are only possible if certain criteria are met, in particular: designation and documentation at inception of the hedging relationship, eligibility of hedging and hedged instruments, demonstration of the hedge effectiveness, measurement of effectiveness. Pursuant to IAS 39 as adopted in the European Union, the documentation of hedging relationships compares:

- the gross outstandings designated for the hedging relationship (identification of eligible financial assets and eligible financial liabilities, for which maturities have been broken down according to the assumptions made by Management as described in Note 10 "Management of financial instruments related risks" to the consolidated financial statements), on the one hand;
- the nominal amounts of the corresponding hedging transactions, broken down by maturity, on the other hand.

In 2019, the Société Générale Group evolved its interest rate risk management of the fair value hedging strategy, to reflect in particular changes in its portfolio of customer deposits of retail banking networks in France in relation to the current interest rate environment, as presented in Note 3.2 "Financial derivatives" to the consolidated financial statements. This change led to a substantial increase in the commitments of interest rate derivatives hedging portfolios of liabilities.

The "macro-hedge" accounting of retail banking transactions in France requires Management to exercise judgment regarding in particular:

- the identification of eligible hedging and hedged items;
- the criteria adopted to schedule the outstandings' maturities by including behavioral criteria;
- and the performance of effectiveness tests and calculations.

As at December 31, 2019, the fair value of the derivatives instruments hedging portfolios of liabilities totaled 12,466 M€ in assets and 5,600 M€ in liabilities, and the revaluation differences on portfolios hedged against interest rate risk totaled 401 M€ in assets and 6,671 M€ in liabilities.

Considering the documentation requirements for "macro-hedging" relationships, the volume of hedging derivative transactions and the use of Management judgment required, we consider the accounting treatment of portfolio-based interest rate risk fair value hedging of outstandings of the retail banking networks in France to be a key audit matter.

Our response

Our audit procedures in response to the risk relating to the accounting treatment of portfolio-based interest rate risk fair value hedging of outstandings ("macro-hedging") consisted in obtaining an understanding of the procedures used to manage the structural interest rate risk, and reviewing the control environment set up by Management in particular for the documentation, identification and eligibility of hedged and hedging items, as well as for the performance of effectiveness tests.

With the support of financial modelling experts, where necessary, our work mainly consisted in:

- reviewing the accounting documentation of the hedging relationships;
- testing the eligibility of the financial assets and liabilities used by the Group for the portfolio-based interest rate risk fair value hedge accounting, according to the terms and conditions defined by IAS 39 as adopted in the European Union;
- examining the procedures used to prepare and control the criteria adopted to schedule the maturities of the hedged financial instruments, particularly with regard to the adopted maturities of the eligible financial liabilities;

- assessing the procedures used to determine the effectiveness of these hedging relationships, as well as the related governance;
- analyzing the results of prospective and retrospective tests required by the applicable accounting framework;
- performing recalculations on the portfolio of financial instruments eligible for portfolio-based interest rate risk fair value hedging;
- reviewing the qualitative and quantitative information disclosed in the notes to the consolidated financial statements and their compliance with IFRS 7 "Financial instruments: Disclosures".

CREDIT RISK APPRAISAL AND ASSESSMENT OF IMPAIRMENT FOR CUSTOMER LOANS

Risk identified

Customer loans and receivables carry a credit risk which exposes Société Générale Group to a potential loss if its client or counterparty is unable to meet its financial commitments. The Société Générale Group recognizes impairment to cover this risk.

Such impairment is calculated according to IFRS 9 "Financial instruments" principles, based on the expected credit losses calculation.

The assessment of expected credit losses for customer loans requires the exercise of judgment notably to:

- determine the loan classification criteria under stage 1, stage 2 or stage 3;
- estimate the amount of expected credit losses depending on the different stages;
- prepare macro-economic projections which are embedded in the deterioration criteria and in the expected credit losses measurement.

The qualitative information concerning in particular the recognition and procedure used to estimate expected credit losses are mainly described in Note 3.8 "Impairment and provisions" to the consolidated financial statements.

As at December 31, 2019, total customer loan outstandings exposed to credit risk totaled 460,587 M€; the impairment and provisions totaled 10,727 M€.

We considered the assessment of the credit risk and the measurement of impairment to be a key audit matter, as they require Management to exercise judgement and make estimates, particularly concerning the credit risk on the financing granted to companies in the most sensitive economic sectors and geographical areas, while the loans may represent significant amounts.

Our response

With the support of specialists in risk management and modelling included in the audit team, we focused our work on the most significant loans and/or portfolios of loans to clients, as well as on the financing granted to companies in the most sensitive economic sectors and geographical areas.

We obtained an understanding of the Société Générale Group's internal control and tested the manual and automated key controls relating to the assessment of the credit risk and the measurement of the expected losses.

Concerning impairment, our audit work notably consisted in:

- examining the compliance of policies and methodologies implemented by the Group and declined within the different business units, with IFRS 9 "Financial instruments";
- obtaining an understanding of the governance plan and testing the key controls set up at Group level;

- performing tests on a selection of models implemented in the information systems which are used to prepare financial information;
- performing a counter-calculation of the expected credit losses on a selection of stage 1 and stage 2 portfolios as at December 31, 2019 in order to assess the correct calibration of the models;
- analyzing the main parameters used by the Société Générale Group to classify outstandings and assess stages 1 and 2 impairment calculation as at December 31, 2019, including the integration of macro-economic projections;
- testing, as at December 31, 2019, in particular on a selection of the most significant loans to corporate clients, the main assumptions used to classify loans in stage 3, as well as the estimation of the related individual impairment.

We also examined the qualitative and quantitative disclosures in the notes to the consolidated financial statements relating to credit risk, and in particular the information required by IFRS 7 "Financial instruments: Disclosures".

VALUATION OF COMPLEX FINANCIAL INSTRUMENTS

Risk identified

Within the scope of its market activities, the Société Générale Group holds financial instruments for trading purposes. As at December 31, 2019, total amounts of 385,739 M€ and 364,129 M€ were recorded in assets and liabilities, respectively, on the Société Générale Group's balance sheet.

To determine the fair value of complex instruments, the Group uses techniques or in-house valuation models based on parameters and data, some of which are not observable in the market, which can differ the recognition of the margin in the income statement for transactions involving such financial instruments, as stated in Note 3.4 "Fair value of financial instruments measured at fair value" to the consolidated financial statements. If necessary, these valuations include additional reserves or value adjustments. The models and data used to value these instruments, and their classification under the fair value hierarchy, are based on management's judgment and estimates.

Given the exercise of judgment in determining the fair value, the complexity of the modelling of the latter and the multiplicity of models used, we consider the valuation of complex financial instruments to be a key audit matter.

Our response

Our audit approach is based on the key internal control processes related to the valuation of complex financial instruments.

With the support of experts in the valuation of financial instruments included in the audit team, we designed an approach including the following main stages:

- we obtained an understanding of the procedure to authorize and validate new products and their valuation models, including the process for the entry of these models in the information systems;
- we analyzed the governance set up by the Risk Department for the control of the valuation models;
- based on samples, we specifically analyzed the valuation formulas for certain categories of complex instruments and the relating value adjustments;
- we tested the key controls relating to the independent verification of the valuation parameters, and analyzed certain market parameters used to provide input for the valuation models;
- as regards the process used to explain the changes in fair value, we obtained an understanding of the bank's analysis principles and

performed tests of controls; in addition, we performed “analytical” IT procedures on the daily control data relating to certain activities;

- we obtained the quarterly results of the independent price verification process performed on the valuation models using external market data, and analyzed the differences in parameters with the market data in the event of a significant impact, and the accounting treatment of such differences;
- we performed counter-valuations of a selection of complex derivative financial instruments using our tools;
- we analyzed the observability criteria, among others, used to determine the fair value hierarchy of such instruments, and to estimate deferred margin amounts;
- we examined the compliance of the methods underlying the estimates with the principles described in Note 3.4 “Fair value of financial instruments measured at fair value” to the consolidated financial statements.

INFORMATION TECHNOLOGY RISK ON DERIVATIVE FINANCIAL INSTRUMENTS AND STRUCTURED BONDS ISSUED

Risk identified

The Société Générale Group's derivative financial instruments and structured bonds issued constitute an important activity within the bank's market activities, as illustrated by the significance of the net positions of derivative financial instruments in the transaction portfolio in Note 3.2 “Financial derivatives” to the consolidated financial statements.

This activity is highly complex given the nature of the financial instruments processed, the volume of transactions, and the use of numerous interfaced information systems.

The risk of occurrence of a significant misstatement in the accounts related to an incident in the data processing chains used or the recording of transactions until their transfer into the accounting system may result from:

- changes made to management and financial information by unauthorized persons via the information systems or underlying databases;
- a failure in processing or in the transfer of data between systems;
- a service interruption or an operating incident which may or may not be related to internal or external fraud.

In this context, the monitoring by the Société Générale Group of controls linked to the management of the information systems relating to the derivative financial instruments and structured bonds issued is essential for the reliability of the accounts.

As such, we considered the information technology risk on derivative financial instruments and structured bonds issued to be a key audit matter.

Our response

Our audit approach for this activity is based on the controls related to the management of the information systems set up by Société Générale Group. With the support of specialists in information systems included in the audit team, we tested the IT general controls of the applications that we considered to be key for this activity.

Our work concerned, in particular:

- the controls set up by the Société Générale Group on access rights, notably at sensitive periods in a professional career (recruitment, transfer, resignation, end of contract) with, where applicable, extended audit procedures in the event of ineffective control identified during the financial year;
- potential privileged access to applications and infrastructure;

- change management relating to applications, and more specifically the separation between development and business environments;
- security policies in general and their deployment in IT applications (for example, those related to passwords);
- handling of IT incidents during the audit period;
- governance and the control environment on a sample of applications.

For these same applications, and in order to assess the transfer of information flows, we tested the key application controls relating to the automated interfaces between the systems.

Furthermore, our tests of the IT general controls and application controls were supplemented by data analytics work on certain IT applications.

Specific Verifications

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by laws and regulations on the information relating to the Group presented in the Board of Directors' management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

We attest that the consolidated non-financial performance statement provided for in Article L.225-102-1 of the French Commercial Code (*Code de commerce*) is included in the information relating to the Group presented in the management report, it being specified that, in accordance with Article L.823-10 of the said Code, we have not verified the fairness of the information contained in this statement or its consistency with the consolidated financial statements that must be verified in a report by an independent third party.

Report on Other Legal and Regulatory Requirements

APPOINTMENT OF THE STATUTORY AUDITORS

We were appointed as statutory auditors of Société Générale by the Annual General Meeting held on April 18, 2003 for DELOITTE & ASSOCIÉS and on May 22, 2012 for ERNST & YOUNG et Autres.

As at December 31, 2019, DELOITTE & ASSOCIÉS was in the seventeenth year of total uninterrupted engagement and ERNST & YOUNG et Autres in the eighth year.

Previously, ERNST & YOUNG Audit was the statutory auditor of Société Générale from 2000 to 2011.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit and Internal Control Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

OBJECTIVE AND AUDIT APPROACH

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L.823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the statutory auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the statutory auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- Evaluates the overall presentation of the consolidated financial statements and assesses whether these consolidated statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The statutory auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

REPORT TO THE AUDIT AND INTERNAL CONTROL COMMITTEE

We submit to the Audit and Internal Control Committee a report which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit and Internal control Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit and Internal Control Committee with the declaration provided for in Article 6 of Regulation (EU) No 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L.822-10 to L.822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for statutory auditors. Where appropriate, we discuss with the Audit and Internal Control Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Paris-La Défense, March 12, 2020

The Statutory Auditors

French original signed by

ERNST & YOUNG et Autres
Micha MISSAKIAN

DELOITTE & ASSOCIÉS
Jean-Marc MICKELER

APPENDIX 6 – A BRIEF GUIDE TO CREDIT RATINGS

Information set out in this Appendix 6 is based on, extracted or reproduced from the website of S&P at <https://www.spglobal.com/ratings/en/> and the website of Moody's at <https://www.moodys.com>, as at the day immediately preceding the date of this base listing document. Information appearing on those websites does not form part of this base listing document, and we accept no responsibility for the accuracy or completeness of the information appearing on those websites, except that we have accurately extracted and reproduced such information in this Appendix 6 and take responsibility for such extraction and reproduction. We have not separately verified such information. There can be no assurance that such information will not be revised by the relevant rating agency in the future and we have no responsibility to notify you of such change. If you are unsure about any information provided in this Appendix 6 and/or what a credit rating means, you should seek independent professional advice.

What is a credit rating?

A credit rating is a forward looking opinion by a credit rating agency of a company's overall ability to meet its financial obligations. The focus is on the company's capacity to pay its debts as they become due. The rating does not necessarily apply to any specific obligation.

What do the credit ratings mean?

Below are guidelines issued by Moody's and S&P on what each of their investment-grade ratings means as at the day immediately preceding the date of this base listing document.

Moody's long-term ratings definitions

Aaa

Obligations rated Aaa are judged to be of the highest quality, subject to the lowest level of credit risk.

Aa

Obligations rated Aa are judged to be of high quality and are subject to very low credit risk.

A

Obligations rated A are judged to be upper-medium grade and are subject to low credit risk.

Baa

Obligations rated Baa are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

Modifiers "1", "2" and "3"

Moody's appends numerical modifiers 1, 2 and 3 to each of the above generic rating classifications (except for Aaa). The modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Please refer to <https://www.moodys.com/Pages/amr002002.aspx> for further details.

S&P long-term issuer credit ratings

AAA

An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by S&P.

AA

An obligor rated 'AA' has very strong capacity to meet its financial commitments.

A

An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat susceptible to adverse economic conditions and changes in circumstances.

BBB

An obligor rated 'BBB' has adequate capacity to meet its financial commitments, but is more subject to adverse economic conditions.

Plus (+) or minus (-)

The above ratings (except for 'AAA') may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Please refer to <https://www.spglobal.com/ratings/en/about/understanding-ratings> for further details.

Rating Outlooks

A rating outlook indicates the potential direction of a long-term credit rating over the intermediate term (for example, this is typically six months to two years for S&P). A rating outlook issued by Moody's or S&P will usually indicate whether the potential direction is likely to be "positive", "negative", "stable" or "developing". Please refer to the abovementioned websites of the relevant credit rating agencies for further details regarding rating outlooks published by the relevant credit rating agencies.

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